

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

## SCHEDULES

### SCHEDULE 1

Section 16.

#### RATES OF DUTY WHERE POLLUTION REDUCED

##### *Meaning of “the 1994 Act”*

- 1 In this Schedule “the 1994 Act” means the <sup>M1</sup>Vehicle Excise and Registration Act 1994.

##### **Marginal Citations**

**M1** 1994 c. 22.

##### *Certificates as to reduced pollution*

- 2 The following section shall be inserted after section 61A of the 1994 Act—

##### **“61B Certificates as to reduced pollution.**

- (1) The Secretary of State may by regulations make provision—
- (a) for the making of an application to the Secretary of State for the issue in respect of an eligible vehicle of a reduced pollution certificate;
  - (b) for the manner in which any determination of whether to issue such a certificate on such an application is to be made;
  - (c) for the examination of an eligible vehicle, for the purposes of the determination mentioned in paragraph (b), by such persons, and in such manner, as may be prescribed;
  - (d) for a fee to be paid for such an examination;
  - (e) for a reduced pollution certificate to be issued in respect of an eligible vehicle if, and only if, it is found, on a prescribed examination, that the reduced pollution requirements are satisfied with respect to it;
  - (f) for the form and content of such a certificate;
  - (g) for such a certificate to be valid for such period as the Secretary of State may determine;
  - (h) for the revocation, cancellation or surrender of such a certificate before the end of any such period;
  - (i) for the Secretary of State to be entitled to require the return to him of such a certificate that has been revoked;
  - (j) for the fact that such a certificate is, or is not, in force in respect of a vehicle to be treated as having conclusive effect for the purposes of this Act as to such matters as may be prescribed;

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- (k) for the Secretary of State to be entitled, in prescribed cases, to require the production of such a certificate before making a determination for the purposes of section 7(5); and
  - (l) for appeals against any determination not to issue such a certificate.
- (2) For the purposes of this Act, the reduced pollution requirements are satisfied with respect to a vehicle at any time if, as a result of adaptations of the prescribed description having been made to the vehicle after the prescribed date, the prescribed requirements are satisfied at that time with respect to the rate and content of the vehicle's emissions.
- (3) Without prejudice to the generality of subsection (1), for the purpose of enabling the Secretary of State to determine whether the reduced pollution requirements are satisfied at any time with respect to a vehicle in respect of which a reduced pollution certificate is in force, regulations under this section—
- (a) may authorise such person as may be prescribed to require the vehicle to be re-examined in accordance with the regulations;
  - (b) may provide for a fee to be paid for such a re-examination;
  - (c) may provide for the refund of such a fee if it is found, on the prescribed re-examination, that the reduced pollution requirements are satisfied with respect to the vehicle.
- (4) In this section “eligible vehicle” means—
- (a) a bus, as defined in paragraph 3(2) of Schedule 1;
  - (b) a vehicle to which paragraph 6 of Schedule 1 applies;
  - (c) a haulage vehicle, as defined in paragraph 7(2) of Schedule 1, other than a showman's vehicle; or
  - (d) a goods vehicle, other than one falling within paragraph 9(2) or 11(2) of Schedule 1.
- (5) In this section “prescribed” means prescribed by regulations made by the Secretary of State.”

#### *Buses*

- 3 (1) In sub-paragraph (1) of paragraph 3 of Schedule 1 to the 1994 Act (annual rates of vehicle excise duty for buses), after “bus” there shall be inserted “ with respect to which the reduced pollution requirements are not satisfied ”.
- (2) After that sub-paragraph there shall be inserted the following sub-paragraph—
- “(1A) The annual rate of vehicle excise duty applicable to a bus with respect to which the reduced pollution requirements are satisfied is the general rate specified in paragraph 1(2).”
- (3) In sub-paragraph (6) of that paragraph, for “which falls” there shall be substituted “which—
- (a) is not a vehicle with respect to which the reduced pollution requirements are satisfied; and
  - (b) falls”.

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#### Commencement Information

- II** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

#### *Special vehicles*

- 4 In paragraph 4(7) of that Schedule (annual rates of vehicle excise duty for special vehicles), for “which falls” there shall be substituted “which—
- (a) is not a vehicle with respect to which the reduced pollution requirements are satisfied; and
  - (b) falls”.

#### Commencement Information

- I2** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

#### *Recovery vehicles*

- 5 In paragraph 5(6) of that Schedule (annual rates of vehicle excise duty for recovery vehicles), for “which falls” there shall be substituted “which—
- (a) is not a vehicle with respect to which the reduced pollution requirements are satisfied; and
  - (b) falls”.

#### Commencement Information

- I3** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

#### *Vehicles used for exceptional loads*

- 6 (1) In paragraph 6 of that Schedule (annual rates of vehicle excise duty for vehicles used for exceptional loads), in sub-paragraph (2), for “the heavy tractive unit rate” there shall be substituted “the rate specified in sub-paragraph (2A).”
- (2) After that sub-paragraph there shall be inserted the following sub-paragraph—
- “(2A) The rate referred to in sub-paragraph (2) is—
- (a) in the case of a vehicle with respect to which the reduced pollution requirements are not satisfied, £5,170; and
  - (b) in the case of a vehicle with respect to which those requirements are satisfied, £4,670.”
- (3) Sub-paragraph (3A) of that paragraph shall cease to have effect.

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**Commencement Information**

- I4** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

*Haulage vehicles*

- 7 (1) In paragraph 7 of that Schedule (annual rates of vehicle excise duty for haulage vehicles), in sub-paragraph (1)(b), for “the general haulage vehicle rate” there shall be substituted “ the rate specified in sub-paragraph (3A) ”.
- (2) In sub-paragraph (3) of that paragraph, for “which falls” there shall be substituted “which—
- (a) is not a vehicle with respect to which the reduced pollution requirements are satisfied; and
  - (b) falls”.
- (3) After that sub-paragraph there shall be inserted the following sub-paragraph—
- “(3A) The rate referred to in sub-paragraph (1)(b) is—
- (a) in the case of a vehicle with respect to which the reduced pollution requirements are not satisfied, £350; and
  - (b) in the case of a vehicle with respect to which those requirements are satisfied, the general rate specified in paragraph 1(2).”
- (4) Sub-paragraphs (4), (5) and (6) of that paragraph shall cease to have effect.

**Commencement Information**

- I5** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

*Rigid goods vehicles*

- 8 (1) In sub-paragraph (1) of paragraph 9 of that Schedule (annual rates of vehicle excise duty for rigid goods vehicles), after “which” there shall be inserted “ is not a vehicle with respect to which the reduced pollution requirements are satisfied and which ”.
- (2) In sub-paragraph (3) of that paragraph, for the words from “which has” to the end of the sub-paragraph there shall be substituted “which—
- (a) is not a vehicle with respect to which the reduced pollution requirements are satisfied,
  - (b) has a revenue weight exceeding 44,000 kilograms, and
  - (c) is not an island goods vehicle,
- shall be £5,170. ”
- (3) In sub-paragraph (4) of that paragraph, for “which falls” there shall be substituted “which—
- (a) is not a vehicle with respect to which the reduced pollution requirements are satisfied; and

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(b) falls”.

(4) Sub-paragraph (5) of that paragraph shall cease to have effect.

**Commencement Information**

**I6** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

9 After that paragraph there shall be inserted the following paragraphs—

“9A (1) This paragraph applies to a rigid goods vehicle which—

- (a) is a vehicle with respect to which the reduced pollution requirements are satisfied;
- (b) is not a vehicle for which the annual rate of vehicle excise duty is determined under paragraph 9(2); and
- (c) has a revenue weight exceeding 3,500 kilograms.

(2) Subject to sub-paragraph (3), the annual rate of vehicle excise duty applicable to a rigid goods vehicle to which this paragraph applies shall be determined in accordance with the table set out in paragraph 9B by reference to—

- (a) the revenue weight of the vehicle, and
- (b) the number of axles on the vehicle.

(3) The annual rate of vehicle excise duty applicable to a rigid goods vehicle to which this paragraph applies which has a revenue weight exceeding 44,000 kilograms shall be £4,670.

9B That table is as follows—

**Commencement Information**

**I7** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

10 In paragraph 10 of that Schedule (the trailer supplement), in sub-paragraph (1), for “paragraph 9” there shall be substituted “ paragraphs 9 and 9A ”.

**Commencement Information**

**I8** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

*Tractive units*

11 (1) In sub-paragraph (1) of paragraph 11 of that Schedule (annual rates of vehicle excise duty for tractive units), after “which” there shall be inserted “ is not a vehicle with respect to which the reduced pollution requirements are satisfied and which ”.

(2) In sub-paragraph (3) of that paragraph, for the words from “which has” to the end of the sub-paragraph there shall be substituted “which—

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- (a) is not a vehicle with respect to which the reduced pollution requirements are satisfied,
- (b) has a revenue weight exceeding 44,000 kilograms, and
- (c) is not an island goods vehicle,

shall be £5,170.”

(3) In sub-paragraph (4) of that paragraph, for “which falls” there shall be substituted “which—

- (a) is not a vehicle with respect to which the reduced pollution requirements are satisfied; and
- (b) falls”.

(4) Sub-paragraph (5) of that paragraph shall cease to have effect.

**Commencement Information**

**I9** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

12 After that paragraph there shall be inserted the following paragraphs—

“11A(1) This paragraph applies to a tractive unit which—

- (a) is a vehicle with respect to which the reduced pollution requirements are satisfied;
- (b) is not a vehicle for which the annual rate of vehicle excise duty is determined under paragraph 11(2); and
- (c) has a revenue weight exceeding 3,500 kilograms.

(2) Subject to sub-paragraph (3), the annual rate of vehicle excise duty applicable to a tractive unit to which this paragraph applies shall be determined, in accordance with the table set out in paragraph 11B, by reference to—

- (a) the revenue weight of the tractive unit,
- (b) the number of axles on the tractive unit, and
- (c) the types of semi-trailers, distinguished according to the number of their axles, which are to be drawn by it.

(3) The annual rate of vehicle excise duty applicable to a tractive unit to which this paragraph applies which has a revenue weight exceeding 44,000 kilograms shall be £4,670.”

“11B That table is as follows—

**Commencement Information**

**I10** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

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### Other amendments

- 13 In section 15 of the 1994 Act (vehicles becoming chargeable to duty at higher rate), after subsection (2) there shall be inserted the following subsection—

“(2A) For the purposes of subsection (1) a vehicle is also used so as to subject it to a higher rate if—

- (a) the rate of vehicle excise duty paid on a vehicle licence taken out for the vehicle was the rate applicable to a vehicle of the same description with respect to which the reduced pollution requirements are satisfied, and
- (b) while the licence is in force, the vehicle is used at a time when those requirements are not satisfied with respect to it.”

#### Commencement Information

- I11** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

- 14 In section 16 of the 1994 Act (exceptions from charge at higher rate in case of tractive units), at the beginning of subsection (1) there shall be inserted “Subject to subsection (9)” and after subsection (7) there shall be inserted the following subsections—

“(8) This subsection applies to a tractive unit (“the relevant tractive unit”) in relation to which subsection (2), (4) or (6) applies if—

- (a) the rate of duty paid on taking out the licence for the relevant tractive unit is the rate applicable to a tractive unit of the appropriate description with respect to which the reduced pollution requirements are satisfied; and
- (b) while the licence is in force, the relevant tractive unit is used at a time when the reduced pollution requirements are not satisfied with respect to it.

(9) Where subsection (8) applies, subsection (1) does not prevent duty becoming payable under section 15 at the rate applicable to a tractive unit of the appropriate description with respect to which the reduced pollution requirements are not satisfied.

(10) In this section “the appropriate description” means the description mentioned in paragraph (b) of whichever of subsections (2), (4) and (6) applies in relation to the relevant tractive unit.”

#### Commencement Information

- I12** Sch. 1 partly in force; Sch. 1 paras. 1, 2, 15-17 in force at Royal Assent see Sch. 1 para. 17(2); Sch. 1 paras. 3-14 in force for specified purposes at 1.1.1999 by S.I. 1998/3092, art. 2

- 15 In section 45 of the 1994 Act (offences relating to false or misleading declarations and information), in subsections (3A) and (3B), after “section 61A” there shall be inserted “ or 61B ”.

- 16 (1) Paragraph 22 of Schedule 2 to that Act (exemption in relation to vehicle testing) shall be amended as follows.

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- (2) In sub-paragraph (1)—
- (a) in paragraph (a), for “or a vehicle weight test” there shall be substituted “, a vehicle weight test or a reduced pollution test”; and
  - (b) in paragraph (b), for “a compulsory test or a vehicle weight test” there shall be substituted “ any such test ”.
- (3) In sub-paragraph (2), after “vehicle weight test” there shall be inserted “, a reduced pollution test”.
- (4) In sub-paragraph (2A), after “compulsory test”, in each place it occurs, there shall be inserted “ or a reduced pollution test ”.
- (5) In sub-paragraph (3), after “compulsory test” there shall be inserted “, or a reduced pollution test, ”.
- (6) After sub-paragraph (6A) there shall be inserted the following sub-paragraph—
- “(6AA) In this paragraph “a reduced pollution test” means any examination of a vehicle for which provision is made by regulations under section 61B of this Act.”
- (7) In sub-paragraph (6B), for “or vehicle weight test” there shall be substituted “, a vehicle weight test or a reduced pollution test”.
- (8) In sub-paragraphs (8) and (9), the word “or” shall be inserted at the end of paragraphs (a) and (c) and after paragraph (c) there shall be inserted the following paragraph—
- “(d) a certificate issued by virtue of section 61B of this Act.”

#### *Commencement*

- 17 (1) Subject to sub-paragraph (2) below, the preceding provisions of this Schedule shall come into force in relation to licences issued on or after such day as the Secretary of State may by order made by statutory instrument appoint; and different days may be appointed under this sub-paragraph for different purposes.
- (2) Paragraphs 1, 2, 15 and 16 above come into force with the passing of this Act.

#### **Subordinate Legislation Made**

**P1** [Sch. 1 para. 17\(1\)](#) power partly exercised (9.12.1998): 1.1.1999 appointed for specified purposes by [S.I. 1998/3092](#), [art. 2](#)

## SCHEDULE 2

Section 20.

### ASSESSMENTS FOR EXCISE DUTY PURPOSES

#### *Alcoholic Liquor Duties Act 1979 (c.4)*

- 1 In section 8 of the Alcoholic Liquor Duties Act 1979 (remission of duty in respect of spirits used for medical or scientific purposes) the following subsections shall be inserted after subsection (2)—



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- “(3) Subsection (4) below applies if—
- (a) spirits are received and delivered in accordance with subsection (1) above,
  - (b) they are not used as proposed, and
  - (c) it is not shown to the satisfaction of the Commissioners that they can be accounted for by natural waste or other legitimate cause.
- (4) In such a case the Commissioners—
- (a) may assess as being excise duty due from the person concerned an amount equal to the duty that would have been chargeable on the spirits if, at the time of delivery from warehouse, they had been delivered for home use and otherwise than in accordance with subsection (1) above, and
  - (b) may notify him or his representative accordingly.”
- 2 In section 10 of the Alcoholic Liquor Duties Act 1979 (remission of duty on spirits for use in art or manufacture) the following subsections shall be inserted after subsection (2)—
- “(3) Subsection (4) below applies if—
- (a) spirits are received and delivered in accordance with subsection (1) above,
  - (b) they are not used as proposed, and
  - (c) it is not shown to the satisfaction of the Commissioners that they can be accounted for by natural waste or other legitimate cause.
- (4) In such a case the Commissioners—
- (a) may assess as being excise duty due from the person concerned an amount equal to the duty that would have been chargeable on the spirits if, at the time of delivery from warehouse, they had been delivered for home use and otherwise than in accordance with subsection (1) above, and
  - (b) may notify him or his representative accordingly.”
- 3 (1) Section 11 of the Alcoholic Liquor Duties Act 1979 (relief from duty on imported goods not for human consumption containing spirits) shall be amended as follows.
- (2) At the beginning there shall be inserted “ (1) ”.
- (3) At the end there shall be inserted—
- “(2) Subsection (3) below applies if—
- (a) the Commissioners make a direction under subsection (1) above, but
  - (b) it turns out that the goods were for human consumption.
- (3) In such a case the Commissioners—
- (a) may assess as being excise duty due from the relevant person an amount equal to the duty that would have been chargeable on the goods if the direction had not been made, and
  - (b) may notify him or his representative accordingly.
- (4) The reference in subsection (3) above to the relevant person is to the importer or (if different) the person who sought the direction.”

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*Hydrocarbon Oil Duties Act 1979 (c.5)*

- 4 (1) Section 13AB of the Hydrocarbon Oil Duties Act 1979 (misuse of kerosene) shall be amended as follows.
- (2) For subsection (1)(a) there shall be substituted—
- “(a) in respect of the quantity of kerosene used the Commissioners may assess as being excise duty due from him an amount equal to duty on the same quantity of gas oil at the rate for rebated gas oil which is in force at the time of the contravention, and they may notify him or his representative accordingly;”.
- (3) For subsection (2)(a) there shall be substituted—
- “(a) in respect of the quantity of kerosene taken into the fuel supply the Commissioners may assess as being excise duty due from him an amount equal to duty on the same quantity of gas oil at the rate for rebated gas oil which is in force at the time of the contravention, and they may notify him or his representative accordingly;”.

*Tobacco Products Duty Act 1979 (c.7)*

- 5 In section 8 of the Tobacco Products Duty Act 1979 (charge in cases of default) in subsection (2)—
- (a) for “require him to pay duty” there shall be substituted “ assess an amount as duty due from him ”;
- (b) at the end there shall be inserted , and they may notify him or his representative accordingly.

VALID FROM 01/09/2008

*Finance (No. 2) Act 1992 (c.48)*

- 6 (1) Section 2 of the Finance (No. 2) Act 1992 (power to provide for drawback of excise duty) shall be amended as follows.
- (2) In subsection (3) (cancellation of drawback) paragraph (b) and the word “and” immediately preceding it shall be omitted.
- (3) After subsection (3) there shall be inserted—
- “(3A) If entitlement to drawback is cancelled under any provision contained in regulations by virtue of subsection (3) above the Commissioners—
- (a) may assess as being excise duty due from the prescribed person an amount equal to sums paid or credited to any person in respect of the drawback, and
- (b) may notify the prescribed person or his representative accordingly.
- (3B) The reference in subsection (3A) above to the prescribed person is to such person as may be prescribed for the purposes of the subsection by regulations under this section.”

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*Finance Act 1994 (c.9)*

- 7 In section 12 of the Finance Act 1994 (assessment to excise duty) after subsection (1) there shall be inserted—
- “(1A) Subject to subsection (4) below, where it appears to the Commissioners—
- (a) that any person is a person from whom any amount has become due in respect of any duty of excise; and
  - (b) that the amount due can be ascertained by the Commissioners, the Commissioners may assess the amount of duty due from that person and notify that amount to that person or his representative.”
- 8 (1) In section 12A of the Finance Act 1994 (other assessments relating to excise duty matters) subsection (3) (amount assessed deemed to be duty due) shall be amended as follows.
- (2) At the end of paragraph (b) the word “or” shall be omitted and after that paragraph there shall be inserted—
- “(bb) section 8, 10 or 11 of the Alcoholic Liquor Duties Act 1979.”.
- (3) In paragraph (c) after “13,” there shall be inserted “ 13AB, ” and after that paragraph there shall be inserted—
- “(d) section 8 of the Tobacco Products Duty Act 1979, or
  - (e) section 2 of the Finance (No. 2) Act 1992.”.

**Commencement Information**

**I13** Sch. 2 para. 8 partly in force; Sch. 2 para. 8 not in force at Royal Assent see Sch. 2 para. 12; Sch. 2 para. 8(1)(2) in force and Sch. 2 para. 8(3) in force for specified purposes at 1.10.1998 by S.I. 1998/2243, art. 2(2)(b)

- 9 (1) In section 12B of the Finance Act 1994, subsection (2) (meaning of relevant time) shall be amended as follows.
- (2) After paragraph (e) there shall be inserted—
- “(ea) in the case of an assessment under section 8 or 10 of the Alcoholic Liquor Duties Act 1979, the time of delivery from warehouse;
  - (eb) in the case of an assessment under section 11 of that Act, the time when the direction was made;”.
- (3) In paragraph (f) after “13,” there shall be inserted “ 13AB, ”.
- (4) After paragraph (g) there shall be inserted—
- “(ga) in the case of an assessment under section 8 of the Tobacco Products Duty Act 1979, the time when the Commissioners are satisfied of a failure to prove as mentioned in subsection (2)(a) or (b) of that section;
  - (gb) in the case of an assessment under section 2 of the Finance (No. 2) Act 1992, the time when the sums were paid or credited in respect of the drawback;”.

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#### Commencement Information

**I14** Sch. 2 para. 9 partly in force; Sch. 2 para. 9 not in force at Royal Assent see Sch. 2 para. 12; Sch. 2 para. 9(1)-(3) in force and Sch. 2 para. 9(4) in force for specified purposes at 1.10.1998 by S.I. 1998/2243, art. 2(2)(b)

- 10 In section 14 of the Finance Act 1994 (requirement for review of a decision) in subsection (1)(ba)—
- (a) for “or” (occurring after “Management Act”) there shall be substituted “, section 8, 10 or 11 of the Alcoholic Liquor Duties Act 1979, ”;
  - (b) after “13,” there shall be inserted “ 13AB, ”;
  - (c) after “Hydrocarbon Oil Duties Act 1979,” there shall be inserted “ section 8 of the Tobacco Products Duty Act 1979, section 2 of the Finance (No. 2) Act 1992, ”.

#### Commencement Information

**I15** Sch. 2 para. 10 partly in force; Sch. 2 para. 10 not in force at Royal Assent see Sch. 2 para. 12; Sch. 2 para. 10(a)(b) in force and Sch. 2 para. 10(c) in force for specified purposes at 1.10.1998 by S.I. 1998/2243, art. 2(2)(b)

- 11 In section 16 of the Finance Act 1994 (appeals to a tribunal) there shall be inserted after subsection (3)—
- “(3A) Subsection (3) above shall not apply if the appeal arises out of an assessment under section 8, 10 or 11 of the Alcoholic Liquor Duties Act 1979.”

#### Commencement

- 12 This Schedule shall come into force on such day as the Commissioners of Customs and Excise may by order made by statutory instrument appoint; and different days may be appointed under this paragraph for different purposes.

#### Subordinate Legislation Made

**P2** Sch. 2 para. 12 power partly exercised (14.9.1998): 1.10.1998 appointed for specified provisions by S.I. 1998/2243, art. 2

### SCHEDULE 3

Section 31.

#### ADVANCE CORPORATION TAX

#### *Section 1 of the Provisional Collection of Taxes Act 1968*

- 1 (1) Section 1 of the <sup>M2</sup>Provisional Collection of Taxes Act 1968 (temporary statutory effect of House of Commons resolutions) shall be amended as follows.

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

(2) In subsection (1) the words “(including advance corporation tax)” shall cease to have effect.

(3) This paragraph has effect in relation to distributions made on or after 6th April 1999.

**Marginal Citations**

**M2** 1968 c. 2.

*Section 10 of the Taxes Management Act 1970*

2 (1) Section 10 of the <sup>M3</sup>Taxes Management Act 1970 (notice of liability to corporation tax) shall be amended as follows.

(2) Subsection (4) (which makes provision in relation to surplus ACT) shall cease to have effect.

(3) This paragraph has effect in relation to accounting periods beginning on or after 6th April 1999.

**Marginal Citations**

**M3** 1970 c. 9.

*Section 87 of the Taxes Management Act 1970*

3 (1) Section 87 of the <sup>M4</sup>Taxes Management Act 1970 (interest on overdue ACT and income tax on company payments) shall be amended as follows.

(2) In subsection (1) (which contains a reference to Schedule 13) the words “13 or” shall cease to have effect.

(3) In subsection (2), paragraph (a) (which concerns ACT) shall cease to have effect.

(4) In subsection (6) (which contains a reference to Schedule 13) the words “13 or” shall cease to have effect.

(5) In subsection (7)—

(a) the words “advance corporation tax and” shall cease to have effect; and

(b) for “either of those Schedules” there shall be substituted “ the said Schedule 16 ”.

(6) This paragraph has effect in relation to accounting periods beginning on or after 6th April 1999.

**Marginal Citations**

**M4** 1970 c. 9.

*Status: Point in time view as at 06/04/2008.*

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*Section 87A of the Taxes Management Act 1970*

- 4 (1) Section 87A of the <sup>M5</sup>Taxes Management Act 1970 (interest on overdue corporation tax etc) shall be amended as follows.
- (2) Subsection (4) (which makes provision in relation to surplus ACT) shall cease to have effect.
- (3) Subsections (4B) and (7) (which make further provision in relation to surplus ACT) shall cease to have effect.
- (4) Sub-paragraph (2) above has effect where the later period mentioned in subsection (4) of section 87A begins on or after 6th April 1999.
- (5) Sub-paragraph (3) above has effect where the earlier period mentioned in subsections (4B) and (7) of section 87A begins on or after 6th April 1999.

**Marginal Citations**

**M5** 1970 c. 9.

*Section 94 of the Taxes Management Act 1970*

<sup>F15</sup> .....

**Textual Amendments**

**F1** Sch. 3 para. 5 repealed (with effect as mentioned in s. 117, Sch. 27 Pt. III(28), Note) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28)

*Section 109 of the Taxes Management Act 1970*

- 6 (1) Section 109 of the <sup>M6</sup>Taxes Management Act 1970 (corporation tax on close company in connection with loans to participators etc) shall be amended as follows.
- (2) In subsection (3A) (interest under section 87A on so much of tax under section 419 of Taxes Act 1988 as is referable to amount of loan or advance repaid shall not be payable in respect of any period after repayment made)—
- (a) after “If” there shall be inserted “ (a) ”;
- (b) after “principal Act,” there shall be inserted “or
- (b) there is such a release or writing off of the whole or any part of the debt in respect of a loan or advance as is referred to in that subsection,”;
- (c) after “amount repaid” there shall be inserted “ , released or written off ”; and
- (d) after “the repayment was made” there shall be inserted “ or the release or writing off occurred ”.
- (3) This paragraph has effect in relation to the release or writing off of the whole or part of a debt on or after 6th April 1999.

*Status: Point in time view as at 06/04/2008.*

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**Marginal Citations**

**M6** 1970 c. 9.

*Section 13 of the Taxes Act 1988*

- 7 (1) Section 13 of the Taxes Act 1988 (small companies' relief) shall be amended as follows.
- (2) In subsection (7) (exclusion of group income etc) for the words from "other than franked investment income" onwards there shall be substituted—
- "other than franked investment income (if any) which the company ("the receiving company") receives from a company resident in the United Kingdom which is—
- (a) a 51 per cent. subsidiary of the receiving company or of a company resident in the United Kingdom of which the receiving company is a 51 per cent. subsidiary; or
- (b) a trading or holding company which does not fall within section 247(1A) and which is owned by a consortium the members of which include the receiving company."
- (3) After subsection (8) there shall be inserted—
- “(8AA) Subsections (8) to (9A) of section 247 shall apply for the purposes of subsection (7) above as they apply for the purposes of that section.
- (8AB) The reference in subsection (7) above to franked investment income received by a company applies to any such income received by another person on behalf of or in trust for the company, but not to any such income received by the company on behalf of or in trust for another person.”
- (4) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 14 of the Taxes Act 1988*

- 8 (1) Section 14 of the Taxes Act 1988 (ACT and qualifying distributions) shall be amended as follows.
- (2) Subsections (1) and (3) to (5) (which make provision for and in connection with the imposition of ACT) shall cease to have effect.
- (3) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 75 of the Taxes Act 1988*

F29 .....

**Textual Amendments**

**F2** Sch. 3 para. 9 repealed (with effect in accordance with s. 42 of the amending Act) by Finance Act 2004 (c. 12), Sch. 42 Pt. 2(3)

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*Status: Point in time view as at 06/04/2008.*

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*Section 116 of the Taxes Act 1988*

- 10 (1) Section 116 of the Taxes Act 1988 (arrangements for transferring relief) shall be amended as follows.
- (2) In subsection (2), paragraph (d) (which makes provision in relation to section 239) shall cease to have effect.
- (3) This paragraph has effect in relation to accounting periods beginning on or after 6th April 1999.

*Section 238 of the Taxes Act 1988*

- 11 (1) Section 238 of the Taxes Act 1988 (interpretation of terms and collection of ACT) shall cease to have effect.
- (2) This paragraph has effect in relation to accounting periods beginning on or after 6th April 1999.

*Section 239 of the Taxes Act 1988*

- 12 (1) Section 239 of the Taxes Act 1988 (set-off of ACT against liability to corporation tax) shall cease to have effect.
- (2) Sub-paragraph (1) above has effect in relation to accounting periods beginning on or after 6th April 1999.
- (3) No advance corporation tax shall, by virtue of section 239(4) of the Taxes Act 1988, be treated as if it were paid in respect of distributions made in accounting periods beginning on or after 6th April 1999.
- (4) The limit under section 239(2) of the Taxes Act 1988 on the set-off of advance corporation tax for an accounting period of a company beginning before, and ending on or after, 6th April 1999 (a “straddling period”) shall be determined as if—
- (a) the straddling period were an accounting period beginning at the beginning of the straddling period and ending on 5th April 1999 (“the notional period”); and
  - (b) there were apportioned to the notional period a proportionate amount of the profits of the company which, apart from this sub-paragraph, would be taken into account in determining the limit under section 239(2) of that Act.
- (5) The references in sub-paragraphs (2) and (3) above to accounting periods beginning on or after 6th April 1999 include a reference to a separate accounting period mentioned in section 245(2) of the Taxes Act 1988 which begins on 6th April 1999.
- (6) The reference in sub-paragraph (4) above to an accounting period beginning before, and ending on or after, 6th April 1999 includes a reference to a separate accounting period mentioned in section 245(2) of the Taxes Act 1988 which begins before, and ends on or after, that date.

*Section 240 of the Taxes Act 1988*

- 13 (1) Section 240 of the Taxes Act 1988 (set-off of company’s surplus ACT against subsidiary’s liability to corporation tax) shall cease to have effect.



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- (2) This paragraph has effect in relation to accounting periods of the surrendering company (as defined in section 240(1) of the Taxes Act 1988) beginning on or after 6th April 1999.

*Section 241 of the Taxes Act 1988*

- 14 (1) Section 241 of the Taxes Act 1988 (calculation of ACT where company receives franked investment income) shall cease to have effect.
- (2) This paragraph has effect in relation to accounting periods beginning on or after 6th April 1999.

*Section 245 of the Taxes Act 1988*

- 15 (1) Section 245 of the Taxes Act 1988 (calculation etc of ACT on change of ownership of company) shall cease to have effect.
- (2) This paragraph has effect in relation to changes in ownership (within the meaning of section 245 of that Act) occurring on or after 6th April 1999.

*Section 245A of the Taxes Act 1988*

- 16 (1) Section 245A of the Taxes Act 1988 (restriction on application of section 240 in certain circumstances) shall cease to have effect.
- (2) This paragraph has effect in relation to changes in ownership (within the meaning of section 245A of that Act) occurring on or after 6th April 1999.

*Section 245B of the Taxes Act 1988*

- 17 (1) Section 245B of the Taxes Act 1988 (restriction on set-off where asset transferred after change in ownership of company) shall cease to have effect.
- (2) Sub-paragraph (1) above has effect in relation to disposals on or after 6th April 1999.
- (3) In relation to an accounting period beginning before, and ending on or after, 6th April 1999, the reference in section 245B(4)(a) of the Taxes Act 1988 to the end of the relevant period shall be taken to be a reference to the end of a period which ends on 5th April 1999.

*Section 246 of the Taxes Act 1988*

- 18 (1) Section 246 of the Taxes Act 1988 (charge of ACT at previous rate until new rate fixed, and changes of rate) shall cease to have effect.
- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 247 of the Taxes Act 1988*

- 19 (1) Section 247 of the Taxes Act 1988 (dividends etc paid by one member of a group to another) shall be amended as follows.

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- (2) Subsections (1), (2) and (3) (which enable dividends paid by one member of a group to another to be excluded from sections 14(1) and 231 of the Taxes Act 1988 etc) shall cease to have effect.
- <sup>F3</sup>(3) .....
- (4) In subsection (5)—
- <sup>F3</sup>(a) .....
- (b) the words “and shall not apply to a dividend” onwards shall cease to have effect.
- (5) In subsection (6)—
- (a) paragraph (a),
- (b) the words “advance corporation tax ought to have been paid or”,
- (c) the words “as the case may be”,
- (d) the words “paying or”,
- (e) the words “receiving or”, and
- (f) the words “the advance corporation tax had been duly paid or”,
- shall cease to have effect.
- (6) In subsection (7) the words “paying or” and “receiving or” shall cease to have effect.
- (7) In subsection (10)—
- (a) the words “dividends or”, and
- (b) the words “and references to “group income” shall be construed accordingly”,
- shall cease to have effect.
- (8) This paragraph has effect in relation to distributions made on or after 6th April 1999.

#### Textual Amendments

- F3** Sch. 3 para. 19(3)(4)(a) repealed (11.5.2001 with effect as mentioned in Sch. Pt. 2(10) Note of the amending Act) by 2001 c. 9, s.110, Sch. 33 Pt. 2(10)

#### *Section 248 of the Taxes Act 1988*

- 20 (1) Section 248 of the Taxes Act 1988 (provisions supplemental to section 247) shall be amended as follows.
- (2) In subsections (2) and (3) the words “dividends or other” shall cease to have effect.
- (3) This paragraph has effect in relation to distributions made on or after 6th April 1999.

#### *Section 252 of the Taxes Act 1988*

- 21 (1) Section 252 of the Taxes Act 1988 (rectification of excessive set-off of ACT or tax credit) shall be amended as follows.
- (2) In subsection (1), paragraph (a) (which concerns the set-off of ACT) shall cease to have effect.

*Status: Point in time view as at 06/04/2008.*

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- (3) This paragraph has effect in relation to accounting periods beginning on or after 6th April 1999.

*Section 253 of the Taxes Act 1988*

- 22 (1) Section 253 of the Taxes Act 1988 (power to modify or replace section 234(5) to (9) and Schedule 13) shall be amended as follows.
- (2) In subsection (1)—
- (a) paragraph (b), and
  - (b) the words “and to Schedule 13”,
- shall cease to have effect.
- (3) Subsection (2) (which concerns ACT) shall cease to have effect.
- (4) In subsection (3)(a) (which contains a reference to ACT) the words “advance corporation tax or” shall cease to have effect.
- (5) This paragraph has effect in relation to accounting periods beginning on or after 6th April 1999.

*Section 255 of the Taxes Act 1988*

- 23 (1) Section 255 of the Taxes Act 1988 (“gross rate” and “gross amount” of distributions to include ACT) shall cease to have effect.
- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 419 of the Taxes Act 1988*

- 24 (1) Section 419 of the Taxes Act 1988 (loans to participators etc) shall be amended as follows.
- (2) In subsection (1) (charge at rate of ACT) for the words from “such proportion” onwards there shall be substituted “25 per cent. of the amount of the loan or advance”.
- (3) In subsection (4) (relief in case of repayment of loan or advance)—
- (a) after “subsection (1) above and” there shall be inserted “(a)”;
  - (b) after “is repaid to the company,” there shall be inserted “or
    - (b) the whole or part of the debt in respect of the loan or advance is released or written off;”;and
  - (c) after “the repayment is made” there shall be inserted “or the release or writing off occurs”.
- (4) In subsection (4A) (provision in relation to relief under subsection (4))—
- (a) after “Where” there shall be inserted “(a)”;
  - (b) after “that loan or advance,” there shall be inserted “or
    - (b) the release or writing off of the whole or any part of the debt in respect of a loan or advance occurs on or after the day on which tax by virtue of this section becomes due in relation to that loan or advance;”;and

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(c) after “repayment”, in the second and third places where it occurs, there shall be inserted “, release or writing off”.

(5) Sub-paragraph (2) above has effect in relation to loans or advances made on or after 6th April 1999.

(6) Sub-paragraphs (3) and (4) above have effect in relation to the release or writing off of the whole or part of a debt on or after 6th April 1999.

*Section 434 of the Taxes Act 1988*

25 (1) Section 434 of the Taxes Act 1988 (franked investment income etc) shall be amended as follows.

(2) Subsection (3) (certain franked investment income not to be used to frank distributions) shall cease to have effect.

(3) Subsection (6) (which makes provision in relation to section 239) shall cease to have effect.

(4) Subsection (8) (which applies where subsection (3) or (6) of section 434 applies) shall cease to have effect.

(5) Sub-paragraph (2) above has effect in relation to franked investment income which is attributable to distributions made on or after 6th April 1999.

(6) Sub-paragraphs (3) and (4) above have effect in relation to accounting periods beginning on or after 6th April 1999.

*Section 434C of the Taxes Act 1988*

26 (1) Section 434C of the Taxes Act 1988 (interest on repayment of ACT) shall cease to have effect.

(2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 468Q of the Taxes Act 1988*

27 (1) Section 468Q of the Taxes Act 1988 (dividend distribution to corporate unit holder) shall be amended as follows.

(2) In subsection (3) (as amended by paragraph 8(6)(b) of Schedule 6 to the <sup>M7</sup>Finance (No. 2) Act 1997)—

(a) for the definition of “C” there shall be substituted—

“C = such amount of the gross income as does not derive from franked investment income, as reduced by an amount equal to the trustees’ net liability to corporation tax in respect of the gross income;” and

(b) for the definition of “D” there shall be substituted—

“D = the amount of the gross income, as reduced by an amount equal to the trustees’ net liability to corporation tax in respect of the gross income;”.

(3) After that subsection there shall be inserted—

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“(3A) Any reference in this section to the trustees’ net liability to corporation tax in respect of the gross income is a reference to the amount of the liability of the trustees of the authorised unit trust to corporation tax in respect of that gross income less the amount (if any) of any reduction of that liability which is given or falls to be given in accordance with any arrangements having effect by virtue of section 788 or by way of a credit under section 790(1).”

(4) After subsection (5) there shall be inserted—

“(5A) Where, in relation to a dividend distribution, any tax is deemed to have been deducted by virtue of the application of subsection (2)(b) above, the amount to which the unit holder is entitled by way of repayment of that tax shall not exceed the amount of the unit holder’s portion of the trustees’ net liability to corporation tax in respect of the gross income.

(5B) For the purposes of subsection (5A) above the unit holder’s portion shall be determined by reference to the proportions in which unit holders have rights in the authorised unit trust in the distribution period in question.

(5C) The trustees of the authorised unit trust shall in the appropriate statement sent to the unit holder under section 234A include a statement showing their net liability to corporation tax in respect of the gross income.”

(5) This paragraph has effect in relation to distribution periods beginning on or after 6th April 1999.

#### **Marginal Citations**

M7 1997 c. 58.

#### *Section 490 of the Taxes Act 1988*

- 28 (1) Section 490 of the Taxes Act 1988 (companies carrying on a mutual business or not carrying on a business) shall be amended as follows.
- (2) In subsection (1) the words “(including group income)” shall cease to have effect.
- (3) This paragraph has effect in relation to distributions made on or after 6th April 1999.

#### *Section 497 of the Taxes Act 1988*

- 29 (1) Section 497 of the Taxes Act 1988 (restriction on setting ACT against income from oil extraction activities etc) shall cease to have effect.
- (2) This paragraph has effect in relation to accounting periods beginning on or after 6th April 1999.

#### *Section 498 of the Taxes Act 1988*

- 30 (1) Section 498 of the Taxes Act 1988 (limited right to carry back surrendered ACT) shall cease to have effect.

*Status: Point in time view as at 06/04/2008.*

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- (2) Sub-paragraph (1) above has effect in relation to accounting periods of the surrendering company (as defined in section 240(1) of the Taxes Act 1988) beginning on or after 6th April 1999.
- (3) The limit under section 498(5) of the Taxes Act 1988 for an accounting period of the surrendering company (as defined in section 240(1) of that Act) beginning before, and ending on or after, 6th April 1999 (a “straddling period”) shall be determined as if—
- (a) the straddling period were an accounting period beginning at the beginning of the straddling period and ending on 5th April 1999 (“the notional period”); and
  - (b) there were apportioned to the notional period a proportionate amount of the limit which, apart from this sub-paragraph, would apply for the purposes of section 498(5) of the Taxes Act 1988.

*Section 499 of the Taxes Act 1988*

- 31 (1) Section 499 of the Taxes Act 1988 (surrender of ACT where oil extraction company etc owned by a consortium) shall cease to have effect.
- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 703 of the Taxes Act 1988*

- 32 (1) Section 703 of the Taxes Act 1988 (cancellation of tax advantage) shall be amended as follows.
- <sup>F4</sup>(2) . . . . .
- (3) Subsections (4) to (6) (which make provision in relation to treating of amounts of ACT as paid) shall cease to have effect.
- <sup>F5</sup>(4) . . . . .
- (5) Sub-paragraph (3) above has effect for the year 1999-00 and subsequent years of assessment.

**Textual Amendments**

- F4** Sch. 3 para. 32(2) repealed (6.4.2007) by *Income Tax Act 2007* (c. 3), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)
- F5** Sch. 3 para. 32(4) repealed (6.4.2007) by *Income Tax Act 2007* (c. 3), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Section 704 of the Taxes Act 1988*

- 33 (1) Section 704 of the Taxes Act 1988 (the prescribed circumstances) shall be amended as follows.
- (2) In paragraph A, sub-paragraph (d) (which relates to ACT) shall cease to have effect.
- (3) This paragraph has effect in relation to distributions made on or after 6th April 1999.

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*Status: Point in time view as at 06/04/2008.*

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*Section 705 of the Taxes Act 1988*

- 34 (1) Section 705 of the Taxes Act 1988 (appeals against Board's notices under section 703) shall be amended as follows.
- (2) Subsections (6) to (8) (which make provision supplemental to section 703(5) and (6)) shall cease to have effect.
- (3) This paragraph has effect for the year 1999-00 and subsequent years of assessment.

*Section 797 of the Taxes Act 1988*

- 35 (1) Section 797 of the Taxes Act 1988 (limits on credit: corporation tax) shall be amended as follows.
- (2) Sub-paragraphs (4) and (5) (which make provision in relation to section 239) shall cease to have effect.
- (3) This paragraph has effect in relation to accounting periods beginning on or after 6th April 1999.

*Section 802 of the Taxes Act 1988*

- 36 (1) Section 802 of the Taxes Act 1988 (UK insurance companies trading overseas) shall be amended as follows.
- (2) In subsection (2)(a) the words "and group income" shall cease to have effect.
- (3) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 813 of the Taxes Act 1988*

- 37 (1) Section 813 of the Taxes Act 1988 (recovery of tax credits incorrectly paid) shall be amended as follows.
- (2) In subsection (6), paragraph (b) (which makes provision in relation to ACT) shall cease to have effect.
- (3) This paragraph has effect in relation to accounting periods beginning on or after 6th April 1999.

*Section 826 of the Taxes Act 1988*

- 38 (1) Section 826 of the Taxes Act 1988 (interest on tax overpaid) shall be amended as follows.
- (2) Subsection (2A) (material date for ACT) shall cease to have effect.
- (3) Subsection (7) (which makes provision in relation to surplus ACT) shall cease to have effect.
- (4) Subsections (7AA) and (7CA) (which make further provision in relation to surplus ACT) shall cease to have effect.
- (5) Sub-paragraph (2) above has effect in relation to accounting periods beginning on or after 6th April 1999.

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- (6) Sub-paragraph (3) above has effect where the later period mentioned in subsection (7) of section 826 begins on or after 6th April 1999.
- (7) Sub-paragraph (4) above has effect where the earlier period mentioned in subsections (7AA) and (7CA) of section 826 begins on or after 6th April 1999.

*Section 832 of the Taxes Act 1988*

- 39 (1) Section 832 of the Taxes Act 1988 (interpretation of the Tax Acts) shall be amended as follows.
- (2) In subsection (1) for the definition of “franked investment income” there shall be substituted—
- ““franked investment income” means income of a company resident in the United Kingdom which consists of a distribution in respect of which the company is entitled to a tax credit (and which accordingly represents income equal to the aggregate of the amount or value of the distribution and the amount of that credit);”.
- (3) In subsection (1) the definition of “franked payment” shall cease to have effect.
- (4) In subsection (1) the definition of “group income” shall cease to have effect.
- (5) In subsection (1) the definition of “the rate of advance corporation tax” shall cease to have effect.
- (6) In subsection (1) the definition of “surplus of franked investment income” shall cease to have effect.
- (7) After subsection (4) there shall be inserted—
- “(4A) Any reference in the Tax Acts to franked investment income received by a company apply to any such income received by another person on behalf of or in trust for the company, but not to any such income received by the company on behalf of or in trust for another person.”
- (8) Sub-paragraphs (2), (3), (6) and (7) above have effect in relation to accounting periods beginning on or after 6th April 1999.
- (9) Sub-paragraphs (4) and (5) above have effect in relation to distributions made on or after 6th April 1999.

*Section 835 of the Taxes Act 1988*

<sup>F6</sup>40 .....

**Textual Amendments**

**F6** Sch. 3 para. 40 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

*Schedule 13 to the Taxes Act 1988*

- 41 (1) Schedule 13 to the Taxes Act 1988 (collection of ACT) shall cease to have effect.



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- (2) This paragraph has effect—
- (a) in relation to return periods beginning on or after 6th April 1999; and
  - (b) in relation to accounting periods beginning on or after that date.

*Schedule 13A to the Taxes Act 1988*

- 42 (1) Schedule 13A to the Taxes Act 1988 (surrenders of ACT) shall cease to have effect.
- (2) This paragraph has effect in relation to accounting periods of the surrendering company (as defined in section 240(1) of the Taxes Act 1988) beginning on or after 6th April 1999.

*Schedule 24 to the Taxes Act 1988*

- 43 (1) Schedule 24 to the Taxes Act 1988 (assumptions in relation to controlled foreign companies etc) shall be amended as follows.
- (2) In paragraph 6—
- (a) in sub-paragraph (1), paragraph (a) (which makes provision in relation to section 247(1)) shall cease to have effect; and
  - (b) in sub-paragraph (2), the words “dividends or” shall cease to have effect.
- (3) Paragraph 7 (which makes provision in relation to section 240) shall cease to have effect.
- (4) This paragraph has effect in relation to accounting periods of companies resident outside the United Kingdom which begin on or after 6th April 1999.

*Schedule 26 to the Taxes Act 1988*

- 44 (1) Schedule 26 to the Taxes Act 1988 (controlled foreign companies: relief against liability for tax in respect of chargeable profits) shall be amended as follows.
- (2) Paragraph 2 (which makes provision in relation to ACT) shall cease to have effect.
- (3) Sub-paragraphs (1) and (2) above have effect in relation to accounting periods beginning on or after 6th April 1999.
- (4) The relevant maximum (as defined in paragraph 2(3) of Schedule 26 to the Taxes Act 1988) for an accounting period beginning before, and ending on or after, 6th April 1999 (a “straddling period”) shall be determined as if—
- (a) the straddling period were an accounting period beginning at the beginning of the straddling period and ending on 5th April 1999 (“the notional period”); and
  - (b) there were apportioned to the notional period a proportionate amount of the amounts mentioned in paragraph 2(3)(a) and (b) of Schedule 26 to the Taxes Act 1988.

*Paragraph 8 of Schedule 4 to the Finance (No. 2) Act 1997*

- 45 Paragraph 8 of Schedule 4 to the <sup>M8</sup>Finance (No. 2) Act 1997 (which prospectively amends section 238(1) of the Taxes Act 1988) shall not have effect.

*Status: Point in time view as at 06/04/2008.*

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**Marginal Citations**

**M8** 1997 c. 58.

*Paragraph 9 of Schedule 4 to the Finance (No. 2) Act 1997*

- 46 Paragraph 9 of Schedule 4 to the <sup>M9</sup>Finance (No. 2) Act 1997 (which prospectively amends section 241 of the Taxes Act 1988) shall not have effect.

**Marginal Citations**

**M9** 1997 c. 58.

*Paragraph 18 of Schedule 4 to the Finance (No. 2) Act 1997*

- 47 Paragraph 18 of Schedule 4 to the <sup>M10</sup>Finance (No. 2) Act 1997 (which prospectively amends section 703 of the Taxes Act 1988) shall not have effect.

**Marginal Citations**

**M10** 1997 c. 58.

*Paragraph 23 of Schedule 4 to the Finance (No. 2) Act 1997*

- 48 Paragraph 23 of Schedule 4 to the <sup>M11</sup>Finance (No. 2) Act 1997 (which prospectively amends Schedule 13 to the Taxes Act 1988) shall not have effect.

**Marginal Citations**

**M11** 1997 c. 58.

SCHEDULE 4

Section 35.

INTEREST PAYABLE UNDER THE TAX ACTS BY OR TO COMPANIES

*Interest on overpaid or early paid corporation tax*

- 1 (1) In section 826(2) of the Taxes Act 1988 (which defines “the material date” for the purposes of interest on overpaid corporation tax) at the beginning there shall be inserted “ Subject to section 826A(2), ”.
- (2) After section 826 of the Taxes Act 1988 there shall be inserted—

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**“826A Interest on payments in respect of corporation tax and meaning of “the material date”.**

- (1) The Treasury may by regulations make provision applying section 826, with such modifications as may be prescribed, for the purpose of conferring on companies of such descriptions as may be prescribed a right to interest—
    - (a) on such payments made by them in respect of corporation tax as may be prescribed,
    - (b) at the rate applicable under section 178 of the <sup>M12</sup>Finance Act 1989, and
    - (c) for such period as may be prescribed,and for treating any such interest for the purposes, or prescribed purposes, of the Tax Acts as interest under section 826(1)(a) on a repayment of corporation tax.
  - (2) The Treasury may by regulations make provision modifying section 826(2) in relation to companies of such description as may be prescribed.
  - (3) Subsections (1) and (2) above do not apply in relation to companies in relation to which section 826(2) is modified or otherwise affected by regulations under section 59E of the Management Act (alteration of date on which corporation tax becomes due and payable) in relation to the accounting period to which the corporation tax in question relates.
  - (4) Where the Treasury make regulations under subsection (2) above in relation to companies of any description, they may also make regulations modifying section 59DA(2) of the Management Act in relation to those companies, or any description of such companies, by varying the date before which the claim there mentioned may not be made.
  - (5) Regulations under this section—
    - (a) may make different provision in relation to different cases or circumstances or in relation to companies or accounting periods of different descriptions;
    - (b) may make such supplementary, incidental, consequential or transitional provision as appears to the Treasury to be necessary or expedient.
  - (6) Regulations under this section may not make provision in relation to accounting periods ending before the day appointed under section 199 of the <sup>M13</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (corporation tax self-assessment).
  - (7) In this section “prescribed” means prescribed by regulations made under this section.”
- (3) In section 178 of the <sup>M14</sup>Finance Act 1989 (setting of rates of interest) in subsection (2)(m) (which lists the provisions of the Taxes Act 1988 to which the section applies) for “and 826” there shall be substituted “ 826 and 826A(1)(b) ”.

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**Marginal Citations**

**M12** 1989 c. 26.

**M13** 1994 c. 9.

**M14** 1989 c. 26.

*The “material date” for interest on a repayment of income tax*

- 2 (1) In section 826 of the Taxes Act 1988 (interest on tax overpaid) in subsection (3) (date from which interest runs on a repayment of income tax, or a payment of tax credit, to a company) for the words from “the material date is” to “for the accounting period” there shall be substituted “ the material date is the day after the end of the accounting period ”.
- (2) This paragraph has effect in relation to accounting periods ending on or after the day appointed under section 199 of the <sup>M15</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (corporation tax self-assessment).

**Marginal Citations**

**M15** 1994 c. 9.

*Recovery of interest overpaid under section 826(1)(a)*

- 3 (1) In section 826 of the Taxes Act 1988 (interest on tax overpaid) after subsection (8) there shall be inserted—
- “(8A) Where—
- (a) interest has been paid to a company under subsection (1)(a) above,
  - (b) there is a change in the company’s assessed liability to corporation tax, other than a change which in whole or in part corrects an error made by the Board or an officer of the Board, and
  - (c) as a result only of that change (and, in particular, not as a result of any error in the calculation of the interest), it appears to an officer of the Board that the interest ought not to have been paid, either at all or to any extent,
- the interest that ought not to have been paid may be recovered from the company as if it were interest charged under Part IX of the Management Act (interest on overdue tax).
- (8B) For the purposes of subsection (8A) above, the cases where there is a change in a company’s assessed liability to corporation tax are those cases where—
- (a) an assessment, or an amendment of an assessment, of the amount of corporation tax payable by the company for the accounting period in question is made, or
  - (b) a determination of that amount is made under paragraph 36 or 37 of Schedule 18 to the Finance Act 1998 (which until superseded by a self-assessment under that Schedule has effect as if it were one),
- whether or not any previous assessment or determination has been made.
- (8C) In subsection (8A)(b) above “error” includes—

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- (a) any computational error; and
- (b) the allowance of a claim or election which ought not to have been allowed.”

<sup>F7</sup>(2) .....

- (3) The amendments made by this paragraph have effect in relation to interest on repayments of corporation tax paid for accounting periods ending on or after the day appointed under section 199 of the <sup>M16</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (corporation tax self-assessment).

**Textual Amendments**

**F7** Sch. 4 para. 3(2) repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2 (14)(2) Note 2 of the amending act) by 2001 c. 9, s. 110, Sch. 33 Pt. 2(14)

**Marginal Citations**

**M16** 1994 c. 9.

*Interest on underpaid tax where reliefs are carried back*

- 4 (1) Section 87A of the <sup>M17</sup>Taxes Management Act 1970 (interest on overdue corporation tax etc) shall be amended as follows.
  - (2) In each of subsections (4), (4A) and (6) (which refer to corporation tax becoming due and payable as mentioned in subsection (1) of that section) for the words “as mentioned in subsection (1) above” there shall be substituted “ as mentioned in subsection (8) below ”.
  - (3) After subsection (7) there shall be inserted—

“(8) In subsections (4), (4A) and (6) above, any reference to the date on which corporation tax for an accounting period became, or would have become, due and payable shall be construed on the basis that corporation tax for an accounting period becomes due and payable on the day following the expiry of nine months from the end of the accounting period.”
  - (4) After subsection (8) there shall be inserted—

“(9) The power conferred by section 59E of this Act (alteration of date on which corporation tax becomes due and payable) does not include power to make provision in relation to subsection (4), (4A), (6) or (8) above the effect of which would be to change the meaning of references in subsection (4), (4A) or (6) above to the date on which corporation tax for an accounting period became, or would have become, due and payable (as mentioned in subsection (8) above).”
  - (5) The amendments made by this paragraph have effect where the accounting period whose due and payable date falls to be determined is an accounting period ending on or after the day appointed under section 199 of the <sup>M18</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (corporation tax self-assessment).

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- (6) In sub-paragraph (5) above “due and payable date”, in relation to an accounting period, means the date on which corporation tax for that period becomes, or (as the case may be) would become, due and payable.

**Marginal Citations**

**M17** 1970 c. 9.

**M18** 1994 c. 9.

*Interest on overpaid tax where reliefs are carried back*

- 5 (1) Section 826 of the Taxes Act 1988 (interest on tax overpaid) shall be amended as follows.
- (2) In each of subsections (7), (7A), (7B) and (7C) (which refer to corporation tax becoming due and payable as mentioned in subsection (2) of that section) for the words “as mentioned in subsection (2) above” there shall be substituted “ as mentioned in subsection (7D) below ”.
- (3) After subsection (7CA) there shall be inserted—
- “(7D) In subsections (7), (7A), (7B) and (7C) above, any reference to the date on which corporation tax for an accounting period became, or would have become, due and payable shall be construed on the basis that corporation tax for an accounting period becomes due and payable on the day following the expiry of nine months from the end of the accounting period.”
- (4) After subsection (7D) there shall be inserted—
- “(7E) The power conferred by section 59E of the Management Act (alteration of date on which corporation tax becomes due and payable) does not include power to make provision in relation to subsection (7), (7A), (7B), (7C) or (7D) above the effect of which would be to change the meaning of references in subsection (7), (7A), (7B) or (7C) above to the date on which corporation tax for an accounting period became, or would have become, due and payable (as mentioned in subsection (7D) above).”
- (5) The amendments made by this paragraph have effect where the accounting period whose due and payable date falls to be determined is an accounting period ending on or after the day appointed under section 199 of the <sup>M19</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (corporation tax self-assessment).
- (6) In sub-paragraph (5) above “due and payable date”, in relation to an accounting period, means the date on which corporation tax for that period becomes, or (as the case may be) would become, due and payable.

**Marginal Citations**

**M19** 1994 c. 9.

*Status: Point in time view as at 06/04/2008.*

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### *Company liquidations*

- 6 (1) Section 342 of the Taxes Act 1988 (tax on company in liquidation) shall be amended as follows.
- (2) In subsection (2) (corporation tax charge on profits of final year etc) after “Subject to subsection (3)” there shall be inserted “ or (3A) ”.
- (3) After subsection (3) there shall be inserted—
- “(3A) If, in the case of the company’s final accounting period, the income (if any) which consists of interest received or receivable by the company under section 826 does not exceed £2,000, that income shall not be subject to corporation tax.
- In this subsection “the company’s final accounting period” means the accounting period of the company which, in accordance with section 12(7), ends by reason of the completion of the winding up.”
- (4) This paragraph has effect in relation to final accounting periods ending on or after the day appointed under section 199 of the <sup>M20</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (corporation tax self-assessment).

#### **Marginal Citations**

**M20** 1994 c. 9.

### *Loan relationships*

**F87** .....

#### **Textual Amendments**

**F8** Sch. 4 para. 7 repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(10) Note 2 of the amending Act) by 2002 c. 23, s. 141, Sch. 40 Pt. 3(10) Note 2

## SCHEDULE 5

Section 38(1).

### RENT AND OTHER RECEIPTS FROM LAND

#### PART I

#### MAIN CHARGING PROVISIONS

#### **Commencement Information**

**I16** Sch. 5 Pts. I-III in force and has effect as mentioned in s. 38.

- 1 In section 15(1) of the Taxes Act 1988 (the Schedule A charge), for Schedule A substitute—

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## “SCHEDULE A

- 1 (1) Tax is charged under this Schedule on the annual profits arising from a business carried on for the exploitation, as a source of rents or other receipts, of any estate, interest or rights in or over land in the United Kingdom.
- (2) To the extent that any transaction is entered into for the exploitation, as a source of rents or other receipts, of any estate, interest or rights in or over land in the United Kingdom, it is taken to be entered into in the course of such a business.
- (3) All businesses and transactions carried on or entered into by a particular person or partnership, so far as they are businesses or transactions the profits of which are chargeable to tax under this Schedule, are treated for the purposes of this Schedule as, or as entered into in the course of carrying on, a single business.

There are qualifications to this rule in the case of—

- (a) companies not resident in the United Kingdom (see subsection (1A) below); and
  - (b) insurance companies (see sections 432AA and 441B(2A)).
- (4) The receipts referred to in the expression “as a source of rents or other receipts” include—
    - (a) payments in respect of a licence to occupy or otherwise to use land or the exercise of any other right over land, and
    - (b) rentcharges, ground annuals and feu duties and other annual payments reserved in respect of, or charged on or issuing out of, the land.
- 2 (1) This Schedule does not apply to profits arising from the occupation of land.
  - (2) This Schedule does not apply to—
    - (a) profits charged to tax under Case I of Schedule D under—  
section 53(1) (farming and market gardening), or  
section 55 (mines, quarries and other concerns);
    - (b) receipts or expenses taken into account as trading receipts or expenses under section 98 (tied premises);
    - (c) rent charged to tax under Schedule D under—  
section 119 (rent, etc. payable in connection with mines,  
quarries and other concerns), or  
section 120(1) (certain rent, etc. payable in respect of electric  
line wayleaves).
  - (3) The profits of a Schedule A business carried on by a company shall be computed without regard to items giving rise to—
    - credits or debits within Chapter II of Part IV of the <sup>M21</sup>Finance Act 1996 (loan relationships), or
    - exchange gains or losses within Chapter II of Part II of the <sup>M22</sup>Finance Act 1993 (foreign exchange gains and losses), or
    - qualifying payments within Chapter II of Part IV of the <sup>M23</sup>Finance Act 1994 (interest rate and currency contracts).



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This Schedule does not affect the operation of those provisions.

- 3 (1) For the purposes of this Schedule a right to use a caravan or houseboat, where the use to which the caravan or houseboat may be put in pursuance of the right is confined to use at a single location in the United Kingdom, is treated as a right deriving from an estate or interest in land in the United Kingdom.

- (2) In sub-paragraph (1)—

“caravan” has the meaning given by section 29(1) of the <sup>M24</sup>Caravan Sites and Control of Development Act 1960; and

“houseboat” means a boat or similar structure designed or adapted for use as a place of human habitation.

- 4 (1) In the case of a furnished letting, any sum payable for the use of furniture shall be taken into account in computing the profits chargeable to tax under this Schedule in the same way as rent.

Expenses in connection with the provision of furniture shall similarly be taken into account in the same way as expenses in connection with the premises.

- (2) A furnished letting means where—

- (a) a sum is payable in respect of the use of premises, and  
(b) the tenant or other person entitled to the use of the premises is also entitled, in connection with that use, to the use of furniture.

- (3) This paragraph does not apply if the receipts and expenses are taken into account in computing the profits of a trade consisting in, or involving, making furniture available for use in premises.

- (4) In this paragraph—

- (a) any reference to a sum includes the value of consideration other than money, and references to a sum being payable shall be construed accordingly; and  
(b) “premises” includes a caravan or houseboat within the meaning of paragraph 3.”.

#### Marginal Citations

M21 1996 c.8.

M22 1993 c.34.

M23 1994 c.9.

M24 1960 c.62.

- 2 In section 15 of the Taxes Act 1988 (the Schedule A charge), after subsection (1) insert—

“(1A) In the case of a company which is not resident in the United Kingdom—

- (a) businesses carried on and transactions entered into by it the profits of which are within the charge to corporation tax under Schedule A, and  
(b) businesses carried on and transactions entered into by it the profits of which are within the charge to income tax under Schedule A,

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are treated as separate Schedule A businesses.”.

- 3 For the heading to Part II of the Taxes Act 1988 substitute “ PROVISIONS RELATING TO THE SCHEDULE A CHARGE ”.
- 4 For section 21 of the Taxes Act 1988 (persons chargeable and computation of amounts chargeable) substitute—

**“21 Persons chargeable and basis of assessment.**

- (1) Income tax under Schedule A shall be charged on and paid by the persons receiving or entitled to the income in respect of which the tax is directed by the Income Tax Acts to be charged.
- (2) Income tax under Schedule A is charged on the full amount of the profits arising in the year of assessment.
- (3) This section does not apply for the purposes of corporation tax.

**21A Computation of amount chargeable.**

- (1) Except as otherwise expressly provided, the profits of a Schedule A business are computed in the same way as the profits of a trade are computed for the purposes of Case I of Schedule D.
- (2) The following provisions apply in accordance with subsection (1)—
  - section 72 (apportionment);
  - the provisions of Chapter V of Part IV (computational provisions relating to the Schedule D charge), except as mentioned in subsection (4) below;
  - section 577 (business entertainment expenses);
  - section 577A (expenditure involving crime);
  - sections 579 and 580 (redundancy payments);
  - sections 588 and 589 (training courses for employees);
  - sections 589A and 589B (counselling services for employees);
  - section 73(2) of the <sup>M25</sup>Finance Act 1988 (consideration for restrictive undertakings);
  - section 43 of the <sup>M26</sup>Finance Act 1989 (deductions in respect of certain emoluments);
  - section 76 of that Act (expenses in connection with non-approved retirement benefit schemes);
  - sections 112 and 113 of that Act (expenditure in connection with provision of security asset or service);
  - sections 42 and 46(1) and (2) of the Finance Act 1998 (provisions as to computation of profits and losses).
- (3) Section 74(1)(d) of this Act (disallowance of provisions for future repairs) applies in relation to a Schedule A business as if the reference to premises occupied for the purposes of the trade were to premises held for the purposes of the Schedule A business.
- (4) The following provisions in Chapter V of Part IV of this Act do not apply, or are excepted from applying, in accordance with subsection (1)—

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section 82 (interest paid to non-residents),  
section 87 (treatment of premiums taxed as rent),  
section 96 (farming and market gardening: relief for fluctuating profits), and  
section 98 (tied premises: receipts and expenses treated as those of trade).

**21B Application of other rules applicable to Case I of Schedule D.**

The following provisions apply for the purposes of Schedule A in relation to a Schedule A business as they apply for the purposes of Case I of Schedule D in relation to a trade—

- sections 103 to 106, 108, 109A and 110 (post-cessation receipts and expenses, etc.);
- section 113 (effect for income tax purposes of change in the persons engaged in carrying on trade);
- section 337(1) (effect of company beginning or ceasing to carry on trade);
- section 401(1) (pre-trading expenditure);
- section 44 of and Schedule 6 to the Finance Act 1998 (change of accounting basis).”.

**Marginal Citations**

- M25** 1988 c. 39.
- M26** 1989 c. 26.

5 After section 21B of the Taxes Act 1988 (inserted by paragraph 4 above) insert—

**“21C The Schedule A charge and mutual business.**

- (1) The following provisions have effect for the purpose of applying the charge to tax under Schedule A in relation to mutual business.
- (2) The transactions or relationships involved in mutual business are treated as if they were transactions or relationships between persons between whom no relationship of mutuality existed.
- (3) Any surplus arising from the business is regarded as a profit (and any deficit as a loss) if it would be so regarded if the business were not mutual.
- (4) The person—
  - (a) to whom the profit arises for corporation tax purposes, or
  - (b) who is regarded as receiving or entitled to the profit for income tax purposes,is the person who would satisfy that description if the business were not mutual business.
- (5) Nothing in this section affects the operation of section 488 (co-operative housing associations).”.

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#### Textual Amendments

**F9** Sch. 5 para. 6 repealed (31.7.1998 with effect as mentioned in s. 39, Sch. 27 Pt. III(5)) by 1998 c. 36, s. 165, Sch. 27 Pt. III(5)

**F10**<sup>7</sup> .....

#### Textual Amendments

**F10** Sch. 5 para. 7 repealed (31.7.1998 with effect as mentioned in s. 39, Sch. 27 Pt. III(5), Note) by 1998 c. 36, s. 165, Sch. 27 Pt. III(5)

8 In section 27 of the Taxes Act 1988 (maintenance funds for historic buildings), for subsection (3) substitute—

“(3) Where by virtue of this section an election has effect in relation to an estate part of which is comprised in a settlement—

(a) there may be treated as deductible from the receipts arising from that part—

(i) any disbursements or expenses of the trustees of the settlement which relate to the other part of the estate and which would be so deductible if that part were also comprised in the settlement, and

(ii) any disbursements or expenses of the owner of the other part of the estate to the extent to which they cannot be deducted by him in the chargeable period in which they are incurred because of an insufficiency of any receipts for that period from which they are deductible apart from this subparagraph;

(b) any relief available to the trustees by virtue of section 379A(2)(b) shall instead be available to the owner of the other part of the estate.

This subsection has effect subject to subsection (2A) of section 26.”.

9 Section 28 of the Taxes Act 1988 (deductions from receipts other than rent) shall cease to have effect.

10 Section 29 of the Taxes Act 1988 (sporting rights) shall cease to have effect.

11 In section 30(1) of the Taxes Act 1988 (expenditure on sea walls)—

(a) for “for the purposes of sections 25, 28 and 31” substitute “ for the purpose of computing the profits of any Schedule A business carried on in relation to those premises ”; and

(b) for “in respect of dilapidation attributable to the year” substitute “ as an expense of the business for that year ”.

12 Section 31 of the Taxes Act 1988 (provisions supplementary to sections 25 to 30) shall cease to have effect.

13 Section 33 of the Taxes Act 1988 (agricultural land: allowance for excess expenditure on management) shall cease to have effect.

14 Sections 33A and 33B of the Taxes Act 1988 (connected persons) shall cease to have effect.

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- 15 (1) Section 34 of the Taxes Act 1988 (treatment of premiums, etc. as rent or Schedule D profits) is amended as follows.
- (2) For the sidenote substitute “Treatment of premiums, etc. as rent.”.
- (3) In subsection (3) for the words from “from the rent” onwards substitute “ as an expense of any Schedule A business carried on by the landlord ”.
- (4) In subsection (6) for the words from “no charge” onwards substitute “ no amount shall fall under that subsection to be treated as a receipt of any Schedule A business carried on by the landlord; but that other person shall be taken to have received as income an amount equal to the amount which would otherwise fall to be treated as rent and to be chargeable to tax as if he had received it in consequence of having, on his own account, entered into a transaction falling to be treated as mentioned in paragraph 1(2) of Schedule A. ”.
- (5) After subsection (7) insert—
- “(7A) An amount treated under this section as rent shall be taken into account in computing the profits of the Schedule A business in question for the chargeable period in which it is treated as received.”.
- (6) In subsection (8) for the words from “may, if that person satisfies the Board” to “at his option” substitute “ may, at his option, be paid ”.
- 16 (1) Section 35 of the Taxes Act 1988 (charge on assignment of lease granted at an undervalue) is amended as follows.
- (2) In the sidenote for “Schedule D charge” substitute “ Charge ”.
- (3) In subsection (2) for the words from “treated as profits or gains” onwards substitute “ deemed to have been received as income by the assignor and to have been received by him in consequence of his having entered into a transaction falling to be treated as mentioned in paragraph 1(2) of Schedule A. ”.
- (4) After that subsection insert—
- “(2A) An amount deemed under this section to have been received as income by the assignor—
- (a) is treated as received when the consideration mentioned in subsection (2) becomes payable, and
- (b) shall be taken into account in computing the profits of the Schedule A business in question for the chargeable period in which it is treated as received.”.
- 17 (1) Section 36 of the Taxes Act 1988 (charge on sale of land with right to reconveyance) is amended as follows.
- (2) In the sidenote for “Schedule D charge” substitute “ Charge ”.
- (3) In subsection (1)—
- (a) for “the vendor shall be chargeable to tax under Case VI of Schedule D on” substitute “ the following amount shall be deemed to have been received as income by the vendor and to have been received by him in consequence of his having entered into a transaction falling to be treated as mentioned in paragraph 1(2) of Schedule A, that is to say ”; and
- (b) for “on that excess” substitute “ the amount of the excess ”.

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- (4) After subsection (4) insert—
- “(4A) An amount deemed under this section to have been received as income by the vendor—
- (a) is treated as received when the estate or interest is sold, and
  - (b) shall be taken into account in computing the profits of the Schedule A business in question for the chargeable period in which it is treated as received.
- (4B) For the purposes of subsection (4A)(a) an estate or interest in land is treated as sold when any of the following occurs—
- (a) an unconditional contract for its sale is entered into,
  - (b) a conditional contract for its sale becomes unconditional, or
  - (c) an option or right of pre-emption is exercised requiring the vendor to enter into an unconditional contract for its sale.”.

18 (1) Section 37 of the Taxes Act 1988 (deductions from premiums and rents received) is amended as follows.

(2) In subsection (1) for paragraphs (a) and (b) substitute—

“(a) any amount falls to be treated as a receipt of a Schedule A business by virtue of section 34 or 35, or

(b) any amount would fall to be so treated but for the operation of subsection (2) or (3) below,”.

(3) In subsection (2)—

    - (a) in paragraph (b), for the words from “be” to “any amount” substitute “be treated by virtue of section 34 or 35 as receiving any amount as income in the course of carrying on a Schedule A business”; and
    - (b) in the closing words, for “on which he is so chargeable” substitute “which he shall be treated as having so received”.

(4) In subsection (3)—

    - (a) for “chargeable under section 34 or 35” substitute “treated by virtue of section 34 or 35 as having received any amount as income in the course of carrying on a Schedule A business and falls to be so treated”; and
    - (b) for “on which he is so chargeable” substitute “which he shall be treated as having so received”.

(5) In subsection (4) for the words from “purposes” to “other premises” substitute “purpose, in computing the profits of a Schedule A business, of making deductions in respect of the disbursements and expenses of that business”.

19 For the heading before section 40 of the Taxes Act 1988 substitute “*Supplementary provisions*”.

20 (1) Section 40 of the Taxes Act 1988 (tax treatment of receipts and outgoings on sale of land) is amended as follows.

(2) In subsection (1) for “become receivable or payable on his behalf” substitute “been received or paid by him”.

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- (3) In subsection (3)(b), for the words from “had become receivable” to the end substitute “ had been received or paid directly by him immediately before the time to which the apportionment is made ”.
  - (4) After subsection (4) insert—
    - “(4A) An amount deemed under this section to have been received or paid shall be taken into account in computing the profits of the Schedule A business in question for the period in which it is treated as received or paid.”.
  - (5) Omit subsection (5).
- 21 Section 41 of the Taxes Act 1988 (relief for rent not paid, etc.) shall cease to have effect.
- 22 In section 42A of the Taxes Act 1988 (non-residents and their representatives), omit subsection (8).
- F11 23 .....

**Textual Amendments**  
F11 Sch. 5 para. 23 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 3](#) (with [Sch. 2](#))

F12 24 .....

**Textual Amendments**  
F12 Sch. 5 para. 24 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 3](#) (with [Sch. 2](#))

25 After section 70 of the Taxes Act 1988 (corporation tax: basis of assessment, etc.) insert—

**“70A Case V income from land outside UK: corporation tax.**

- (1) This section applies where a company is chargeable to corporation tax under Case V of Schedule D in respect of income which—
  - (a) arises from a business carried on for the exploitation, as a source of rents or other receipts, of any estate, interest or rights in or over land outside the United Kingdom, and
  - (b) is not income to which section 70(2) applies (income from a trade or vocation).
- (2) The provisions of Schedule A apply to determine whether income falls within subsection (1)(a) above as they would apply to determine whether the income fell within paragraph 1(1) of that Schedule if—
  - (a) the land in question were in the United Kingdom, or
  - (b) a caravan or houseboat which is to be used at a location outside the United Kingdom were to be used at a location in the United Kingdom.

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- (3) Any provision of the Taxes Acts which deems there to be a Schedule A business in the case of land in the United Kingdom applies where the corresponding circumstances arise with respect to land outside the United Kingdom so as to deem there to be a business within subsection (1)(a) above.
- (4) All businesses and transactions carried on or entered into by a particular company or partnership, so far as they are businesses or transactions the income from which is chargeable to tax under Case V of Schedule D in accordance with this section, are treated for the purposes of the charge to tax under Case V as, or as entered into in the course of carrying on, a single business (an “overseas property business”).
- (5) The income from an overseas property business shall be computed for the purposes of Case V of Schedule D in accordance with the rules applicable to the computation of the profits of a Schedule A business.
- Those rules apply separately in relation to—
- (a) an overseas property business, and
  - (b) any actual Schedule A business of the company chargeable,
- as if each were the only Schedule A business carried on by that company.
- (6) Sections 503 and 504 of this Act and section 29 of the 1990 Act (provisions relating to furnished holiday accommodation) do not apply to the profits or losses of an overseas property business.
- (7) Where under this section rules expressed by reference to domestic concepts of law apply in relation to land outside the United Kingdom, they shall be interpreted so as to produce the result that most closely corresponds with the result produced for Schedule A purposes in relation to land in the United Kingdom.”.

## PART II

### TREATMENT OF LOSSES

#### Commencement Information

**I17** Sch. 5 Pts. I-III in force and has effect as mentioned in s. 38.

<sup>F13</sup>26 .....

#### Textual Amendments

**F13** Sch. 5 para. 26 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

<sup>F14</sup>27 .....

#### Textual Amendments

**F14** Sch. 5 para. 27 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))



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28 In Chapter II of Part X of the Taxes Act 1988 (loss relief: corporation tax), before section 393 insert—

*“ Losses from Schedule A business or overseas property business*

**Schedule A losses.**

392A) Where a company incurs a Schedule A loss in an accounting period, the loss shall be set off for the purposes of corporation tax against the company’s total profits for that period.

(2) To the extent that a company’s Schedule A loss cannot be set off under subsection (1), it shall, if the company continues to carry on the Schedule A business in the succeeding accounting period, be carried forward to that period and be treated for the purposes of this section as a Schedule A loss of that period.

(3) Where an investment company ceases to carry on a Schedule A business but continues to be an investment company, any Schedule A loss that cannot be used under the preceding provisions shall be carried forward to the succeeding accounting period and be treated for the purposes of section 75 as if it had been disbursed as expenses of management for that period.

(4) In this section—

- (a) a “Schedule A loss” means a loss incurred by a company in a Schedule A business carried on by it; and
- (b) “investment company” has the same meaning as in Part IV.

(5) The preceding provisions of this section apply to a Schedule A business only to the extent that it is carried on—

- (a) on a commercial basis, or
- (b) in the exercise of statutory functions.

(6) For the purposes of subsection (5)(a)—

- (a) a business or part is not carried on on a commercial basis unless it is carried on with a view to making a profit, but if it is carried on so as to afford a reasonable expectation of profit it is treated as carried on with a view to making a profit; and
- (b) if there is a change in the manner in which a business or part is carried on, it is treated as having been carried on throughout an accounting period in the way in which it was being carried on by the end of the period.

(7) In subsection (5)(b) “statutory functions” means functions conferred by or under any enactment (including an enactment contained in a local or private Act).

**Losses from overseas property business.**

392B) Where in any accounting period a company incurs a loss in an overseas property business (whether carried on by it solely or in partnership)—

- (a) the loss shall be carried forward to the succeeding accounting period and set against any profits of the business for that period,

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- (b) if there are no profits of the business for that period, or if the profits for that period are exceeded by the amount of the loss, the loss or the remainder of it shall be carried forward again and set against any profits of the business for the next succeeding accounting period, and so on.
- (2) Subsections (5) to (7) of section 392A apply in relation to relief under subsection (1) above and an overseas property business as they apply in relation to relief under section 392A(1) to (3) and a Schedule A business.”.
- 29 For section 403 of the Taxes Act 1988 (losses, etc. which may be surrendered by way of group relief) substitute—

**“403 Amounts which may be surrendered by way of group relief.**

- (1) If in an accounting period (the “surrender period”) the surrendering company has—
- (a) trading losses, excess capital allowances or a non-trading deficit on its loan relationships, or
  - (b) charges on income, Schedule A losses, or management expenses which are available for group relief,

the amount may, subject to the provisions of this Chapter, be set off for the purposes of corporation tax against the total profits of the claimant company for its corresponding accounting period.

- (2) Trading losses, excess capital allowances and a non-trading deficit on the company’s loan relationships are eligible for surrender as group relief even if the surrendering company has other profits of the surrender period against which they could be set.

Further provision about relief in respect of amounts eligible for surrender under this subsection is contained in sections 403ZA to 403ZC.

- (3) Charges on income, Schedule A losses and management expenses are available for surrender as group relief only to the extent that in aggregate they exceed the surrendering company’s gross profits for the surrender period.

Any excess surrendered shall be taken to consist first of charges on income, then Schedule A losses, and finally management expenses.

Further provision about relief in respect of amounts available for surrender under this subsection is contained in section 403ZD.

- (4) This section has effect subject to—
- section 404 (limitation of group relief in relation to certain dual resident companies), and
  - sections 492(8) and 494A (oil extraction activities: availability of group relief against ring fence profits).

**403ZA Amounts eligible for group relief: trading losses.**

- (1) For the purposes of section 403 a trading loss means a loss incurred by the surrendering company in the surrender period in carrying on a trade, computed as for the purposes of section 393A(1).

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- (2) That section does not apply to a trading loss which would be excluded from section 393A(1) by—
  - (a) section 393A(3) (foreign trades and certain trades not carried on with a view to gain), or
  - (b) section 397 (farming and market gardening: restriction on loss relief).
- (3) Where a company owned by a consortium—
  - (a) has in any relevant accounting period incurred a trading loss, and
  - (b) has profits (of whatever description) of that accounting period against which that loss could be set off under section 393A(1),the amount of the loss available to a member of the consortium on a consortium claim shall be determined on the assumption that the company has made a claim under section 393A(1) requiring the loss to be so set off.
- (4) Where the company mentioned in subsection (3) is a group/consortium company, the amount of the loss available under that subsection shall be determined before any reduction is made under section 405(1) to (3).

#### **403ZB Amounts eligible for group relief: excess capital allowances.**

- (1) For the purposes of section 403 excess capital allowances means capital allowances falling to be made to the surrendering company for the surrender period which—
  - (a) are to be given by discharge or repayment of tax, and
  - (b) are to be available primarily against a specified class of income,to the extent to which their amount exceeds the company's income of the relevant class arising in that period.
- (2) In determining the amount of the allowances falling to be made for the surrender period, no account shall be taken of any allowances carried forward from an earlier period.
- (3) The amount of the company's income of the relevant class means its amount before deduction of—
  - (a) losses of any other period, or
  - (b) capital allowances.

#### **403ZC Amounts eligible for group relief: non-trading deficit on loan relationships.**

- (1) For the purposes of section 403 a non-trading deficit on its loan relationships means a deficit of the surrendering company to which section 83 of the <sup>M27</sup>Finance Act 1996 applies.
- (2) Section 403 applies to such a deficit only to the extent that a claim is duly made under section 83(2) of the Finance Act 1996 for it to be treated as eligible for group relief.

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#### **403ZD Other amounts available by way of group relief.**

- (1) References in section 403 to charges on income, Schedule A losses and management expenses shall be construed as follows.
- (2) Charges on income means the aggregate of the amounts paid by the surrendering company in the surrender period by way of charges on income.
- (3) A Schedule A loss means a loss incurred by the surrendering company in the surrender period in a Schedule A business carried on by the company.

It does not include—

- (a) an amount treated as such a loss by section 392A(2) (losses carried forward from earlier period), or
  - (b) a loss which would be excluded from section 392A by subsection (5) of that section (certain businesses not carried on with a view to gain).
- (4) Management expenses means the aggregate of the amounts disbursed by the surrendering company for the surrender period which are deductible under section 75(1) (expenses of management of investment company).

It does not include an amount deductible only by virtue of section 75(3) or 392A(3) (amounts carried forward from earlier periods).

- (5) References in this section to section 75 do not include that section as applied by section 76 to companies carrying on life assurance business.

#### **403ZE Computation of gross profits.**

- (1) For the purposes of section 403 the surrendering company's gross profits of the surrender period means its profits for that period—
  - (a) without any deduction in respect of such losses, allowances and other amounts as are mentioned in paragraph (a) or (b) of subsection (1) of that section, and
  - (b) without any deduction falling to be made—
    - (i) in respect of losses, allowances or other amounts of any other period (whether or not of a description within subsection (1) of that section), or
    - (ii) by virtue of section 75(3) or 392A(3) (other amounts carried forward).
- (2) References in this section to section 75 do not include that section as applied by section 76 to companies carrying on life assurance business.”.

#### **Marginal Citations**

M27 1996 c.8.

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**“494A Computation of amount available for surrender by way of group relief.**

- (1) In section 403(3) (availability of charges, Schedule A losses and management expenses for surrender as group relief) the reference to the gross profits of the surrendering company for an accounting period does not include the company’s relevant ring fence profits for that period.
- (2) If for that period—
  - (a) there are no charges on income paid by the company that are allowable under section 338, or
  - (b) the only charges on income so allowable are charges to which section 494(3) above applies,all the company’s ring fence profits are relevant ring fence profits.
- (3) In any other case the company’s relevant ring fence profits are so much of its ring fence profits as exceeds the amount of the charges on income paid by the company as—
  - (a) are allowable under section 338 for that period, and
  - (b) are not charges to which section 494(3) above applies.”.

31 In Chapter VI of Part XVII of the Taxes Act 1988 (tax avoidance: miscellaneous provisions), after section 768C insert—

**“768D Change in ownership of company carrying on property business.**

- (1) This section applies where there is a change in the ownership of a company carrying on a Schedule A business and—
  - (a) in the case of an investment company, either—
    - (i) paragraph (a), (b) or (c) of section 768B(1) applies, or
    - (ii) section 768C applies;
  - (b) in the case of a company which is not an investment company, paragraph (a) or (b) of section 768(1) applies.
- (2) Where this section applies the following provisions have effect to prevent relief being given under section 392A by setting a Schedule A loss incurred by the company before the change of ownership against profits arising after the change.
- (3) The accounting period in which the change of ownership occurs is treated for that purpose as two separate accounting periods, the first ending with the change and the second consisting of the remainder of the period.
- (4) The profits or losses of the period in which the change occurs are apportioned to those two periods—
  - (a) in the case of an investment company—
    - (i) where paragraph (a), (b) or (c) of section 768B(1) applies, in accordance with Parts II and III of Schedule 28A, or
    - (ii) where section 768C applies, in accordance with Parts V and VI of that Schedule, and
  - (b) in the case of a company which is not an investment company, according to the length of the periods,

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unless in any case the specified method of apportionment would work unjustly or unreasonably in which case such other method shall be used as appears just and reasonable.

- (5) Relief under section 392A(1) against total profits of the same accounting period is available only in relation to each of those periods considered separately.
- (6) A loss made in any accounting period beginning before the change of ownership may not be set off under section 392A(2) against, or deducted by virtue of section 392A(3) from—
- (a) in the case of—
    - (i) an investment company where paragraph (a), (b) or (c) of section 768B(1) applies, or
    - (ii) a company which is not an investment company, profits of an accounting period ending after the change of ownership;
  - (b) in the case of an investment company where section 768C applies, from so much of those profits as represents the relevant gain within the meaning of that section.
- (7) Subsections (8) and (9) of section 768 (time limits for assessment; information powers) apply for the purposes of this section as they apply for the purposes of that section.
- (8) In this section—
- (a) any reference to a case where paragraph (a) or (b) of section 768(1) applies includes the case where that paragraph would apply if the reference there to a trade carried on by the company were to a Schedule A business carried on by it;
  - (b) “investment company” has the same meaning as in Part IV.
- (9) The provisions of this section apply in relation to an overseas property business as they apply in relation to a Schedule A business.”.

- 32 In section 769 of the Taxes Act 1988 (rules for ascertaining change of ownership)—
- (a) in subsections (1), (2)(d) and (5) for “and 768C” substitute “, 768C and 768D”;
  - (b) in subsection (3) for “or 768A” substitute “, 768A or 768D”; and
  - (c) in subsection (4) for “or 768C” substitute “, 768C or 768D”.

### PART III

#### MINOR AND CONSEQUENTIAL AMENDMENTS

##### Commencement Information

**I18** Sch. 5 Pts. I-III in force and has effect as mentioned in s. 38.

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*Taxes Management Act 1970 (c. 9)*

F15 33 .....

**Textual Amendments**

**F15** Sch. 5 para. 33 repealed (31.7.1998 with effect as mentioned in s. 117, Sch. 27 Pt. III(28), Note) by 1998 c. 36, s. 165, Sch. 27 Pt. III(28)

*Income and Corporation Taxes Act 1988 (c.1)*

- 34 In section 87(1) of the Taxes Act 1988 (treatment of taxable premiums in case of land used in connection with trade, profession or vocation), for paragraphs (a) and (b) substitute—
- “(a) any amount falls to be treated as a receipt of a Schedule A business by virtue of section 34 or 35, or
  - (b) any amount would fall to be so treated but for the operation of section 37(2) or (3);”.
- 35 In section 118 of the Taxes Act 1988 (limited partnerships: restriction on relief)—
- (a) in the opening words of subsection (1), and
  - (b) in subsection (2), in the definition of “the aggregate amount”,
- for “403(1) to (3) and (7)” substitute “ 403 ”.
- 36 In section 400 of the Taxes Act 1988 (loss relief: effect of write-off of government investment), in subsection (2) after paragraph (b) insert—
- “(bb) any losses which—
  - (i) under section 392A(2) or 392B are carried forward to the next accounting period, or
  - (ii) under section 392A(3) are treated as management expenses disbursed in the next accounting period;”.
- 37 (1) Section 404 of the Taxes Act 1988 (limitation of group relief in relation to dual resident investment companies) is amended as follows.
- (2) In subsection (2), for paragraph (a) substitute—
- “(a) in which the trading loss or Schedule A loss is incurred; or
  - (aa) in which the non-trading deficit on the company’s loan relationships arises; or”.
- (3) In subsection (6), omit paragraph (c).
- 38 In section 413(6) of the Taxes Act 1988 (interpretation: meaning of company being owned by consortium), for “403(10)” substitute “ 403ZA(3) ”.
- 39 In Chapter I of Part XII of the Taxes Act 1988 (insurance companies), after section 432A insert—
- “432AA Schedule A business or overseas property business.**
- (1) An insurance company is treated as carrying on separate Schedule A businesses, or overseas property businesses, in accordance with the following rules.

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- (2) The exploitation of land held as an asset of the company's long term business fund is treated as a separate business from the exploitation of land not so held.
- (3) The exploitation of land held as an asset of the company's overseas life assurance fund is treated as a separate business from the exploitation of other land held as an asset of its long term business fund.
- (4) The exploitation of land held as an asset linked to any of the following categories of business is regarded as a separate business—
  - (a) pension business;
  - (b) life reinsurance business;
  - (c) basic life assurance and general annuity business;
  - (d) long term business other than life assurance business.
- (5) Accordingly, the exploitation of land held as an asset of the company's long term business fund otherwise than as mentioned in subsection (3) or (4) is treated as a separate business from any other.
- (6) In this section "land" means any estate, interest or rights in or over land.

#### **432AB Losses from Schedule A business or overseas property business.**

- (1) This section applies to any loss arising in a Schedule A business or overseas property business.
- (2) A loss arising from any category of business mentioned in section 432A(2) shall be apportioned under that section in the same way as income.
- (3) So far as a loss is referable to basic life assurance and general annuity business, it shall be treated as if it were an amount of expenses of management under section 76 disbursed for the accounting period in which the loss arose.
- (4) Where a company is treated under section 432AA as carrying on—
  - (a) more than one Schedule A business, or
  - (b) more than one overseas property business,
 then, in relation to either kind of business, the reference in subsection (3) above to a loss referable to basic life assurance and general annuity business shall be construed as a reference to any aggregate net loss after setting the losses from those businesses which are so referable against any profits from those businesses that are so referable.
- (5) The provisions of section 392A or 392B (loss relief) do not apply to a loss referable to life assurance business or any category of life assurance business.
- (6) Where a company is treated under section 432AA as carrying on—
  - (a) more than one Schedule A business, or
  - (b) more than one overseas property business,
 and, in relation to either kind of business, there are losses and profits referable to business which is not life assurance business, those losses shall be set against those profits before being used under section 392A or 392B."



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F16<sup>40</sup> .....

**Textual Amendments**

**F16** Sch. 5 para. 40 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F17<sup>41</sup> .....

**Textual Amendments**

**F17** Sch. 5 para. 41 repealed (with effect in accordance with reg. 1(2) of the amending S.I.) by The Insurance Companies (Overseas Life Assurance Business) (Excluded Business) (Amendment) Regulations 2007 (S.I. 2007/2086), regs. 1(1), 6(2)(c)

42 For section 503 of the Taxes Act 1988 (letting of furnished holiday accommodation treated as a trade) substitute—

**“503 Letting of furnished holiday accommodation treated as a trade for certain purposes.**

- (1) For the purposes specified in subsection (2)—
- (a) a Schedule A business which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation in the United Kingdom shall be treated as if it were a trade the profits of which are chargeable to tax under Case I of Schedule D, and
  - (b) all such lettings made by a particular person or partnership or body of persons shall be treated as one trade.

The “commercial letting of furnished holiday accommodation” is defined below in section 504.

- (2) Subsection (1) above applies for the purposes of—
- (a) Chapters I and II of Part X (loss relief for income tax and corporation tax), and
  - (b) sections 623(2)(c), 644(2)(c) and 833(4)(c) (income regarded as relevant earnings for pension purposes or as earned income).
- (3) Chapter I of Part X (loss relief for income tax) as applied by this section has effect with the following adaptations—
- (a) no relief shall be given to an individual under section 381 (relief for losses in early years of trade) in respect of a year of assessment if any of the accommodation in respect of which the trade is carried on in that year was first let by that person as furnished accommodation more than three years before the beginning of that year of assessment;
  - (b) section 384 (restrictions on right of set-off) has effect with the omission of subsections (6) to (8) and the words after paragraph (b) in subsection (10) (which relate to certain losses attributable to capital allowances);
  - (c) section 390 (treatment of interest as loss) has effect as if the reference to a trade the profits of which are chargeable to tax under

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Case I of Schedule D were a reference to the Schedule A business so far as it is treated as a trade.

(4) Where there is a letting of accommodation only part of which is holiday accommodation, such apportionments shall be made for the purposes of this section as are just and reasonable.

(5) Relief shall not be given for the same loss, or the same portion of a loss, both under a provision of Part X as applied by this section and under any other provision of the Tax Acts.”.

43 In section 579 of the Taxes Act 1988, omit subsection (4) and in subsection (5) (twice) for “subsections (2), (3) and (4)” substitute “ subsections (2) and (3) ”.

44 In section 787(3) of the Taxes Act 1988 (restriction of relief for payments of interest) for “section 403(7)” substitute “ section 83(2)(b) of the Finance Act 1996 (claim to treat non-trading deficit as eligible for group relief) ”.

F18 45 .....

**Textual Amendments**  
 F18 Sch. 5 para. 45 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

46 In Schedule 26 to the Taxes Act 1988 (allowance of reliefs against amounts apportioned in respect of profits of controlled foreign companies), in paragraph 1(3) (a) for “section 393A(1)” substitute “ section 392A(1) or 393A(1) ”.

*Capital Allowances Act 1990 (c.1)*

F19 47 .....

**Textual Amendments**  
 F19 [Sch. 5 para. 47](#) repealed (22.3.2001 with effect as mentioned in [s. 579](#) of the amending Act) by [2001 c. 2](#), ss. 579, 580, [Sch. 4](#)

F20 48 .....

**Textual Amendments**  
 F20 [Sch. 5 para. 48](#) repealed (22.3.2001 with effect as mentioned in [s. 579](#) of the amending Act) by [2001 c. 2](#), ss. 579, 580, [Sch. 4](#)

F21 49 .....

**Textual Amendments**  
 F21 [Sch. 5 para. 49](#) repealed (22.3.2001 with effect as mentioned in [s. 579](#) of the amending Act) by [2001 c. 2](#), ss. 579, 580, [Sch. 4](#)

F22 50 .....

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**Textual Amendments**

**F22** Sch. 5 para. 50 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F23 51 .....

**Textual Amendments**

**F23** Sch. 5 para. 51 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F24 52 .....

**Textual Amendments**

**F24** Sch. 5 para. 52 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F25 53 .....

**Textual Amendments**

**F25** Sch. 5 para. 53 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F26 54 .....

**Textual Amendments**

**F26** Sch. 5 para. 54 repealed (22. 3. 2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F27 55 .....

**Textual Amendments**

**F27** Sch. 5 para. 55 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F28 56 .....

**Textual Amendments**

**F28** Sch. 5 para. 56 repealed (22.3.2001 with effect as mentioned in s. 579 or the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F29 57 .....

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**Textual Amendments**  
F29 Sch. 5 para. 57 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F30 58 .....

**Textual Amendments**  
F30 Sch. 5 para. 58 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F31 59 .....

**Textual Amendments**  
F31 Sch. 5 para. 59 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F32 60 .....

**Textual Amendments**  
F32 Sch. 5 para. 60 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

F33 61 .....

**Textual Amendments**  
F33 Sch. 5 para. 61 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by 2001 c. 2, ss. 579, 580, Sch. 4

*Taxation of Chargeable Gains Act 1992 (c.12)*

62 In section 241(3) of the Taxation of Chargeable Gains Act 1992 (commercial letting of furnished holiday accommodation to be treated as trade for certain purposes), for paragraph (a) substitute—

“(a) any Schedule A business (within the meaning of the Taxes Act) which consists in the commercial letting of furnished holiday accommodation in the United Kingdom shall be treated as a trade, and”.

63 (1) Schedule 8 to the Taxation of Chargeable Gains Act 1992 (leases) is amended as follows.

(2) In paragraph 5 (exclusion of premiums taxed under Schedule A, etc.)—

(a) in sub-paragraphs (1) and (2), for “income tax has become chargeable under section 34 of the Taxes Act on any amount” substitute “ any amount is

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brought into account by virtue of section 34 of the Taxes Act as a receipt of a Schedule A business (within the meaning of that Act)”; and

- (b) in sub-paragraph (3), for “income tax has become chargeable under section 36 of the Taxes Act (sale of land with right of re-conveyance) on any amount” substitute “any amount is brought into account by virtue of section 36 of the Taxes Act (sale of land with right of re-conveyance) as a receipt of a Schedule A business (within the meaning of that Act)”.

- (3) In paragraph 6(2), for the words from “on which tax is paid” onwards substitute “brought into account by virtue of section 35 of the Taxes Act (charge on assignment of a lease granted at an undervalue) as a receipt of a Schedule A business (within the meaning of that Act)”.

<sup>F34</sup>(4) .....

- (5) For paragraph 7A substitute—

“7A References in paragraphs 5 to 7 above to an amount brought into account as a receipt of a Schedule A business include references to an amount brought into account as a receipt of an overseas property business.”.

#### Textual Amendments

**F34** Sch. 5 para. 63(4) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

#### *Finance Act 1996 (c. 8)*

- 64 (1) Schedule 8 to the Finance Act 1996 (loan relationships: claims relating to deficits) is amended as follows.
- (2) In paragraph 1 (claim to set off deficit against other profits for the same period), in sub-paragraph (3)(b) for paragraph (i) substitute—
- “(i) under section 392A(1) or 393A(1) of the Taxes Act 1988 (losses set against profits for the same or preceding accounting periods); or”.
- (3) In paragraph 2 (claim to treat deficit as eligible for group relief) for sub-paragraph (2) substitute—
- “(2) Section 403 of the Taxes Act 1988 (amounts which may be surrendered by way of group relief) applies in accordance with section 403ZC(2) of that Act.”.

### PART IV

#### TRANSITIONAL PROVISIONS FOR CORPORATION TAX

##### *Introduction*

- 65 (1) This Part of this Schedule makes provision with respect to the application of the provisions of Parts I to III of this Schedule for corporation tax purposes.

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(2) In this Part of this Schedule—

“before commencement” and “after commencement” mean, respectively, before 1st April 1998 and on or after that date; and

“the new rules” means the provisions of the Tax Acts relating to Schedule A taxation or, as the case may be, to the taxation under Case V of Schedule D of income from land outside the United Kingdom, as they have effect after commencement.

*Receipts and expenses not to be counted twice*

- 66 (1) To the extent that receipts or expenses have been taken into account before commencement, they shall not be taken into account again under the new rules after commencement.
- (2) Nothing in section 43 of the <sup>M28</sup>Finance Act 1989 (computation of profits: effect of delayed payment of emoluments) shall be construed as affecting the rule in subparagraph (1) above.

**Marginal Citations**

**M28** 1989 c. 26.

*Receipts and expenses not to be left out of account*

- 67 To the extent that receipts or expenses would under the new rules have been brought into account before commencement, and were not so brought into account, they shall be brought into account immediately after commencement.

*Expenses not to be carried back to before commencement*

- 68 Expenses which were incurred before commencement but were not taken into account before commencement shall not, by virtue of section 25(3) or 31(3) of the Taxes Act 1988, be carried back and taken into account before commencement.

*Effect of transfer of underlying rights*

- 69 If any estate, interest or rights in or over land is or are transferred from one person to another, the references in paragraphs 66 to 68 to receipts or expenses being taken into account shall be construed as references to their being taken into account in relation to either of those persons.

*Bad debt relief*

- 70 (1) Where relief under section 41 of the Taxes Act 1988 (relief for rent, etc. not paid) has been given in respect of an amount before commencement, any receipt after commencement shall be taken into account under the new rules.
- (2) Any writing off of an amount after commencement shall be taken into account under the new rules, even where it relates to a receipt brought into account before commencement.

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*Meaning of “taken into account”*

- 71 For the purposes of paragraphs 66 to 70 an amount is “taken into account” if—
- (a) it is brought into account for tax purposes, or
  - (b) it would have been so brought into account if the person concerned were chargeable to tax.

*Unrelieved Case VI losses*

- 72 (1) A loss to which this paragraph applies which a company would, apart from this Schedule, have been entitled to carry forward under section 396 of the Taxes Act 1988 (Case VI losses) shall be treated after commencement as a loss of an earlier period within section 392A or 392B of that Act and accordingly available to be set off under those provisions.
- (2) This paragraph applies to a loss sustained in a business or transaction of a kind that after commencement would be treated as carried on or entered into in the course of a Schedule A business or overseas property business carried on by the company.

*Source ceasing in transitional accounting period*

- 73 (1) The provisions of Parts I to III of this Schedule do not apply in relation to a source which ceases in the course of a company’s transitional accounting period to be a source within the charge to tax under Schedule A or Case V or VI of Schedule D in relation to that company and any other person.
- (2) This paragraph does not apply if the company acquired the source in that accounting period or in the preceding twelve months.

*Superseded provisions relating to finance leasing*

- 74 (1) In Schedule 12 to the <sup>M29</sup>Finance Act 1997 (leasing arrangements: finance leases and loans), the following provisions (which apply concepts from Case I of Schedule D in relation to rent taxed under Schedule A) shall cease to have effect in accordance with this paragraph.
- (2) Paragraphs 3(6), 6(9)(b), 8(1) to (7) and 20(b) do not apply in relation to periods of account beginning on or after 1st April 1998.
- A “period of account” means a period for which accounts are made up.
- (3) Paragraph 8(8) does not apply if the time mentioned in that provision is on or after 1st April 1998.
- (4) Paragraph 8(9) does not apply if the time mentioned in paragraph (a) of that provision is on or after 1st April 1998.

**Marginal Citations**

M29 1997 c. 16.

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*Computation of amounts available for surrender as group relief*

- 75 In computing under section 403 of the Taxes Act 1988 the amounts available for surrender as group relief in a company's transitional accounting period, the amounts referable to the period before commencement shall be computed separately from the amounts referable to the period after commencement.

*Meaning of "transitional accounting period"*

- 76 For the purposes of paragraphs 73 and 75 a "transitional accounting period" means an accounting period beginning before, and ending on or after, 1st April 1998.

<sup>F35</sup>SCHEDULE 6

Section 44.

**Textual Amendments**

- F35** Sch. 6 repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(8) Note 2 of the amending Act) by 2002 c. 23, s. 141, Sch. 40 Pt. 3(8) Note 2

**Modifications etc. (not altering text)**

- C1** Sch. 6 excluded (24.7.2002) by 2002 c. 23, s. 64(6)

SCHEDULE 7

Section 46(3).

REMOVAL OF UNNECESSARY REFERENCES TO GAINS

The following are the provisions of the Taxes Acts in which the amendments specified in section 46(3) are to be made.

- 1 In the Taxes Act 1988: sections 53(1) and (3), 55(1), <sup>F37</sup>... 74(1) opening words and paragraph (m), <sup>F37</sup>... 79(1), 79A(1), <sup>F37</sup>... 83, 84A(2)(a), 85(1)(a), 85A(2)(a), <sup>F38</sup>... 86A(2)(a), 87(2) and (6), 88(a), 89 (twice), 90(1)(a), 91(1) and (4)(a)(i), 91A(2) and (3)(a), 91B(2), (5)(a) and (6)(a), 91C(b), 94(1), <sup>F37</sup>... 97, 99(1) and (2), 100(1), (1D) and (1E) (twice each), 101(1) (twice) and (2)(a), 102(1), 103(1), (2)(a) (twice), (2) (b) (twice), (4)(a) and (5), 104(1) (twice), (2), (4), (5) and (7), 105(1)(a) (twice) and (4), 106(2), <sup>F37</sup>... 109A(2)(d), (4) and (4A), 110(3) (twice), (4) and (5) (three times), <sup>F37</sup>... 117(1), (3)(b) and (4), 118(1), 160(1C)(b), <sup>F39</sup>... , 368(3) <sup>F37</sup>... 375A(1)(b), <sup>F40</sup>... 400(6), 401(1)(b), 486(10) (twice), 491(3) (twice), (4), <sup>F37</sup>... (6), (8)(b) (twice) and (11), 509(1) (twice), 526(1)(b), <sup>F41</sup>... <sup>F37</sup>... <sup>F42</sup>... 568(1), 570(1), 577(1)(a) and (9), 577A(1) and (1A), 579(2), 588(3), 589A(8), <sup>F37</sup>... 770(2)(a)(iii) and (b)(iii), 776(6) (a) and (b), 779(13)(b), 780(3)(a), 781(4)(a) and (5)(b), 782(1)(a), (2) and (3), 785 definition of "capital sum" where the words first occur, 830(4) in the second place, Schedule 5, paragraphs 1(1), 2(6) meaning of "qualifying year of assessment", 3(1) and (4)(b), 5(1), 6<sup>F37</sup>... and (5) and 8(7) (three times), Schedule 21, paragraph 6(1) (b) and (3) (twice).



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### Textual Amendments

- F37** Words in Sch. 7 para. 1 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))
- F38** Words in Sch. 7 para. 1 repealed (with effect in accordance with s. 42 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(3\)](#)
- F39** Words in Sch. 7 para. 1 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034, [Sch. 3 Pt. 2](#) (with [Sch. 2](#))
- F40** Words in Sch. 7 para. 1 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F41** Words in Sch. 7 para. 1 repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by [2001 c. 2](#), ss. 579, 580, [Sch. 4](#)
- F42** Words in Sch. 7 para. 1 repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(1) Note of the amending Act) by [2002 c. 23](#), s. 141, [Sch. 40 Pt. 3\(1\)](#) Note

2 In the <sup>M30</sup>Finance Act 1988: section 73(2), Schedule 12, paragraph 2(2).

### Marginal Citations

**M30** [1988 c.39](#).

3 In the <sup>M31</sup>Finance Act 1989: sections 67(2)(a), 76(1) and (4)(a) and 112(1).

### Marginal Citations

**M31** [1989 c.26](#).

<sup>F43</sup>4 .....

### Textual Amendments

- F43** [Sch. 5 para. 4](#) repealed (22.3.2001 with effect as mentioned in s. 579 of the amending Act) by [2001 c. 2](#), ss. 579, 580, [Sch. 4](#)

5 In the <sup>M32</sup>Finance Act 1990: section 126(2).

### Marginal Citations

**M32** [1990 c.29](#).

6 In the <sup>M33</sup>Finance Act 1991: section 121.

### Marginal Citations

**M33** [1991 c.31](#).

7 In the <sup>M34</sup>Taxation of Chargeable Gains Act 1992: sections 39(1) (in the first place) and (2) (in both places), 41(4) and (5) and 164L(8) (twice).

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**Marginal Citations**

**M34** 1992 c.12.

- 8 In the <sup>M35</sup>Finance (No. 2) Act 1992: section 42(8) and Schedule 12, paragraphs <sup>F44</sup> . . . 4(2) (twice).

**Textual Amendments**

**F44** Words in [Sch. 7 para. 8](#) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(18) Note of the amending Act) by [2002 c. 23, s. 141](#), [Sch. 40 Pt. 3\(18\)](#) Note

**Marginal Citations**

**M35** 1992 c.48.

- 9 In the <sup>M36</sup>Finance Act 1994: Schedule 24, paragraph 12(2).

**Marginal Citations**

**M36** 1994 c.9.

- 10 In the <sup>M37</sup>Finance Act 1995: section 126(6) and (7).

**Marginal Citations**

**M37** 1995 c.4.

- 11 In the <sup>M38</sup>Finance Act 1996: sections 80(2) (in the second place) and 82(2)(a) and (b).

**Marginal Citations**

**M38** 1996 c.8.

- 12 In the <sup>M39</sup>Finance Act 1997: Schedule 12, paragraph 8(4)(a).

**Marginal Citations**

**M39** 1997 c.16.

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**Textual Amendments**

**F45** Sch. 8 repealed (with effect in accordance with s. 77 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(7\)](#)

<sup>F46</sup>SCHEDULE 9

Section 58(2).

**Textual Amendments**

**F46** Sch. 9 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 8 Pt. 1](#) (with Sch. 7)

<sup>F47</sup>SCHEDULE 10

Section 61(2).

**Textual Amendments**

**F47** Sch. 10 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 8 Pt. 1](#) (with Sch. 7)

SCHEDULE 11

Section 62.

TRANSITIONAL PROVISIONS FOR PROFIT-RELATED PAY

*Application of Schedule*

- 1 —(1) This Schedule applies for the purposes of Chapter III of Part V of the Taxes Act 1988 (profit-related pay) where—
- (a) profit-related pay is or has been paid to an employee by reference to any period (“the relevant period”) and in accordance with a registered scheme (“the affected scheme”), and
  - (b) sub-paragraph (2) or (3) below applies in the employee’s case to the relevant period.
- (2) This sub-paragraph applies in the employee’s case to the relevant period if—
- (a) that period is a period beginning for the employee at a time on or after 17th March 1998 and ending before 31st December 2000;
  - (b) the employee has been eligible in accordance with a related scheme to receive profit-related pay by reference to the whole or a part of any profit period for the related scheme (“the earlier period”);

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- (c) the earlier period is (or, by virtue of sub-paragraph (4) below, is treated as being) a period beginning before the first day of the relevant period; and
  - (d) the relevant anniversary is (or, by virtue of that sub-paragraph, is treated as being) in a later calendar year than the first day of the relevant period.
- (3) This sub-paragraph applies in the employee's case to the relevant period if—
- (a) that period is a period beginning for the employee at a time on or after 17th March 1998 and ending before 31st December 2000;
  - (b) the employee has been eligible in accordance with either the affected scheme or a related scheme to receive profit-related pay by reference to the whole or any part of a profit period ("the earlier period");
  - (c) the earlier period is a period beginning twelve months or less before the first day of the relevant period;
  - (d) the section 171(4) limit for the earlier period is a limit computed in accordance with this Schedule; and
  - (e) the relevant anniversary is in a later calendar year than the first day of the relevant period.
- (4) Where—
- (a) the conditions in paragraphs (a) and (b) of sub-paragraph (2) above are satisfied in relation to the relevant period in the case of any employee, and
  - (b) the person who is the scheme employer in relation to the affected scheme, by notice to the employee, elects that this sub-paragraph shall apply in relation to the related scheme,

the earlier period referred to in that sub-paragraph shall be assumed for the purposes of this Schedule to be a period beginning with the 1st January next before the first day of the relevant period.

*Rule for determining section 171(4) limit*

- 2 (1) The section 171(4) limit applicable to any profit-related pay paid to the employee in accordance with the affected scheme and by reference to the relevant period shall be—
- (a) if the relevant period does not begin for the employee before the apportionment date, the limit for the part of the profit period falling on or after that date; and
  - (b) in any other case the sum of—
    - (i) the limit for the part of the relevant period falling on or after the apportionment date; and
    - (ii) the limit for the part of the relevant period falling before that date.
- (2) For the purposes of sub-paragraph (1) above the limit for a part of the relevant period shall be computed by—
- (a) taking the amount given by virtue of section 61 of the <sup>M40</sup>Finance Act 1997 (phasing out of relief for profit-related pay) as the section 171(4) limit for a profit period beginning with the first day of that part of that period and ending with the last day of that part of that period;
  - (b) making a proportionate reduction for so much of that part of that period (if any) as is not included in any period by reference to which the employee is eligible for profit-related pay in accordance with the affected scheme; and
  - (c) using—

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- (i) the amount produced by the reduction, or
  - (ii) (if no reduction has been made) the amount taken in accordance with paragraph (a) above,as the limit for that part of the relevant period.
- (3) Subject to sub-paragraph (4) below, the apportionment date in the case of any employee is for the purposes of this paragraph—
  - (a) except where the person who is the scheme employer for the affected scheme otherwise elects by notice to that employee, the 1st January that falls next after the first day of the relevant period; and
  - (b) where that person does so elect, the date which is the relevant anniversary for the purposes of whichever of sub-paragraphs (2) and (3) of paragraph 1 above applies to the relevant period in the employee’s case.
- (4) Where—
  - (a) both sub-paragraphs (2) and (3) of paragraph 1 above apply to the relevant period in the employee’s case, or
  - (b) there is, for any other reason, more than one date which (but for this sub-paragraph) would be taken in accordance with sub-paragraph (3)(b) above to be the apportionment date,the apportionment date shall be the earliest of those dates to fall in the calendar year immediately following that in which the first day of the relevant period falls.

**Marginal Citations**

**M40** 1997 c. 16.

*Meaning of related scheme*

- 3
- (1) In the case of any employee a scheme is, in relation to the affected scheme, a related scheme for the purposes of this Schedule if—
    - (a) it was a registered scheme at any relevant time and the conditions set out in sub-paragraph (2) below are satisfied with respect to it; or
    - (b) notice that for the purposes of this Schedule it is to be treated as a related scheme in relation to the affected scheme is given to the employee by the scheme employer for the affected scheme.
  - (2) Those conditions are satisfied with respect to a scheme (“the relevant scheme”) if a person who is the scheme employer for the affected scheme was, at a relevant time—
    - (a) the scheme employer for the relevant scheme; or
    - (b) connected with a person who was, at that or another relevant time, the scheme employer for the relevant scheme.
  - (3) In this paragraph “relevant time” means any time on the day of the beginning for the employee of the relevant period or in the period of twelve months preceding that day.
  - (4) Section 839 of the Taxes Act 1988 (connected persons) applies for the purposes of this paragraph.
  - (5) Without prejudice to sub-paragraph (4) above, for the purposes of this paragraph—

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- (a) each of the members of a partnership shall be regarded as connected with the partnership and with any person (including another partnership) with whom the partnership is connected; and
- (b) a partnership shall be regarded as connected with each of its members and with any person (including another partnership) with whom any of its members is connected.

*Meaning of “relevant anniversary”y*

- 4 For the purposes of this Schedule the relevant anniversary is—
- (a) for the purposes of paragraph 1(2) above, the first anniversary of the first day of the earlier period; and
  - (b) for the purposes of paragraph 1(3) above, the first anniversary of the date that is taken to be the relevant anniversary for the purpose of computing the section 171(4) limit for the earlier period in accordance with this Schedule.

*General interpretation*

- 5 (1) Expressions used in this Schedule and in Chapter III of Part V of the Taxes Act 1988 have the same meanings in this Schedule as in that Chapter.
- (2) References in this Schedule to the section 171(4) limit are references to the second of the limits mentioned in section 171(2) of the Taxes Act 1988; and this Schedule shall have effect on the basis that that limit is nil for any period (or part of a period) beginning on or after 1st January 2000.
- (3) References in this Schedule to the beginning for the employee of any profit period by reference to which he is eligible to receive profit-related pay are references—
- (a) where sub-paragraph (4) below applies, to the earliest time in that period which is included in a part of that period by reference to which he is so eligible; and
  - (b) in any other case, to the beginning of the first day of the period in question.
- (4) This sub-paragraph applies where—
- (a) the employee is eligible to receive profit-related pay by reference to only a part of the relevant period; and
  - (b) that part of that period begins after the beginning of that period.

SCHEDULE 12

Section 70.

EIS AND VCTs: MEANING OF QUALIFYING TRADE

*New exclusions for the enterprise investment scheme*

F48 1

**Textual Amendments**

**F48** Sch. 12 para. 1 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 2](#) (with Sch. 2)

*Status: Point in time view as at 06/04/2008.*

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*Definition of excluded activities for the enterprise investment scheme*

F49<sup>2</sup> .....

**Textual Amendments**

**F49** Sch. 12 para. 2 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 2** (with Sch. 2)

*New exclusions for VCTs*

F50<sup>3</sup> .....

**Textual Amendments**

**F50** Sch. 12 para. 3 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Definition of excluded activities for VCTs*

F51<sup>4</sup> .....

**Textual Amendments**

**F51** Sch. 12 para. 4 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Commencement*

5 F52<sup>(1)</sup> .....

F53<sup>(2)</sup> .....

F53<sup>(3)</sup> .....

**Textual Amendments**

**F52** Sch. 12 para. 5(1) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 2** (with Sch. 2)

**F53** Sch. 12 para. 5(2)(3) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

SCHEDULE 13

Section 74(1).

CHANGES TO EIS ETC

F54 **PART I**

EIS INCOME TAX RELIEF

.....

*Status: Point in time view as at 06/04/2008.*

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### Textual Amendments

**F54** Sch. 13 Pt. I repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 2](#) (with [Sch. 2](#))

## PART II

### EIS RELIEF AGAINST CHARGEABLE GAINS

- 24 (1) In subsections (1) and (2) of section 150A of the <sup>M41</sup>Taxation of Chargeable Gains Act 1992 (enterprise investment schemes), the word “eligible” shall cease to have effect.
- (2) In subsection (4)(a) of that section, for the words “issued to a person at different times a disposal relates” there shall be substituted the words “acquired by an individual at different times a disposal relates to”.
- (3) In subsection (5) of that section, for the words “Sections 104, 105 and 107” there shall be substituted the words “Sections 104, 105 and 106A”.
- (4) For subsection (6) of that section there shall be substituted the following subsections—
- “(6) Where an individual holds shares which form part of the ordinary share capital of a company and include shares of more than one of the following kinds, namely—
- (a) shares to which relief is attributable and to which subsection (6A) below applies,
  - (b) shares to which relief is attributable and to which that subsection does not apply, and
  - (c) shares to which relief is not attributable,
- then, if there is within the meaning of section 126 a reorganisation affecting those shares, section 127 shall apply (subject to the following provisions of this section) separately to shares falling within paragraph (a), (b) or (c) above (so that shares of each kind are treated as a separate holding of original shares and identified with a separate new holding).
- (6A) This subsection applies to any shares if—
- (a) expenditure on the shares has been set under Schedule 5B to this Act against the whole or part of any gain; and
  - (b) in relation to the shares there has been no chargeable event for the purposes of that Schedule.”

(5) In subsection (8A)(a) of that section, the word “preferential”, in the second place where it occurs, shall cease to have effect.

(6) After subsection (8C) of that section there shall be inserted the following subsection—

“(8D) Where shares to which relief is attributable are exchanged for other shares in circumstances such that section 304A of the Taxes Act (acquisition of share capital by new company) applies—

    - (a) subsection (8) above shall not have effect to disapply section 135; and



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- (b) subsections (2)(b), (3) and (4) of section 304A of the Taxes Act, and subsection (5) of that section so far as relating to section 306(2) of that Act, shall apply for the purposes of this section as they apply for the purposes of Chapter III of Part VII of that Act.”
- (7) After subsection (10) of that section there shall be inserted the following subsection—
- “(10A) In this section—
- “ordinary share capital” has the same meaning as in the Taxes Act;
- “ordinary shares”, in relation to a company, means shares forming part of its ordinary share capital.”
- (8) In this paragraph—
- (a) sub-paragraphs (1) to (3) have effect in relation to disposals made on or after 6th April 1998;
- (b) sub-paragraph (4) has effect in relation to reorganisations taking effect on or after that date;
- (c) sub-paragraph (5) has effect in relation to new shares (within the meaning of section 150A(8A) of the <sup>M42</sup>Taxation of Chargeable Gains Act 1992) issued on or after that date;
- (d) sub-paragraph (6) has effect in relation to new shares (within the meaning of section 304A of the Taxes Act 1988) issued on or after that date; and
- (e) sub-paragraph (7) has effect in relation to events occurring on or after that date.

**Marginal Citations**

**M41** 1992 c. 12.

**M42** 1992 c. 12.

25 (1) In subsection (1) of section 150B of that Act (enterprise investment scheme: reduction of relief), the word “eligible” shall cease to have effect.

(2) This paragraph has effect in relation to disposals made on or after 6th April 1998.

**PART III**

EIS DEFERRAL OF CHARGEABLE GAINS

*Preliminary*

26 Schedule 5B to the <sup>M43</sup>Taxation of Chargeable Gains Act 1992 (enterprise investment scheme: re-investment) shall be amended in accordance with the following provisions of this Part.

**Marginal Citations**

**M43** 1992 c. 12.

*Status: Point in time view as at 06/04/2008.*

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*Application of Schedule*

- 27 (1) In sub-paragraph (1)(b) of paragraph 1, after the words “in accordance with” there shall be inserted the words “ section 164F or 164FA, ”.
- (2) For sub-paragraphs (2) and (3) of that paragraph there shall be substituted the following sub-paragraphs—

“(2) The investor makes a qualifying investment for the purposes of this Schedule if—

- (a) eligible shares in a company for which he has subscribed wholly in cash are issued to him at a qualifying time and, where that time is before the accrual time, the shares are still held by the investor at the accrual time,
- (b) the company is a qualifying company in relation to the shares,
- (c) at the time when they are issued the shares are fully paid up (disregarding for this purpose any undertaking to pay cash to the company at a future date),
- (d) the shares are subscribed for, and issued, for bona fide commercial purposes and not as part of arrangements the main purpose or one of the main purposes of which is the avoidance of tax,
- (e) the requirements of section 289(1A) of the Taxes Act are satisfied in relation to the company,
- (f) all the shares comprised in the issue are issued in order to raise money for the purpose of a qualifying business activity, and
- (g) the money raised by the issue is employed not later than the time mentioned in section 289(3) of the Taxes Act wholly for the purpose of that activity,

and for the purposes of this Schedule, the condition in paragraph (g) above does not fail to be satisfied by reason only of the fact that an amount of money which is not significant is employed for another purpose.

- (3) In sub-paragraph (2) above “a qualifying time”, in relation to any shares subscribed for by the investor, means—
- (a) any time in the period beginning one year before and ending three years after the accrual time, or
  - (b) any such time before the beginning of that period or after it ends as the Board may by notice allow.”

*Failure of conditions of application*

- 28 After that paragraph there shall be inserted the following paragraph—

*“ Failure of conditions of application*

- 1A (1) If the condition in sub-paragraph (2)(b) of paragraph 1 above is not satisfied in consequence of an event occurring after the issue of eligible shares, the shares shall be treated for the purposes of this Schedule as ceasing to be eligible shares on the date of the event.
- (2) If the condition in sub-paragraph (2)(e) of that paragraph is not satisfied in consequence of an event occurring after the issue of eligible shares, the

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shares shall be treated for the purposes of this Schedule as ceasing to be eligible shares on the date of the event.

- (3) If the condition in sub-paragraph (2)(f) of that paragraph is not satisfied in relation to an issue of eligible shares, the shares shall be treated for the purposes of this Schedule as never having been eligible shares.
- (4) If the condition in sub-paragraph (2)(g) of that paragraph is not satisfied in relation to an issue of eligible shares, the shares shall be treated for the purposes of this Schedule—
  - (a) if the claim under this Schedule is made after the time mentioned in section 289(3) of the Taxes Act, as never having been eligible shares; and
  - (b) if that claim is made before that time, as ceasing to be eligible shares at that time.
- (5) None of the preceding sub-paragraphs applies unless—
  - (a) the company has given notice under paragraph 16(2) or (4) below or section 310(2) of the Taxes Act; or
  - (b) an inspector has given notice to the company stating that, by reason of the matter mentioned in that sub-paragraph, the shares should, in his opinion, be treated for the purposes of this Schedule as never having been or, as the case may be, as ceasing to be eligible shares.
- (6) The giving of notice by an inspector under sub-paragraph (5) above shall be taken, for the purposes of the provisions of the Management Act relating to appeals against decisions on claims, to be a decision refusing a claim made by the company.
- (7) Where any issue has been determined on an appeal brought by virtue of section 307(1B) of the Taxes Act (appeal against notice that relief was not due), the determination shall be conclusive for the purposes of any appeal brought by virtue of sub-paragraph (6) above on which that issue arises.”

*Postponement of original gain*

- 29 In sub-paragraph (3) of paragraph 2, for paragraph (a) there shall be substituted the following paragraph—
- “(a) the investor’s qualifying expenditure on any relevant shares is the amount subscribed by him for the shares; and”.

*Chargeable events*

- 30 (1) In sub-paragraph (1) of paragraph 3—
- <sup>F55</sup>(a) .....
  - (b) for paragraphs (e) and (f) there shall be substituted the words “or
    - (e) those shares cease (or are treated for the purposes of this Schedule as ceasing) to be eligible shares.”
- (2) Sub-paragraph (2) of that paragraph shall cease to have effect.
- (3) After sub-paragraph (5) of that paragraph there shall be inserted the following sub-paragraph—

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“(6) Any reference in the following provisions of this Schedule to a chargeable event falling within a particular paragraph of sub-paragraph (1) above is a reference to a chargeable event arising for the purposes of this Schedule by virtue of that paragraph.”

#### Textual Amendments

**F55** Sch. 13 para. 20(1)(a) repealed (11.5.2001 with effect as mentioned in Sch. 15 para. 40(2) of the amending act) by 2001 c. 9, ss. 63, 110, Sch. 33 Pt. 2(3) Note 6

#### *Gains accruing on chargeable event*

31 (1) For sub-paragraphs (2) to (4) of paragraph 4 there shall be substituted the following sub-paragraphs—

“(2) Any question for the purposes of capital gains tax as to whether any shares to which a disposal (including a disposal within marriage) relates are shares to which deferral relief is attributable shall be determined in accordance with sub-paragraphs (3) and (4) below.

(3) Where shares of any class in a company have been acquired by an individual on different days, any disposal by him of shares of that class shall be treated as relating to those acquired on an earlier day rather than to those acquired on a later day.

(4) Where shares of any class in a company have been acquired by an individual on the same day, any of those shares disposed of by him shall be treated as disposed of in the following order, namely—

- (a) first any to which neither deferral relief nor relief under Chapter III of Part VII of the Taxes Act is attributable;
- (b) next any to which deferral relief, but not relief under that Chapter, is attributable;
- (c) next any to which relief under that Chapter, but not deferral relief, is attributable; and
- (d) finally any to which both deferral relief and relief under that Chapter are attributable.

(4A) The following, namely—

- (a) any shares to which deferral relief, but not relief under Chapter III of Part VII of the Taxes Act, is attributable and which were disposed of to an individual by a disposal within marriage, and
- (b) any shares to which relief under that Chapter is attributable and which were transferred to an individual as mentioned in section 304 of that Act,

shall be treated for the purposes of sub-paragraphs (3) and (4) above as acquired by him on the day on which they were issued.

(4B) Chapter I of Part IV of this Act has effect subject to sub-paragraphs (2) to (4A) above.

(4C) Sections 104, 105 and 106A shall not apply to shares to which deferral relief, but not relief under Chapter III of Part VII of the Taxes Act, is attributable.”

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- (2) In sub-paragraph (5)(b) of that paragraph, for the words “the assumptions for which sub-paragraph (3) above provides” there shall be substituted the words “ sub-paragraphs (3) to (4A) above ”.
- (3) This paragraph has effect in relation to disposals made on or after 6th April 1998.

*Persons to whom gain accrues*

- 32 In sub-paragraph (1) of paragraph 5, for paragraphs (c) and (d) there shall be substituted the words “or
- (c) to the person who holds the shares in question when they cease (or are treated for the purposes of this Schedule as ceasing) to be eligible shares.”

*Claims*

- 33 For paragraph 6 there shall be substituted the following paragraph—

*“ Claims*

- 6 (1) Subject to sub-paragraph (2) below, section 306 of the Taxes Act shall apply in relation to a claim under this Schedule in respect of relevant shares as it applies in relation to a claim for relief under Chapter III of Part VII of that Act in respect of eligible shares.
- (2) That section, as it so applies, shall have effect as if—
- (a) any reference to the conditions for the relief were a reference to the conditions for the application of this Schedule;
- (b) in subsection (1), the words “(or treated by section 289B(5) as so issued)” were omitted; and
- (c) subsections (7) to (9) were omitted.”

*Reorganisations and reconstructions*

- 34 After paragraph 6 there shall be inserted the following paragraphs—

*“ Reorganisations*

- 7 (1) Where an individual holds shares which form part of the ordinary share capital of a company and include shares of more than one of the following kinds, namely—
- (a) shares to which deferral relief and relief under Chapter III of Part VII of the Taxes Act are attributable,
- (b) shares to which deferral relief but not relief under that Chapter is attributable, and
- (c) shares to which deferral relief is not attributable,
- then, if there is within the meaning of section 126 a reorganisation affecting those shares, section 127 shall apply (subject to the following provisions of this paragraph) separately to shares falling within paragraph (a), (b) or (c) above (so that shares of each kind are treated as a separate holding of original shares and identified with a separate new holding).

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(2) Where—

- (a) an individual holds shares (“the existing holding”) which form part of the ordinary share capital of a company,
  - (b) there is, by virtue of any such allotment for payment as is mentioned in section 126(2)(a), a reorganisation affecting the existing holding, and
  - (c) immediately following the reorganisation, the existing holding or the allotted shares are shares to which deferral relief is attributable,
- sections 127 to 130 shall not apply in relation to the existing holding.

*Acquisition of share capital by new company*

8 (1) This paragraph applies where—

- (a) a company (“the new company”) in which the only issued shares are subscriber shares acquires all the shares (“old shares”) in another company (“the old company”);
- (b) the consideration for the old shares consists wholly of the issue of shares (“new shares”) in the new company;
- (c) the consideration for new shares of each description consists wholly of old shares of the corresponding description;
- (d) new shares of each description are issued to the holders of old shares of the corresponding description in respect of and in proportion to their holdings;
- (e) at some time before the issue of the new shares—
  - (i) the old company issued eligible shares; and
  - (ii) a certificate in relation to those eligible shares was issued by that company for the purposes of subsection (2) of section 306 of the Taxes Act (as applied by paragraph 6 above) and in accordance with that section (as so applied); and
- (f) by virtue of section 127 as applied by section 135(3), the exchange of shares is not treated as involving a disposal of the old shares or an acquisition of the new shares.

(2) For the purposes of this Schedule, deferral relief attributable to any old shares shall be attributable instead to the new shares for which they are exchanged.

(3) Where, in the case of any new shares held by an individual to which deferral relief becomes so attributable, the old shares for which they are exchanged were subscribed for by and issued to the individual, this Schedule shall have effect as if—

- (a) the new shares had been subscribed for by him at the time when, and for the amount for which, the old shares were subscribed for by him;
- (b) the new shares had been issued to him by the new company at the time when the old shares were issued to him by the old company; and
- (c) the claim under this Schedule made in respect of the old shares had been made in respect of the new shares.

(4) Where, in the case of any new shares held by an individual to which deferral relief becomes so attributable, the old shares for which they are exchanged

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were acquired by the individual on a disposal within marriage, this Schedule shall have effect as if—

- (a) the new shares had been subscribed for at the time when, and for the amount for which, the old shares were subscribed for;
  - (b) the new shares had been issued by the new company at the time when the old shares were issued by the old company; and
  - (c) the claim under this Schedule made in respect of the old shares had been made in respect of the new shares.
- (5) Where deferral relief becomes so attributable to any new shares—
- (a) this Schedule shall have effect as if anything which, under paragraph 1A(5) above, paragraph 16 below or section 306(2) of the Taxes Act as applied by paragraph 6 above has been done, or is required to be done, by or in relation to the old company had been done, or were required to be done, by or in relation to the new company; and
  - (b) any appeal brought by the old company against a notice under paragraph 1A(5)(b) may be prosecuted by the new company as if it had been brought by that company.
- (6) For the purposes of this paragraph old shares and new shares are of a corresponding description if, on the assumption that they were shares in the same company, they would be of the same class and carry the same rights; and in sub-paragraph (1) above references to shares, except in the expressions “eligible shares” and “subscriber shares”, include references to securities.
- (7) Nothing in section 293(8) of the Taxes Act, as applied by the definition of “qualifying company” in paragraph 19(1) below, shall apply in relation to such an exchange of shares, or shares and securities, as is mentioned in sub-paragraph (1) above or arrangements with a view to such an exchange.

#### *Other reconstructions and amalgamations*

- 9 (1) Subject to sub-paragraphs (2) and (3) below, sections 135 and 136 shall not apply in respect of shares to which deferral relief, but not relief under Chapter III of Part VII of the Taxes Act, is attributable.
- (2) Sub-paragraph (1) above shall not have effect to disapply section 135 or 136 where—
- (a) the new holding consists of new ordinary shares (“the new shares”) carrying no present or future preferential right to dividends or to a company’s assets on its winding up and no present or future right to be redeemed,
  - (b) the new shares are issued after the end of the relevant period, and
  - (c) the condition in sub-paragraph (4) below is satisfied.
- (3) Sub-paragraph (1) above shall not have effect to disapply section 135 where shares to which deferral relief, but not relief under Chapter III of Part VII of the Taxes Act, is attributable are exchanged for other shares in such circumstances as are mentioned in paragraph 8(1) above.
- (4) The condition is that at some time before the issue of the new shares—
- (a) the company issuing them issued eligible shares, and

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- (b) a certificate in relation to those eligible shares was issued by the company for the purposes of subsection (2) of section 306 of the Taxes Act (as applied by paragraph 6 above) and in accordance with that section (as so applied).

- (5) In sub-paragraph (2) above “new holding” shall be construed in accordance with sections 126, 127, 135 and 136.”

*Anti-avoidance provisions*

35 After paragraph 9 there shall be inserted the following paragraphs—

*“ Re-investment in same company etc.*

- 10 (1) An individual to whom any eligible shares in a qualifying company are issued shall not be regarded for the purposes of this Schedule as making a qualifying investment if, where the asset disposed of consisted of shares in or other securities of any company (“the initial holding”), the qualifying company—

- (a) is the company in which the initial holding subsisted; or
- (b) is a company that was, at the time of the disposal of the initial holding, or is, at the time of the issue of the eligible shares, a member of the same group of companies as the company in which the initial holding subsisted.

- (2) Where—

- (a) any eligible shares in a qualifying company (“the acquired holding”) are issued to an individual,
- (b) an amount of qualifying expenditure on those shares has been set under this Schedule against the whole or part of any chargeable gain (the “postponed gain”), and
- (c) after the issue of those shares, eligible shares in a relevant company are issued to him,

he shall not be regarded in relation to the issue to him of the shares in the relevant company as making a qualifying investment for the purposes of this Schedule.

- (3) For the purposes of sub-paragraph (2) above a company is a relevant company if—

- (a) where that individual has disposed of any of the acquired holding, it is the company in which the acquired holding has subsisted or a company which was a member of the same group of companies as that company at any time since the acquisition of the acquired holding;
- (b) it is a company in relation to the disposal of any shares in which there has been a claim under this Schedule such that, without that claim, there would have been no postponed gain in relation to the acquired holding; or
- (c) it is a company which, at the time of the disposal or acquisition to which the claim relates, was a member of the same group of companies as a company falling within paragraph (b) above.



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### *Pre-arranged exits*

- 11 (1) Where an individual subscribes for eligible shares (“the shares”) in a company, the shares shall be treated as not being eligible shares for the purposes of this Schedule if the relevant arrangements include—
- (a) arrangements with a view to the subsequent repurchase, exchange or other disposal of the shares or of other shares in or securities of the same company;
  - (b) arrangements for or with a view to the cessation of any trade which is being or is to be or may be carried on by the company or a person connected with the company;
  - (c) arrangements for the disposal of, or of a substantial amount of, the assets of the company or of a person connected with the company;
  - (d) arrangements the main purpose of which, or one of the main purposes of which, is (by means of any insurance, indemnity or guarantee or otherwise) to provide partial or complete protection for persons investing in shares in that company against what would otherwise be the risks attached to making the investment.
- (2) The arrangements referred to in sub-paragraph (1)(a) above do not include any arrangements with a view to such an exchange of shares, or shares and securities, as is mentioned in paragraph 8(1) above.
- (3) The arrangements referred to in sub-paragraph (1)(b) and (c) above do not include any arrangements applicable only on the winding up of a company except in a case where—
- (a) the relevant arrangements include arrangements for the company to be wound up; or
  - (b) the company is wound up otherwise than for bona fide commercial reasons.
- (4) The arrangements referred to in sub-paragraph (1)(d) above do not include any arrangements which are confined to the provision—
- (a) for the company itself, or
  - (b) in the case of a company which is a parent company of a trading group, for the company itself, for the company itself and one or more of its subsidiaries or for one or more of its subsidiaries,
- of any such protection against the risks arising in the course of carrying on its business as it might reasonably be expected so to provide in normal commercial circumstances.
- (5) The reference in sub-paragraph (4) above to the parent company of a trading group shall be construed in accordance with the provision contained for the purposes of section 293 of the Taxes Act in that section.
- (6) In this paragraph “the relevant arrangements” means—
- (a) the arrangements under which the shares are issued to the individual; and
  - (b) any arrangements made before the issue of the shares to him in relation to or in connection with that issue.

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*Put options and call options*

- 12 (1) Sub-paragraph (2) below applies where an individual subscribes for eligible shares (“the shares”) in a company and—
- (a) an option, the exercise of which would bind the grantor to purchase such shares, is granted to the individual during the relevant period; or
  - (b) an option, the exercise of which would bind the individual to sell such shares, is granted by the individual during the relevant period.
- (2) The shares to which the option relates shall be treated for the purposes of this Schedule—
- (a) if the option is granted on or before the date of the issue of the shares, as never having been eligible shares; and
  - (b) if the option is granted after that date, as ceasing to be eligible shares on the date when the option is granted.
- (3) The shares to which the option relates shall be taken to be those which, if—
- (a) the option were exercised immediately after the grant, and
  - (b) any shares in the company acquired by the individual after the grant were disposed of immediately after being acquired,
- would be treated for the purposes of this Schedule as disposed of in pursuance of the option.
- (4) Nothing in this paragraph shall prejudice the operation of paragraph 11 above.
- (5) An individual who acquires any eligible shares on a disposal within marriage shall be treated for the purposes of this paragraph and paragraphs 13 to 15 below as if he subscribed for those shares.

*Value received by investor*

- 13 (1) Where an individual who subscribes for eligible shares (“the shares”) in a company receives any value from the company at any time in the seven year period, the shares shall be treated as follows for the purposes of this Schedule—
- (a) if the individual receives the value on or before the date of the issue of the shares, as never having been eligible shares; and
  - (b) if the individual receives the value after that date, as ceasing to be eligible shares on the date when the value is received.
- (2) For the purposes of this paragraph an individual receives value from the company if the company—
- (a) repays, redeems or repurchases any of its share capital or securities which belong to the individual or makes any payment to him for giving up his right to any of the company’s share capital or any security on its cancellation or extinguishment;
  - (b) repays, in pursuance of any arrangements for or in connection with the acquisition of the shares, any debt owed to the individual other than a debt which was incurred by the company—

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- (i) on or after the date on which he subscribed for the shares;  
and
    - (ii) otherwise than in consideration of the extinguishment of a debt incurred before that date;
  - (c) makes to the individual any payment for giving up his right to any debt on its extinguishment;
  - (d) releases or waives any liability of the individual to the company or discharges, or undertakes to discharge, any liability of his to a third person;
  - (e) makes a loan or advance to the individual which has not been repaid in full before the issue of the shares;
  - (f) provides a benefit or facility for the individual;
  - (g) disposes of an asset to the individual for no consideration or for a consideration which is or the value of which is less than the market value of the asset;
  - (h) acquires an asset from the individual for a consideration which is or the value of which is more than the market value of the asset; or
  - (i) makes any payment to the individual other than a qualifying payment.
- (3) For the purposes of sub-paragraph (2)(e) above there shall be treated as if it were a loan made by the company to the individual—
- (a) the amount of any debt (other than an ordinary trade debt) incurred by the individual to the company; and
  - (b) the amount of any debt due from the individual to a third person which has been assigned to the company.
- (4) For the purposes of this paragraph an individual also receives value from the company if he receives in respect of ordinary shares held by him any payment or asset in a winding up or in connection with a dissolution of the company, being a winding up or dissolution falling within section 293(6) of the Taxes Act.
- (5) For the purposes of this paragraph an individual also receives value from the company if any person who would, for the purposes of section 291 of the Taxes Act, be treated as connected with the company—
- (a) purchases any of its share capital or securities which belong to the individual; or
  - (b) makes any payment to him for giving up any right in relation to any of the company's share capital or securities.
- (6) Where an individual's disposal of shares in a company gives rise to a chargeable event falling within paragraph 3(1)(a) or (b) above, the individual shall not be treated for the purposes of this paragraph as receiving value from the company in respect of the disposal.
- (7) In this paragraph "qualifying payment" means—
- (a) the payment by any company of such remuneration for service as an officer or employee of that company as may be reasonable in relation to the duties of that office or employment;
  - (b) any payment or reimbursement by any company of travelling or other expenses wholly, exclusively and necessarily incurred by the

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- individual to whom the payment is made in the performance of duties as an officer or employee of that company;
- (c) the payment by any company of any interest which represents no more than a reasonable commercial return on money lent to that company;
  - (d) the payment by any company of any dividend or other distribution which does not exceed a normal return on any investment in shares in or other securities of that company;
  - (e) any payment for the supply of goods which does not exceed their market value;
  - (f) any payment for the acquisition of an asset which does not exceed its market value;
  - (g) the payment by any company, as rent for any property occupied by the company, of an amount not exceeding a reasonable and commercial rent for the property;
  - (h) any reasonable and necessary remuneration which—
    - (i) is paid by any company for services rendered to that company in the course of a trade or profession; and
    - (ii) is taken into account in computing the profits of the trade or profession under Case I or II of Schedule D or would be so taken into account if it fell in a period on the basis of which those profits are assessed under that Schedule;
  - (i) a payment in discharge of an ordinary trade debt.
- (8) For the purposes of this paragraph a company shall be treated as having released or waived a liability if the liability is not discharged within 12 months of the time when it ought to have been discharged.
- (9) In this paragraph—
- (a) references to a debt or liability do not, in relation to a company, include references to any debt or liability which would be discharged by the making by that company of a qualifying payment; and
  - (b) references to a benefit or facility do not include references to any benefit or facility provided in circumstances such that, if a payment had been made of an amount equal to its value, that payment would be a qualifying payment.
- (10) In this paragraph—
- (a) any reference to a payment or disposal to an individual includes a reference to a payment or disposal made to him indirectly or to his order or for his benefit;
  - (b) any reference to an individual includes a reference to an associate of his; and
  - (c) any reference to a company includes a reference to a person who at any time in the relevant period is connected with the company, whether or not he is so connected at the material time.
- (11) In this paragraph “ordinary trade debt” means any debt for goods or services supplied in the ordinary course of a trade or business where any credit given—
- (a) does not exceed six months; and

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- (b) is not longer than that normally given to customers of the person carrying on the trade or business.

*Value received by other persons*

- 14 (1) Sub-paragraph (2) below applies where an individual subscribes for eligible shares (“the shares”) in a company and at any time in the seven year period the company or any subsidiary—
- (a) repays, redeems or repurchases any of its share capital which belongs to any member other than the individual or an individual falling within sub-paragraph (3) below, or
  - (b) makes any payment (directly or indirectly) to any such member, or to his order or for his benefit, for the giving up of his right to any of the share capital of the company or subsidiary on its cancellation or extinguishment.
- (2) The shares shall be treated for the purposes of this Schedule—
- (a) if the repayment, redemption, repurchase or payment in question is made or effected on or before the date of the issue of the shares, as never having been eligible shares; and
  - (b) if it is made or effected after that date, as ceasing to be eligible shares on the date when it is made or effected.
- (3) An individual falls within this sub-paragraph if the repayment, redemption, repurchase or payment in question—
- (a) gives rise to a qualifying chargeable event in respect of him, or
  - (b) causes any relief under Chapter III of Part VII of the Taxes Act attributable to his shares in the company to be withdrawn or reduced by virtue of section 299 or 300(2)(a) of that Act.
- (4) In sub-paragraph (3) above “qualifying chargeable event” means—
- (a) a chargeable event falling within paragraph 3(1)(a) or (b) above; or
  - (b) a chargeable event falling within paragraph 3(1)(e) above by virtue of sub-paragraph (1)(b) of paragraph 13 above (as it applies by virtue of sub-paragraph (2)(a) of that paragraph).
- (5) Where—
- (a) a company issues share capital (“the original shares”) of nominal value equal to the authorised minimum (within the meaning of the <sup>M44</sup>Companies Act 1985) for the purposes of complying with the requirements of section 117 of that Act (public company not to do business unless requirements as to share capital complied with), and
  - (b) after the registrar of companies has issued the company with a certificate under section 117, it issues eligible shares,
- the preceding provisions of this paragraph shall not apply in relation to any redemption of any of the original shares within 12 months of the date on which those shares were issued.
- (6) In relation to companies incorporated under the law of Northern Ireland references in sub-paragraph (5) above to the <sup>M45</sup>Companies Act 1985 and to section 117 of that Act shall have effect as references to the <sup>M46</sup>Companies (Northern Ireland) Order 1986 and to Article 127 of that Order.

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- (7) References in this paragraph to a subsidiary of a company are references to a company which at any time in the relevant period is a 51 per cent. subsidiary of the first mentioned company, whether or not it is such a subsidiary at the time of the repayment, redemption, repurchase or payment in question.

*Investment-linked loans*

- 15 (1) Where at any time in the relevant period an investment-linked loan is made by any person to an individual who subscribes for eligible shares (“the shares”) in a company, the shares shall be treated for the purposes of this Schedule—
- (a) if the loan is made on or before the date of the issue of the shares, as never having been eligible shares; and
  - (b) if the loan is made after that date, as ceasing to be eligible shares on the date when the loan is made.
- (2) A loan made by any person to an individual is an investment-linked loan for the purposes of this paragraph if the loan is one which would not have been made, or would not have been made on the same terms, if the individual had not subscribed for the shares or had not been proposing to do so.
- (3) References in this paragraph to the making by any person of a loan to an individual include references—
- (a) to the giving by that person of any credit to that individual; and
  - (b) to the assignment or assignation to that person of any debt due from that individual.
- (4) In this paragraph any reference to an individual includes a reference to an associate of his.”

**Marginal Citations**

**M44** 1985 c. 6.

**M45** 1985 c. 6.

**M46** S.I. 1986/1032 (N.I.6).

*Supplementary provisions*

- 36 After paragraph 15 there shall be inserted the following paragraphs—

*“ Information*

- 16 (1) Where, in relation to any relevant shares held by an individual—
- (a) a chargeable event falling within paragraph 3(1)(a) or (b) above occurs at any time in the five year period,
  - (b) a chargeable event falling within paragraph 3(1)(c) or (d) above occurs, or
  - (c) a chargeable event falling within paragraph 3(1)(e) above occurs by virtue of paragraph 12(2)(b), 13(1)(b) or 15(1)(b) above,

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the individual shall within 60 days of his coming to know of the event give a notice to the inspector containing particulars of the circumstances giving rise to the event.

- (2) Where, in relation to any relevant shares in a company, a chargeable event falling within paragraph 3(1)(e) above occurs by virtue of paragraph 1A(1) or (2), 13(1)(b) or 14(2)(b) above—

- (a) the company, and
- (b) any person connected with the company who has knowledge of that matter,

shall within 60 days of the event or, in the case of a person within paragraph (b) above, of his coming to know of it, give a notice to the inspector containing particulars of the circumstances giving rise to the event.

- (3) A chargeable event falling within paragraph 3(1)(e) above which, but for paragraph 1A(5) above, would occur at any time by virtue of paragraph 1A(1) or (2) above shall be treated for the purposes of sub-paragraph (2) above as occurring at that time.

- (4) Where a company has issued a certificate under section 306(2) of the Taxes Act (as applied by paragraph 6 above) in respect of any eligible shares in the company, and the condition in paragraph 1(2)(g) above is not satisfied in relation to the shares—

- (a) the company, and
- (b) any person connected with the company who has knowledge of that matter,

shall within 60 days of the time mentioned in section 289(3) of the Taxes Act or, in the case of a person within paragraph (b) above, of his coming to know that the condition is not satisfied, give notice to the inspector setting out the particulars of the case.

- (5) If the inspector has reason to believe that a person has not given a notice which he is required to give—

- (a) under sub-paragraph (1) or (2) above in respect of any chargeable event, or
- (b) under sub-paragraph (4) above in respect of any particular case,

the inspector may by notice require that person to furnish him within such time (not being less than 60 days) as may be specified in the notice with such information relating to the event or case as the inspector may reasonably require for the purposes of this Schedule.

- (6) Where a claim is made under this Schedule in respect of shares in a company and the inspector has reason to believe that it may not be well founded by reason of any such arrangements as are mentioned in paragraphs 1(2)(d) or 11(1) above, or section 293(8) or 308(2)(e) of the Taxes Act, he may by notice require any person concerned to furnish him within such time (not being less than 60 days) as may be specified in the notice with—

- (a) a declaration in writing stating whether or not, according to the information which that person has or can reasonably obtain, any such arrangements exist or have existed;

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- (b) such other information as the inspector may reasonably require for the purposes of the provision in question and as that person has or can reasonably obtain.
- (7) For the purposes of sub-paragraph (6) above, the persons who are persons concerned are—
- (a) in relation to paragraph 1(2)(d) above, the claimant, the company and any person controlling the company;
  - (b) in relation to paragraph 11(1) above, the claimant, the company and any person connected with the company; and
  - (c) in relation to section 293(8) or 308(2)(e) of the Taxes Act, the company and any person controlling the company;
- and for those purposes the references in paragraphs (a) and (b) above to the claimant include references to any person to whom the claimant appears to have made a disposal within marriage of any of the shares in question.
- (8) Where deferral relief is attributable to shares in a company—
- (a) any person who receives from the company any payment or asset which may constitute value received (by him or another) for the purposes of paragraph 13 above, and
  - (b) any person on whose behalf such a payment or asset is received, shall, if so required by the inspector, state whether the payment or asset received by him or on his behalf is received on behalf of any person other than himself and, if so, the name and address of that person.
- (9) Where a claim has been made under this Schedule in relation to shares in a company, any person who holds or has held shares in the company and any person on whose behalf any such shares are or were held shall, if so required by the inspector, state—
- (a) whether the shares which are or were held by him or on his behalf are or were held on behalf of any person other than himself; and
  - (b) if so, the name and address of that person.
- (10) No obligation as to secrecy imposed by statute or otherwise shall preclude the inspector from disclosing to a company that relief has been given or claimed in respect of a particular number or proportion of its shares.

*Trustees: general*

- 17 (1) Subject to the following provisions of this paragraph, this Schedule shall apply as if—
- (a) any reference to an individual included a reference to the trustees of a settlement, and
  - (b) in relation to any such trustees, the reference in paragraph 1(1) above to any asset were a reference to any asset comprised in any settled property to which this paragraph applies (a “trust asset”).
- (2) This paragraph applies—
- (a) to any settled property in which the interests of the beneficiaries are not interests in possession, if all the beneficiaries are individuals, and



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- (b) to any settled property in which the interests of the beneficiaries are interests in possession, if any of the beneficiaries are individuals.
- (3) If, at the time of the disposal of the trust asset in a case where this Schedule applies by virtue of this paragraph—
  - (a) the settled property comprising that asset is property to which this paragraph applies by virtue of sub-paragraph (2)(b) above, but
  - (b) not all the beneficiaries are individuals,  
only the relevant proportion of the gain which would accrue to the trustees on the disposal shall be taken into account for the purposes of this Schedule as it so applies.
- (4) This Schedule shall not apply by virtue of this paragraph in a case where, at the time of the disposal of the trust asset, the settled property which comprises that asset is property to which this paragraph applies by virtue of sub-paragraph (2)(a) above unless, immediately after the acquisition of the relevant shares, the settled property comprising the shares is also property to which this paragraph applies by virtue of sub-paragraph (2)(a) above.
- (5) This Schedule shall not apply by virtue of this paragraph in a case where, at the time of the disposal of the trust asset, the settled property which comprises that asset is property to which this paragraph applies by virtue of sub-paragraph (2)(b) above unless, immediately after the acquisition of the relevant shares—
  - (a) the settled property comprising the shares is also property to which this paragraph applies by virtue of sub-paragraph (2)(b) above, and
  - (b) if not all the beneficiaries are individuals, the relevant proportion is not less than the proportion which was the relevant proportion at the time of the disposal of the trust asset.
- (6) If, at any time, in the case of settled property to which this paragraph applies by virtue of sub-paragraph (2)(b) above, both individuals and others have interests in possession, “the relevant proportion” at that time is the proportion which the amount specified in paragraph (a) below bears to the amount specified in paragraph (b) below, that is—
  - (a) the total amount of the income of the settled property, being income the interests in which are held by beneficiaries who are individuals, and
  - (b) the total amount of all the income of the settled property.
- (7) Where, in the case of any settled property in which any beneficiary holds an interest in possession, one or more beneficiaries (“the relevant beneficiaries”) hold interests not in possession, this paragraph shall apply as if—
  - (a) the interests of the relevant beneficiaries were a single interest in possession, and
  - (b) that interest were held, where all the relevant beneficiaries are individuals, by an individual and, in any other case, by a person who is not an individual.
- (8) In this paragraph references to interests in possession do not include interests for a fixed term and, except in sub-paragraph (1), references to individuals include any charity.

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*Trustees: anti-avoidance*

- 18 (1) Paragraphs 13 and 15 above shall have effect in relation to the subscription for shares by the trustees of a settlement as if references to the individual subscribing for the shares were references to—
- (a) those trustees;
  - (b) any individual or charity by virtue of whose interest, at a relevant time, paragraph 17 above applies to the settled property; or
  - (c) any associate of such an individual, or any person connected with such a charity.
- (2) The relevant times for the purposes of sub-paragraph (1)(b) above are the time when the shares are issued and—
- (a) in a case where paragraph 13 above applies, the time when the value is received;
  - (b) in a case where paragraph 15 above applies, the time when the loan is made.

*Interpretation*

- 19 (1) For the purposes of this Schedule—
- “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable;
- “associate” has the meaning that would be given by subsections (3) and (4) of section 417 of the Taxes Act if in those subsections “relative” did not include a brother or sister;
- “eligible shares” has the meaning given by section 289(7) of that Act;
- “the five year period”, in the case of any relevant shares, means the period of five years beginning with the issue of the shares;
- “non-resident” means a person who is neither resident nor ordinarily resident in the United Kingdom;
- “ordinary share capital” has the same meaning as in the Taxes Act;
- “ordinary shares”, in relation to a company, means shares forming part of its ordinary share capital;
- “qualifying business activity” has the meaning given by section 289(2) of the Taxes Act;
- “qualifying company”, in relation to any eligible shares, means a company which, in relation to those shares, is a qualifying company for the purposes of Chapter III of Part VII of that Act;
- “the relevant period”, in the case of any shares, means the period found by applying section 312(1A)(a) of that Act by reference to the company that issued the shares and by reference to the shares;
- “relevant shares”, in relation to a case to which this Schedule applies, means any of the shares which are acquired by the investor in making the qualifying investment;
- “the seven year period” has the meaning given by section 291(6) of the Taxes Act.

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- (2) For the purposes of this Schedule, “deferral relief” is attributable to any shares if—
- (a) expenditure on the shares has been set under this Schedule against the whole or part of any gain; and
  - (b) in relation to the shares there has been no chargeable event for the purposes of this Schedule.
- (3) In this Schedule—
- (a) references (however expressed) to an issue of eligible shares in any company are to any eligible shares in the company that are of the same class and are issued on the same day;
  - (b) references to a disposal within marriage are references to any disposal to which section 58 applies; and
  - (c) references to Chapter III of Part VII of the Taxes Act or any provision of that Chapter are to that Chapter or provision as it applies in relation to shares issued on or after 1st January 1994.
- (4) For the purposes of this Schedule shares in a company shall not be treated as being of the same class unless they would be so treated if dealt with on the Stock Exchange.
- (5) Notwithstanding anything in section 288(5), shares shall not for the purposes of this Schedule be treated as issued by reason only of being comprised in a letter of allotment or similar instrument.”

#### PART IV

##### BES INCOME TAX RELIEF AND RELIEF AGAINST CHARGEABLE GAINS

- 37 Any reference in this Part to a provision of Chapter III of Part VII of the Taxes Act 1988 is a reference to that provision as it has effect in relation to shares issued before 1st January 1994.
- 38 (1) In subsection (8) of section 293 of the Taxes Act 1988 (qualifying companies), for the words “Subject to sections 308 and 309” there shall be substituted the words “Subject to sections 304A, 308 and 309”.
- (2) This paragraph has effect in relation to new shares (within the meaning of section 304A of the Taxes Act 1988) issued on or after 6th April 1998.
- 39 (1) At the beginning of subsection (1) of section 299 of the Taxes Act 1988 (disposals of shares) there shall be inserted the words “Subject to section 304(5),”.
- (2) For subsection (4) of that section there shall be substituted the following subsections—
- “(4) Where shares of any class in a company have been acquired by an individual on different days, any disposal by him of shares of that class shall, subject to subsection (3) above, be treated for the purposes of this section as relating to those acquired on an earlier day rather than to those acquired on a later day.
- (4A) Where shares of any class in a company have been acquired by an individual on the same day, any disposal by him of shares of that class shall, subject to subsection (3) above, be treated for the purposes of this section as relating to

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those in respect of which relief has not been given, or has been withdrawn, rather than to those in respect of which relief has been given and has not been withdrawn.

(4B) Any shares in respect of which relief has been given and has not been withdrawn and which were transferred to an individual as mentioned in section 304 shall be treated for the purposes of subsections (4) and (4A) above as acquired by him on the day on which they were issued.

(4C) In a case to which section 127 of the 1992 Act applies (whether or not by virtue of section 135(3) of that Act), shares comprised in the new holding shall be treated for the purposes of subsections (4) and (4A) above as acquired when the original shares were acquired.

In this subsection “new holding” and “original shares” shall be construed in accordance with sections 126, 127, 135 and 136 of the 1992 Act.”

- (3) This paragraph has effect in relation to disposals made on or after 6th April 1998.
- 40 (1) After subsection (6) of section 304 of the Taxes Act 1988 (husband and wife) there shall be inserted the following subsection—

“(7) Subsections (3) to (4C) of section 299 shall apply for the purposes of this section as they apply for the purposes of that section.”

- (2) This paragraph has effect in relation to disposals made on or after 6th April 1998.
- 41 (1) After that section there shall be inserted the following section—

**“304A Acquisition of share capital by new company.**

- (1) This section applies where—
- (a) a company (“the new company”) in which the only issued shares are subscriber shares acquires all the shares (“old shares”) in another company (“the old company”);
  - (b) the consideration for the old shares consists wholly of the issue of shares (“new shares”) in the new company;
  - (c) the consideration for new shares of each description consists wholly of old shares of the corresponding description;
  - (d) new shares of each description are issued to the holders of old shares of the corresponding description in respect of and in proportion to their holdings;
  - (e) at some time before the issue of the new shares—
    - (i) the old company issued eligible shares; and
    - (ii) a certificate in relation to those eligible shares was issued by that company for the purposes of subsection (2) of section 306 and in accordance with that section; and
  - (f) before the issue of the new shares, the Board have, on the application of the new company or the old company, notified that company that the Board are satisfied that the exchange of shares—
    - (i) will be effected for bona fide commercial reasons; and
    - (ii) will not form part of any such scheme or arrangements as are mentioned in section 137(1) of the 1992 Act.

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- (2) For the purposes of this Chapter—
- (a) the exchange of shares shall not be regarded as involving any disposal of the old shares or any acquisition of the new shares; and
  - (b) any relief which has been given (and not withdrawn) in respect of any old shares shall be treated as given (and not withdrawn) in respect of the new shares for which they are exchanged.
- (3) Where, in the case of any new shares held by an individual in respect of which relief is treated as so given (and not withdrawn), the old shares for which they are exchanged were subscribed for by and issued to the individual, this Chapter shall have effect as if—
- (a) the new shares had been subscribed for by him at the time when, and for the amount for which, the old shares were subscribed for by him;
  - (b) the new shares had been issued to him by the new company at the time when the old shares were issued to him by the old company;
  - (c) the claim for relief made in respect of the old shares had been made in respect of the new shares;
  - (d) relief had been given to him in respect of the new shares for the same year of assessment as that for which relief was given to him in respect of the old shares; and
  - (e) any reduction made, or falling to be made, in the amount of relief given to him in respect of the old shares had been made, or fell to be made, in the amount of relief given to him in respect of the new shares.
- (4) Where, in the case of any new shares held by an individual in respect of which relief is treated as so given (and not withdrawn), the old shares for which they are exchanged were transferred to the individual as mentioned in section 304, this Chapter shall have effect in relation to any subsequent disposal or other event as if—
- (a) the new shares had been subscribed for by him at the time when, and for the amount for which, the old shares were subscribed for;
  - (b) the new shares had been issued by the new company at the time when the old shares were issued by the old company;
  - (c) the claim for relief made in respect of the old shares had been made in respect of the new shares;
  - (d) relief had been given to him in respect of the new shares for the same year of assessment as that for which relief was given in respect of the old shares; and
  - (e) any reduction made, or falling to be made, in the amount of relief given in respect of the old shares had been made, or fell to be made, in the amount of relief given to him in respect of the new shares.
- (5) Where relief is treated as so given (and not withdrawn) in respect of any new shares, this Chapter shall have effect as if anything which, under section 306(2) or 310, has been done, or is required to be done, by or in relation to the old company had been done, or were required to be done, by or in relation to the new company.
- (6) For the purposes of this section old shares and new shares are of a corresponding description if, on the assumption that they were shares in the

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same company, they would be of the same class and carry the same rights; and in subsection (1) above references to shares, except in the expressions “eligible shares” and “subscriber shares”, include references to securities.

(7) Nothing in section 293(8) shall apply in relation to such an exchange of shares, or shares and securities, as is mentioned in subsection (1) above or arrangements with a view to such an exchange.

(8) Subsection (2) of section 138 of the 1992 Act shall apply for the purposes of subsection (1)(f) above as it applies for the purposes of subsection (1) of that section.”

(2) This paragraph has effect in relation to new shares (within the meaning of section 304A of the Taxes Act 1988) issued on or after 6th April 1998.

42 (1) In subsection (4)(a) of section 150 of the <sup>M47</sup>Taxation of Chargeable Gains Act 1992 (business expansion schemes)—

(a) for the words “issued to a person” there shall be substituted the words “acquired by an individual”; and

(b) after the word “relates” there shall be inserted the word “to”.

(2) In subsection (5) of that section, for the words “Notwithstanding anything in section 107(1) and (2), section 107 does not apply” there shall be substituted the words “Sections 104, 105 and 106A do not apply”.

(3) In subsection (7) of that section, for the words “eligible shares” there shall be substituted the words “shares in respect of which relief has been given and not withdrawn”.

(4) In subsection (8) of that section, the word “eligible” shall cease to have effect.

(5) In subsection (8A)(a) of that section, the word “preferential”, in the second place where it occurs, shall cease to have effect.

(6) After subsection (8C) of that section there shall be inserted the following subsection—

“(8D) Where shares in respect of which relief has been given and not withdrawn are exchanged for other shares in circumstances such that section 304A of the Taxes Act (acquisition of share capital by new company) applies—

(a) subsection (8) above shall not have effect to disapply section 135; and

(b) subsections (2)(b), (3) and (4) of section 304A of the Taxes Act, and subsection (5) of that section so far as relating to section 306(2) of that Act, shall apply for the purposes of this section as they apply for the purposes of Chapter III of Part VII of that Act.”

(7) After subsection (11) of that section there shall be inserted the following subsection—

“(12) In this section—

“ordinary share capital” has the same meaning as in the Taxes Act;

“ordinary shares”, in relation to a company, means shares forming part of its ordinary share capital.”

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(8) In this paragraph—

- (a) sub-paragraphs (1) and (2) have effect in relation to disposals made on or after 6th April 1998;
- (b) sub-paragraph (3) has effect in relation to subsequent disposals made on or after that date;
- (c) sub-paragraph (4) has effect in relation to events occurring on or after that date;
- (d) sub-paragraph (5) has effect in relation to new shares (within the meaning of section 150(8A) of the <sup>M48</sup>Taxation of Chargeable Gains Act 1992) issued on or after that date;
- (e) sub-paragraph (6) has effect in relation to new shares (within the meaning of section 304A of the Taxes Act 1988) issued on or after that date; and
- (f) sub-paragraph (7) has effect in relation to events occurring on or after that date.

**Marginal Citations**

- M47** 1992 c. 12.
- M48** 1992 c. 12.

SCHEDULE 14

Section 86.

LIFE POLICIES, LIFE ANNUITIES AND CAPITAL REDEMPTION POLICIES

*Section 547*

1 (1) Section 547 of the Taxes Act 1988 (method of charging gain to tax) shall be amended as follows.

<sup>F56</sup>(2) .....

<sup>F57</sup>(3) .....

(4) Subsection (3) (which relates to cases where there are two or more beneficial owners, settlors or debtors and which is superseded by the new section 547A) shall cease to have effect.

(5) In subsection (4), for “subsections (1) and (3) above” there shall (in consequence of sub-paragraph (4) above) be substituted “ subsection (1) above ”.

<sup>F58</sup>(6) .....

<sup>F59</sup>(7) .....

<sup>F60</sup>(8) .....

<sup>F61</sup>(9) .....

<sup>F62</sup>(10) .....

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### Textual Amendments

- F56** Sch. 14 para. 1(2) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with Sch. 2)
- F57** Sch. 14 para. 1(3) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with Sch. 2)
- F58** Sch. 14 para. 1(6) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with Sch. 2)
- F59** Sch. 14 para. 1(7) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with Sch. 2)
- F60** Sch. 14 para. 1(8) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with Sch. 2)
- F61** Sch. 14 para. 1(9) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with Sch. 2)
- F62** Sch. 14 para. 1(10) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with Sch. 2)

### *Multiple interests*

2 After section 547 of the Taxes Act 1988 there shall be inserted—

**“547A Method of charging gain to tax: multiple interests.**

- (1) Where, immediately before the happening of a chargeable event, two or more persons have relevant interests in the rights conferred by the policy or contract in question, section 547 shall have effect in relation to each of those persons as if that person had been the only person with a relevant interest in those rights, but with references to the amount of the gain construed as references to his proportionate share of the amount of the gain.
- (2) References in this section to the rights conferred by a policy or contract are, in the case of an assignment of a share only in any rights, references to that share.
- (3) For the purposes of this section, a person has a “relevant interest” in the rights conferred by a policy or contract—
  - (a) in the case of an individual, if a share in the rights is vested in him as beneficial owner, or is held on trusts created, or as security for a debt owed, by him;
  - (b) in the case of a company, if a share in the rights is in the beneficial ownership of the company, or is held on trusts created, or as security for a debt owed, by the company;
  - (c) in the case of personal representatives, if a share in the rights is vested in them;
  - (d) in the case of trustees—
    - (i) if a share in the rights is held by them, and the person who created the trusts is not resident in the United Kingdom or has died or (in the case of a company or foreign institution) has been dissolved or wound up or has otherwise come to an end; or



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- (ii) if a share in the rights is held as security for a debt owed by them;
  - (e) in the case of a foreign institution, if a share in the rights is in the beneficial ownership of the foreign institution, or is held as security for a debt owed by the foreign institution.
- (4) For the purposes of subsection (1) above, a person's "proportionate share" of the amount of a gain is that share of it which is proportionate to the share of the rights by reference to which he has the relevant interest in question.
- (5) Where, immediately before the happening of a chargeable event, the rights conferred by the policy or contract in question are, or a share in those rights is, held as security for one or more debts owed by two or more persons, this section shall effect in relation to the chargeable event as if—
  - (a) each of those persons were instead the sole debtor in respect of a separate debt; and
  - (b) the security for that separate debt were the appropriate share of the security for the actual debt or debts (so far as consisting of the rights, or a share in the rights, conferred by the policy or contract);and for the purposes of paragraph (b) above the appropriate share, in the case of any person, is a share which is proportionate to that share of the actual debt or, as the case may be, the aggregate of the two or more actual debts, for which he is liable as between the debtors.
- (6) Where, immediately before the happening of a chargeable event, the rights conferred by the policy or contract in question are, or a share in those rights is, held on trusts created by two or more persons, this section shall have effect in relation to that chargeable event as if—
  - (a) each of those persons had instead been the sole settlor in relation to a separate share of the rights or share so held; and
  - (b) that separate share were proportionate to the share which originates from him of the whole of the property subject to the trusts immediately before the happening of the chargeable event.
- (7) The reference in subsection (6)(b) above to the share of the property which originates from a person is a reference to the share of the property which consists of—
  - (a) property which that person has provided directly or indirectly for the purposes of the trusts;
  - (b) property representing property which that person has so provided; and
  - (c) so much of any property which represents both property so provided and other property as, on a just apportionment, represents the property so provided.
- (8) References in subsection (7) above to property which a person has provided directly or indirectly—
  - (a) include references to property which has been provided directly or indirectly by another in pursuance of reciprocal arrangements with the person, but

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- (b) do not include references to property which the person has provided directly or indirectly in pursuance of reciprocal arrangements with another.
- (9) References in subsection (7) above to property which represents other property include references to property which represents accumulated income from that other property.
- (10) Where immediately before the happening of a chargeable event—
- (a) the rights conferred by the policy or contract in question are, or a share in those rights is, held subject to any trusts, and
  - (b) different shares of the whole of the property subject to those trusts originate (within the meaning of subsection (6)(b) above) from different persons,
- the rights or share shall, in relation to that chargeable event, be taken for the purposes of this section to be held on trusts created by those persons.
- (11) Where the rights conferred by a policy or contract are, or an interest in any such rights is, in the beneficial ownership of two or more persons jointly, the rights or interest shall be treated for the purposes of this section as if they were in the beneficial ownership of those persons in equal shares.
- (12) A non-fractional interest in the rights conferred by a policy or contract shall be treated for the purposes of this section as if it were instead such a share in those rights as may justly and reasonably be regarded for those purposes as representing the non-fractional interest.
- (13) For the purposes of subsection (12) above, a “non-fractional interest” in the rights conferred by a policy or contract is an interest in some or all of those rights which is not a share in all of those rights (otherwise than by virtue only of subsection (2) above).
- (14) This section applies in a case where the same person has two or more relevant interests in the rights conferred by a policy or contract as it applies in a case where two or more persons have separate relevant interests, unless—
- (a) that person is the only person with a relevant interest in those rights, and
  - (b) he has all the relevant interests in the same capacity,
- in which case section 547 applies.
- (15) In this section—
- “foreign institution” has the same meaning as in section 547;
- “personal representatives” has the same meaning as in Part XVI.
- (16) Subsections (12) and (14) of section 547 apply for the purposes of this section as they apply for the purposes of that section.”

*Right of company to recover tax from trustees*

- 3 After section 551 of the Taxes Act 1988 (right of individual to recover tax from trustees) there shall be inserted—

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**“551A Right of company to recover tax from trustees.**

(1) Where—

- (a) an amount is included in a company’s income by virtue of section 547(1)(b), and
- (b) the rights or share in question were held immediately before the happening of the chargeable event on trust,

the company shall be entitled to recover from the trustees, to the extent of any sums, or to the value of any benefits, received by them by reason of the event, the amount (if any) by which T1 exceeds T2.

(2) For the purposes of subsection (1) above—

T1 is the tax with which the company is chargeable for the accounting period in question; and

T2 is the tax with which the company would have been chargeable for the accounting period if the amount mentioned in subsection (1)(a) above had not been included as there mentioned.

(3) A company may require the Board to certify any amount recoverable by the company by virtue of this section, and the certificate shall be conclusive evidence of the amount.”

*Foreign institution policies: no reduction under section 553*

4 (1) Section 553 of the Taxes Act 1988 (non-resident policies and capital redemption policies) shall be amended as follows.

(2) In subsection (3) (which, subject to subsection (5), provides for the gain to be reduced by reference to the policy holder’s time of residence in the United Kingdom) for “subsection (5)” there shall be substituted “ subsections (5) and (5A) ”.

(3) After subsection (5) there shall be inserted—

“(5A) If, on the happening of the chargeable event referred to in subsection (3) above or at any time during the period referred to in that subsection, the policy is or was held by a foreign institution, no reduction shall be made under that subsection unless—

- (a) the policy was issued in respect of an insurance made on or before 16th March 1998; and
- (b) on that date the policy was held by a foreign institution.”

(4) In subsection (10) (definitions) there shall be inserted at the appropriate place—

““foreign institution” has the same meaning as in section 547;”.

*Consequential amendments*

5 In section 7(9) of the <sup>M49</sup>Taxes Management Act 1970 (meaning of “relevant trustees” for the purposes of that Act)—

- (a) in paragraph (a), after “in relation to income” there shall be inserted “ (other than gains treated as arising under Chapter II of Part XIII of the principal Act) ”; and

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- (b) after paragraph (a) there shall be inserted—
- “(aa) in relation to gains treated as arising under Chapter II of Part XIII of the principal Act, the persons who are trustees in the year of assessment in which the gains arise and any persons who subsequently become trustees; and”.

**Marginal Citations**

**M49** 1970 c. 9.

- 6 In section 151 of the <sup>M50</sup>Finance Act 1989 (assessment of trustees etc) for subsection (2) (definition of “the relevant trustees”) there shall be substituted—

- “(2) In this section “the relevant trustees”—
- (a) in relation to any income, other than gains treated as arising under Chapter II of Part XIII of the Taxes Act 1988, means the trustees to whom the income arises and any subsequent trustees of the settlement; and
- (b) in relation to gains treated as arising under Chapter II of Part XIII of the Taxes Act 1988, means the trustees in the year of assessment in which the gains arise and any subsequent trustees of the settlement; and “the relevant personal representatives” has a corresponding meaning.”

**Marginal Citations**

**M50** 1989 c. 26.

*Commencement*

- 7 <sup>F63</sup>(1) . . . . .
- <sup>F63</sup>(2) . . . . .
- (3) The amendment made by paragraph 6 above has effect in relation to income arising on or after 6th April 1998.
- <sup>F64</sup>(4) . . . . .
- (5) Except as provided by the preceding provisions of this paragraph, this Schedule has effect in relation to chargeable events happening on or after 6th April 1998.

**Textual Amendments**

- F63** Sch. 14 para. 7(1)(2) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))
- F64** Sch. 14 para. 7(4) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

**Modifications etc. (not altering text)**

- C2** Sch. 14 para. 7(1) extended (retrospective to 9.4.2003) by [Finance Act 2003 \(c. 14\)](#), s. 171(3), [Sch. 34 para. 12\(1\)](#)

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F65 SCHEDULE 15

Section 92.

**Textual Amendments**

F65 Sch. 15 repealed (6.4.2006) by Finance Act 2004 (c. 12), Sch. 42 Pt. 3 (with Sch. 36)

SCHEDULE 16

Section 108.

TRANSFER PRICING ETC: NEW REGIME

The Schedule inserted after Schedule 28A to the Taxes Act 1988 is as follows:—

“SCHEDULE 28AA

PROVISION NOT AT ARM’S LENGTH

*Basic rule on transfer pricing etc.*

- 1 (1) This Schedule applies where—
  - (a) provision (“the actual provision”) has been made or imposed as between any two persons (“the affected persons”) by means of a transaction or series of transactions, and
  - (b) at the time of the making or imposition of the actual provision—
    - (i) one of the affected persons was directly or indirectly participating in the management, control or capital of the other; or
    - (ii) the same person or persons was or were directly or indirectly participating in the management, control or capital of each of the affected persons.
- (2) Subject to paragraphs 8, 10 and 13 below, if the actual provision—
  - (a) differs from the provision (“the arm's length provision”) which would have been made as between independent enterprises, and
  - (b) confers a potential advantage in relation to United Kingdom taxation on one of the affected persons, or (whether or not the same advantage) on each of them, the profits and losses of the potentially advantaged person or, as the case may be, of each of the potentially advantaged persons shall be computed for tax purposes as if the arm’s length provision had been made or imposed instead of the actual provision.
- (3) For the purposes of this Schedule the cases in which provision made or imposed as between any two persons is to be taken to differ from the provision that would have been made as between independent enterprises shall include the case in which provision is made or imposed as between any two persons but no provision would have been made as between independent enterprises; and references in this Schedule to the arm’s length provision shall be construed accordingly.

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*Principles for construing rules in accordance with OECD principles*

- 2 (1) This Schedule shall be construed (subject to paragraphs 8 to 11 below) in such manner as best secures consistency between—
- (a) the effect given to paragraph 1 above; and
  - (b) the effect which, in accordance with the transfer pricing guidelines, is to be given, in cases where double taxation arrangements incorporate the whole or any part of the OECD model, to so much of the arrangements as does so.
- (2) In this paragraph “the OECD model” means—
- (a) the rules which, at the passing of this Act, were contained in Article 9 of the Model Tax Convention on Income and on Capital published by the Organisation for Economic Co-operation and Development; or
  - (b) any rules in the same or equivalent terms.
- (3) In this paragraph “the transfer pricing guidelines” means—
- (a) all the documents published by the Organisation for Economic Co-operation and Development, at any time before 1st May 1998, as part of their Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations; and
  - (b) such documents published by that Organisation on or after that date as may for the purposes of this Schedule be designated, by an order made by the Treasury, as comprised in the transfer pricing guidelines.

*Meaning of “transaction” and “series of transaction”s*

- 3 (1) In this Schedule “transaction” includes arrangements, understandings and mutual practices (whether or not they are, or are intended to be, legally enforceable).
- (2) References in this Schedule to a series of transactions include references to a number of transactions each entered into (whether or not one after the other) in pursuance of, or in relation to, the same arrangement.
- (3) A series of transactions shall not be prevented by reason only of one or more of the matters mentioned in sub-paragraph (4) below from being regarded for the purposes of this Schedule as a series of transactions by means of which provision has been made or imposed as between any two persons.
- (4) Those matters are—
- (a) that there is no transaction in the series to which both those persons are parties;
  - (b) that the parties to any arrangement in pursuance of which the transactions in the series are entered into do not include one or both of those persons; and
  - (c) that there is one or more transactions in the series to which neither of those persons is a party.
- (5) In this paragraph, “arrangement” means any scheme or arrangement of any kind (whether or not it is, or is intended to be, legally enforceable).

*Participation in the management, control or capital of a person*

- 4 (1) For the purposes of this Schedule a person is directly participating in the management, control or capital of another person at a particular time if, and only if, that other person is at that time—
- (a) a body corporate or a partnership; and

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- (b) controlled by the first person.
- (2) For the purposes of this Schedule a person (“the potential participant”) is indirectly participating in the management, control or capital of another person at a particular time if, and only if—
- (a) he would be taken to be directly so participating at that time if the rights and powers attributed to him included all the rights and powers mentioned in sub-paragraph (3) below that are not already attributed to him for the purposes of sub-paragraph (1) above; or
  - (b) he is, at that time, one of a number of major participants in that other person’s enterprise.
- (3) The rights and powers referred to in sub-paragraph (2)(a) above are—
- (a) rights and powers which the potential participant is entitled to acquire at a future date or which he will, at a future date, become entitled to acquire;
  - (b) rights and powers of persons other than the potential participant to the extent that they are rights or powers falling within sub-paragraph (4) below;
  - (c) rights and powers of any person with whom the potential participant is connected; and
  - (d) rights and powers which for the purposes of sub-paragraph (2)(a) above would be attributed to a person with whom the potential participant is connected if that connected person were himself the potential participant.
- (4) Rights and powers fall within this sub-paragraph to the extent that they—
- (a) are required, or may be required, to be exercised in any one or more of the following ways, that is to say—
    - (i) on behalf of the potential participant;
    - (ii) under the direction of the potential participant; or
    - (iii) for the benefit of the potential participant;and
  - (b) are not confined, in a case where a loan has been made by one person to another, to rights and powers conferred in relation to property of the borrower by the terms of any security relating to the loan.
- (5) In sub-paragraphs (3)(b) to (d) and (4) above, the references to a person’s rights and powers include references to any rights or powers which he either—
- (a) is entitled to acquire at a future date, or
  - (b) will, at a future date, become entitled to acquire.
- (6) In paragraph (d) of sub-paragraph (3) above, the reference to rights and powers which would be attributed to a connected person if he were the potential participant includes a reference to rights and powers which, by applying that paragraph wherever one person is connected with another, would be so attributed to him through a number of persons each of whom is connected with at least one of the others.
- (7) For the purposes of this paragraph a person (“the potential major participant”) is a major participant in another person’s enterprise at a particular time if at that time—
- (a) that other person (“the subordinate”) is a body corporate or partnership; and
  - (b) the 40 per cent. test is satisfied in the case of each of two persons who, taken together, control the subordinate and of whom one is the potential major participant.

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- (8) For the purposes of this paragraph the 40 per cent. test is satisfied in the case of each of two persons wherever each of them has interests, rights and powers representing at least 40 per cent. of the holdings, rights and powers in respect of which the pair of them fall to be taken as controlling the subordinate.
- (9) For the purposes of this paragraph—
- (a) the question whether a person is controlled by any two or more persons taken together, and
  - (b) any question whether the 40 per cent. test is satisfied in the case of a person who is one of two persons,
- shall be determined after attributing to each of the persons all the rights and powers attributed to a potential participant for the purposes of sub-paragraph (2)(a) above.
- (10) References in this paragraph—
- (a) to rights and powers of a person, or
  - (b) to rights and powers which a person is or will become entitled to acquire,
- include references to rights or powers which are exercisable by that person, or (when acquired by that person) will be exercisable, only jointly with one or more other persons.
- (11) For the purposes of this paragraph two persons are connected with each other if—
- (a) one of them is an individual and the other is his spouse, a relative of his or of his spouse, or the spouse of such a relative; or
  - (b) one of them is a trustee of a settlement and the other is—
    - (i) a person who in relation to that settlement is a settlor; or
    - (ii) a person who is connected with a person falling within sub-paragraph (i) above.
- (12) In sub-paragraph (11) above—
- “relative” means brother, sister, ancestor or lineal descendant; and
- “settlement” and “settlor” have the same meanings as in Chapter IA of Part XV.

*Advantage in relation to United Kingdom taxation*

- 5 (1) For the purposes of this Schedule (but subject to sub-paragraph (2) below) the actual provision confers a potential advantage on a person in relation to United Kingdom taxation wherever, disregarding this Schedule, the effect of making or imposing the actual provision, instead of the arm’s length provision, would be one or both of the following, that is to say—
- (a) that a smaller amount (which may be nil) would be taken for tax purposes to be the amount of that person’s profits for any chargeable period; or
  - (b) that a larger amount (or, if there would not otherwise have been losses, any amount of more than nil) would be taken for tax purposes to be the amount for any chargeable period of any losses of that person.
- (2) Subject to paragraph 11(2) below, the actual provision shall not be taken for the purposes of this Schedule to confer a potential advantage in relation to United Kingdom taxation on either of the persons as between whom it is made or imposed if—
- (a) the three conditions set out in sub-paragraphs (3) to (5) below are all satisfied in the case of each of those two persons; and



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- (b) the further condition set out in sub-paragraph (6) below is satisfied in the case of each of those persons who is an insurance company.
- (3) The first condition is satisfied in the case of any person if—
  - (a) that person is within the charge to income tax or corporation tax in respect of profits arising from the relevant activities;
  - (b) that person is not entitled to any exemption from income tax or corporation tax in respect of, or of a part of, the income or profits arising from the relevant activities in respect of which he is within that charge; and
  - (c) where that person is within the charge to income tax in respect of profits arising from those activities, he is resident in the United Kingdom in the chargeable periods in which he is so within that charge.
- (4) The second condition is satisfied in the case of any person if he is neither—
  - (a) a person with an entitlement, in pursuance of any double taxation arrangements or under section 790(1), to be given credit in any chargeable period for any foreign tax on or in respect of profits arising from the relevant activities; nor
  - (b) a person who would have such an entitlement in any such period if there were any such profits or if they exceeded a certain amount.
- (5) The third condition is satisfied in the case of any person if the amounts taken into account in computing the profits or losses arising from the relevant activities to that person in any chargeable period in which he is within the charge to income tax or corporation tax in respect of profits arising from those activities do not include any income the amount of which is reduced in accordance with section 811(1) (deduction for foreign tax where no credit allowable).
- (6) The further condition is satisfied in the case of an insurance company if the profits arising from the relevant activities in respect of which the company is within the charge to corporation tax do not include—
  - (a) any profits in the computation of which acquisition expenses have been brought into account in accordance with section 86 of the <sup>M51</sup>Finance Act 1989 (expenses of acquiring insurance business); or
  - (b) any profits in relation to which the rate of corporation tax is fixed by section 88 or 88A of that Act (lower rate on certain profits of insurance companies).

*Elimination of double counting*

- 6 (1) This paragraph applies where—
  - (a) only one of the affected persons (“the advantaged person”) is a person on whom a potential advantage in relation to United Kingdom taxation is conferred by the actual provision; but
  - (b) the other affected person (“the disadvantaged person”) is a person in relation to whom the condition set out in sub-paragraph (3) of paragraph 5 above either—
    - (i) is satisfied, or
    - (ii) were any such exemption as is mentioned in paragraph (b) of that sub-paragraph to be disregarded, would be satisfied.
- (2) Subject to sub-paragraphs (3) to (6) and paragraph 7 below, on the making of a claim by the disadvantaged person for the purposes of this paragraph—

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- (a) the disadvantaged person shall be entitled to have his profits and losses computed for tax purposes as if the arm's length provision had been made or imposed instead of the actual provision; and
  - (b) notwithstanding any limit in the Tax Acts on the time within which any adjustment may be made, all such adjustments shall be made in his case as may be required to give effect to the assumption that the arm's length provision was made or imposed instead of the actual provision.
- (3) A claim made by the disadvantaged person for the purposes of this paragraph—
- (a) shall not be made unless a computation has been made in the case of the advantaged person on the basis that the arm's length provision was made or imposed instead of the actual provision; and
  - (b) must be consistent with the computation made on that basis in the case of the advantaged person.
- (4) For the purposes of sub-paragraph (3) above a computation shall be taken to have been made in the case of the advantaged person on the basis that the arm's length provision was made or imposed instead of the actual provision if, and only if—
- (a) the computations made for the purposes of any return by the advantaged person have been made on that basis by virtue of this Schedule; or
  - (b) a relevant notice given to the advantaged person takes account of a determination in pursuance of this Schedule of an amount falling to be brought into account for tax purposes on that basis.
- (5) Subject to section 111(3)(b) of the Finance Act 1998 (which provides for the extension of the period for making a claim), a claim for the purposes of this paragraph shall not be made except within one of the following periods—
- (a) in a case where a return has been made by the advantaged person on the basis mentioned in sub-paragraph (3)(a) above, the period of two years beginning with the day of the making of the return; and
  - (b) in any case where a relevant notice taking account of such a determination as is mentioned in sub-paragraph (4)(b) above has been given to the advantaged person, the period of two years beginning with the day on which that notice was given.
- (6) Subject to section 111(3)(b) of the Finance Act 1998, where—
- (a) a claim for the purposes of this paragraph is made by the disadvantaged person in relation to a return made on the basis mentioned in sub-paragraph (3)(a) above, and
  - (b) a relevant notice taking account of such a determination as is mentioned in sub-paragraph (4)(b) above is subsequently given to the advantaged person,
- the disadvantaged person shall be entitled, within the period mentioned in sub-paragraph (5)(b) above, to make any such amendment of the claim as may be appropriate in consequence of the determination contained in that notice.
- (7) In this paragraph—
- “relevant notice” means—
- (a) a notice under section 28A(5) or 28B(5) of the Management Act stating the conclusions of an officer of the Board in relation to any self-assessment, partnership statement, claim or election;
  - (b) a closure notice under paragraph 32 of Schedule 18 to the Finance Act 1998 in relation to an enquiry into a company tax return;

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- (c) a notice of an assessment under section 29 of the Management Act;
- (d) a notice of any discovery assessment or discovery determination under paragraph 41 of Schedule 18 to the Finance Act 1998 (including any notice of an assessment by virtue of paragraph 52 of that Schedule);
- (e) a notice under section 30B(1) of the Management Act amending a partnership statement;

“return” means any return required to be made under the Management Act or Schedule 18 to the Finance Act 1998 for income tax or corporation tax purposes or any voluntary amendment of such a return; and

“voluntary amendment”, in relation to a return, means any amendment in accordance with the Management Act or Schedule 18 to the Finance Act 1998, other than one made in response to the giving of a relevant notice.

*Adjustment of disadvantaged person’s double taxation relief*

- 7 (1) Subject to sub-paragraph (4) below, where—
- (a) a claim is made for the purposes of paragraph 6 above, and
  - (b) the disadvantaged person is entitled, on that claim, to make a computation, or to have an adjustment made in his case, on the basis that the arm’s length provision was made or imposed instead of the actual provision,
- the assumptions specified in sub-paragraph (2) below shall apply, in the disadvantaged person’s case, as respects any credit for foreign tax which the disadvantaged person has been or may be given in pursuance of any double taxation arrangements or under section 790(1).
- (2) Those assumptions are—
- (a) that the foreign tax paid or payable by the disadvantaged person does not include any amount of foreign tax which would not be or have become payable were it to be assumed for the purposes of that tax that the arm’s length provision had been made or imposed instead of the actual provision; and
  - (b) that the amount of the relevant profits of the disadvantaged person in respect of which he is given credit for foreign tax does not include the amount (if any) by which his relevant profits are treated as reduced in accordance with paragraph 6 above.
- (3) Sub-paragraph (4) below applies if—
- (a) a claim is made for the purposes of paragraph 6 above;
  - (b) the disadvantaged person is entitled, on that claim, to make a computation, or to have an adjustment made in his case, on the basis that the arm’s length provision was made or imposed instead of the actual provision;
  - (c) the application of that basis in the computation of the disadvantaged person’s profits or losses for any chargeable period involves a reduction in the amount of any income; and
  - (d) that income is also income that falls to be treated as reduced in accordance with section 811(1).
- (4) Where this sub-paragraph applies—
- (a) the reduction mentioned in sub-paragraph (3)(c) above shall be treated as made before any reduction under section 811(1); and

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- (b) tax paid, in the place in which any income arises, on so much of that income as is represented by the amount of the reduction mentioned in sub-paragraph (3)
  - (c) above shall be disregarded for the purposes of section 811(1).
- (5) Where, in a case in which a claim has been made for the purposes of paragraph 6 above, any adjustment is required to be made for the purpose of giving effect to any of the preceding provisions of this paragraph—
- (a) it may be made in any case by setting the amount of the adjustment against any relief or repayment to which the disadvantaged person is entitled in pursuance of that claim; and
  - (b) nothing in the Tax Acts limiting the time within which any assessment is to be or may be made or amended shall prevent that adjustment from being so made.
- (6) References in this paragraph to relevant profits of the disadvantaged person are references to profits arising to the disadvantaged person from the carrying on of the relevant activities.

*Foreign exchange gains and losses and financial instruments*

- 8 (1) Subject to sub-paragraph (2) below, this Schedule shall not require the amounts brought into account in any person's case under—
- (a) Chapter II of Part II of the <sup>M52</sup>Finance Act 1993 (foreign exchange gains and losses), or
  - (b) Chapter II of Part IV of the <sup>M53</sup>Finance Act 1994 (financial instruments),
- to be computed in that person's case on the assumption that the arm's length provision had been made or imposed instead of the actual provision.
- (2) Sub-paragraph (1) above—
- (a) shall not affect so much of sections 136 and 136A of the <sup>M54</sup>Finance Act 1993 (application of arm's length test) as has effect by reference to whether the whole or any part of a loan falls to be treated in accordance with this Schedule as an amount on which interest has been charged or, as the case may be, has been charged at a higher rate; and
  - (b) accordingly, shall not prevent the assumption mentioned in that sub-paragraph from determining for the purposes of sections 136(8) and (9) and 136A(6) and (7) of that Act how much (if any) of any loan falls to be so treated.

*Special rules for sales etc. of oil*

- 9 (1) Subject to paragraph 10 below, this paragraph applies to provision made or imposed by or in relation to the terms of a sale of oil if—
- (a) the oil sold is oil which has been, or is to be, extracted under rights exercisable by a company ("the producer") which (although it may be the seller) is not the buyer; and
  - (b) at the time of the sale not less than 20 per cent. of the producer's ordinary share capital is owned directly or indirectly by one or more of the following, that is to say, the buyer and the companies (if any) that are linked to the buyer.
- (2) Where this paragraph applies to provision made or imposed by or in relation to the terms of a sale of oil, this Schedule shall have effect as respects that provision as if the buyer, the seller and (if it is not the seller) the producer were all controlled by the same person at the time of the making or imposition of that provision.

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- (3) For the purposes of this paragraph two companies are linked if—
  - (a) one is under the control of the other; or
  - (b) both are under the control of the same person or persons.
- (4) For the purposes of this paragraph—
  - (a) any question whether ordinary share capital is owned directly or indirectly by a company shall be determined as for section 838;
  - (b) rights to extract oil shall be taken to be exercisable by a company even if they are exercisable by that company only jointly with one or more other companies; and
  - (c) a sale of oil shall be deemed to take place at the time of the completion of the sale or when possession of the oil passes, whichever is the earlier.
- (5) In this paragraph “oil” includes any mineral oil or relative hydrocarbon, as well as natural gas.

*Transactions and deemed transactions involving oil*

- 10 This Schedule does not apply in relation to provision made or imposed by means of any transaction or deemed transaction in the case of which the price or consideration is determined in accordance with any of subsections (1) to (4) of section 493 (transactions and deemed transactions involving oil treated as made at market value).

*Special provision for companies carrying on ring fence trades*

- 11 (1) This paragraph applies where any person (“the taxpayer”) carries on as, or as part of, a trade any activities (“the ring fence trade”) which, in accordance with section 492(1) either—
  - (a) fall to be treated for any tax purposes as a separate trade, distinct from all other activities carried on by him as part of the trade; or
  - (b) would so fall if the taxpayer did carry on any other activities as part of that trade.
- (2) Subject to paragraph 10 above and sub-paragraph (4) below, where provision made or imposed as between the taxpayer and another person by means of a transaction or series of transactions—
  - (a) falls, in relation to the taxpayer, to be regarded as made or imposed in the course of, or with respect to, the ring fence trade; but
  - (b) falls, in relation to the other person, to be regarded as made or imposed in the course of, or with respect to, activities of that other person which do not fall within section 492(1),this Schedule shall have effect in relation to that provision with the omission of paragraph 5(2) above.
- (3) Subject to paragraph 10 above and sub-paragraph (4) below, this Schedule shall have effect as respects any provision made or imposed by the taxpayer as between the ring fence trade and any other activities carried on by him as if—
  - (a) that trade and those activities were carried on by two different persons;
  - (b) that provision were made or imposed as between those two persons by means of a transaction;
  - (c) a potential advantage in relation to United Kingdom taxation were conferred by that provision on each of those two persons;

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- (d) those two persons were both controlled by the same person at the time of the making or imposition of that provision; and
  - (e) paragraphs 5 to 7 above were omitted.
- (4) This Schedule shall apply in accordance with this paragraph in relation to any provision mentioned in sub-paragraph (2) or (3) above only where the effect of its application in relation to that provision is either—
- (a) that a larger amount (including, if there would not otherwise have been profits, an amount of more than nil) is taken for tax purposes to be the amount of the profits of the ring fence trade for any chargeable period; or
  - (b) that a smaller amount (including nil) is taken for tax purposes to be the amount for any chargeable period of any losses of that trade.

### *Appeals*

- 12 (1) In so far as the question in dispute on any appeal falling within sub-paragraph (2) below—
- (a) is or involves a determination of whether this Schedule has effect as respects any provision made or imposed as between any two persons, or of how it so has effect, and
  - (b) is not a question that would fall to be determined by the Special Commissioners apart from this sub-paragraph,
- that question shall be determined by them.
- (2) The appeals falling within this sub-paragraph are—
- (a) any appeal under section 31 of, or Schedule 1A to, the Management Act;
  - (b) any appeal under paragraph 34(3) of Schedule 18 to the Finance Act 1998 against an amendment of a company's return; and
  - (c) any appeal under paragraph 48 of that Schedule against a discovery assessment or a discovery determination.
- (3) Sub-paragraph (4) below applies where—
- (a) any such question as is mentioned in sub-paragraph (1) above falls to be determined by the Special Commissioners for the purposes of any proceedings before them; and
  - (b) that question relates to any provision made or imposed as between two persons each of whom is a person in relation to whom the condition set out in paragraph 5(3) above is satisfied.
- (4) Where this sub-paragraph applies—
- (a) each of the persons as between whom the actual provision was made or imposed shall be entitled to appear and be heard by the Special Commissioners, or to make representations to them in writing;
  - (b) the Special Commissioners shall determine that question separately from any other questions in those proceedings; and
  - (c) their determination on that question shall have effect as if made in an appeal to which each of those persons was a party.
- (5) In this paragraph—
- “discovery assessment” means a discovery assessment under paragraph 41 of Schedule 18 to the Finance Act 1998 (including one by virtue of paragraph 52 of that Schedule); and

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“discovery determination” means a discovery determination under paragraph 41 of that Schedule.

*Saving for the provisions relating to capital allowances and capital gains*

- 13 Nothing in this Schedule shall be construed as affecting—
- (a) the computation of the amount of any capital allowance or balancing charge made under the 1990 Act; or
  - (b) the computation in accordance with the 1992 Act of the amount of any chargeable gain or allowable loss;
- and nothing in this Schedule shall require the profits or losses of any person to be computed for tax purposes as if, in his case, instead of income or losses falling to be brought into account in connection with the taxation of income, there were gains or losses falling to be brought into account in accordance with the 1992 Act.

*General interpretation etc.*

- 14 (1) In this Schedule—
- “the actual provision” and “the affected persons” shall be construed in accordance with paragraph 1(1) above;
  - “the arm”’s length provision’ shall be construed in accordance with paragraph 1(2) and (3) above;
  - “double taxation arrangements” means arrangements having effect by virtue of section 788;
  - “foreign tax” means any tax under the law of a territory outside the United Kingdom or any amount which falls for the purposes of any double taxation arrangements to be treated as if it were such tax;
  - “insurance company” has the same meaning as in Chapter I of Part XII;
  - “losses” includes amounts which are not losses but in respect of which relief may be given in accordance with any of the following enactments—
    - (a) section 75(3) (excess of management expenses);
    - (b) section 468L(5) (allowance for interest distributions of a unit trust);
    - (c) Part X (loss relief and group relief);
    - (d) section 83 of and Schedule 8 to the <sup>M55</sup>Finance Act 1996 or paragraph 4 of Schedule 11 to that Act (deficits on loan relationships);
  - “profits” includes income;
  - “the relevant activities”, in relation to a person who is one of the persons as between whom any provision is made or imposed, means such of his activities as—
    - (i) comprise the activities in the course of which, or with respect to which, that provision is made or imposed; and
    - (ii) are not activities carried on either separately from those activities or for the purposes of a different part of that person’s business;
  - “transaction” and “series of transactions” shall be construed in accordance with paragraph 3 above.
- (2) Without prejudice to paragraphs 9(2) and 11(3) above, references in this Schedule to a person controlling a body corporate or a partnership shall be construed in accordance with section 840.

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- (3) In determining for the purposes of this Schedule whether a person has an entitlement, in pursuance of any double taxation arrangements or under section 790(1), to be given credit for foreign tax, any requirement that a claim is made before such a credit is given shall be disregarded.
- (4) Any adjustments required to be made by virtue of this Schedule may be made by way of discharge or repayment of tax, by the modification of any assessment or otherwise.
- (5) This Schedule shall have effect as if—
- (a) a unit trust scheme were a company that is a body corporate;
  - (b) the rights of the unit holders under such a scheme were shares in the company that the scheme is deemed to be;
  - (c) rights and powers of a person in the capacity of a person entitled to act for the purposes of the scheme were rights and powers of the scheme; and
  - (d) provision made or imposed as between any person in such a capacity and another person were made or imposed as between the scheme and that other person.”

#### Marginal Citations

- M51** 1989 c. 26.  
**M52** 1993 c. 34.  
**M53** 1994 c. 9.  
**M54** 1993 c. 34.  
**M55** 1996 c. 8.

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- M51** 1989 c. 26.  
**M52** 1993 c. 34.  
**M53** 1994 c. 9.  
**M54** 1993 c. 34.  
**M55** 1996 c. 8.

## SCHEDULE 17

Section 113.

### CONTROLLED FOREIGN COMPANIES

#### Section 747

- 1 (1) Section 747 of the Taxes Act 1988 (imputation of chargeable profits and creditable tax of controlled foreign companies) shall be amended as follows.
- (2) In subsection (1) (which provides that the provisions of the Chapter shall apply in relation to an accounting period of a company if the Board have reason to believe certain things and so direct)—
- (a) the words “the Board have reason to believe that”, and



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- (b) the words “and the Board so direct,”, shall cease to have effect.
- (3) In subsection (3) (apportionment of controlled foreign company’s chargeable profits and creditable tax among the persons with an interest in the company) for “Where, by virtue of a direction under subsection (1) above,” there shall be substituted “ Subject to section 748, where ”.
- (4) In subsection (4)—
  - (a) in paragraph (a) (which provides for a sum to be assessed on and recovered from a company resident in the United Kingdom as if it were corporation tax) for “assessed on and recoverable from” there shall be substituted “ chargeable on ”;
  - (b) in the words following paragraph (b), for “to which the direction under subsection (1) above relates” there shall be substituted “ which is mentioned in subsection (1) above ”.
- (5) In subsection (5) (tax not to be assessed and recoverable from the resident company unless, among other things, at least 10 per cent. of the controlled foreign company’s chargeable profits are apportioned to the resident company or persons connected or associated with it)—
  - (a) for “assessed and recoverable from” there shall be substituted “ chargeable on ”; and
  - (b) for “10 per cent.” there shall be substituted “ 25 per cent. ”

#### Section 747A

F66<sub>2</sub> .....

#### Textual Amendments

F66 Sch. 17 para. 2 repealed (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 11 Pt. 2\(6\)](#)

#### Section 748

- 3 (1) Section 748 of the Taxes Act 1988 (limitations on direction-making power) shall be amended as follows.
- (2) In subsection (1) (no direction to be given if the conditions specified in any of the paragraphs of the subsection are satisfied) for the words preceding paragraph (a) there shall be substituted—
  - “(1) No apportionment under section 747(3) falls to be made as regards an accounting period of a controlled foreign company if—”.
- (3) In paragraph (d) of that subsection (cases where chargeable profits do not exceed £20,000 etc) for “£20,000” there shall be substituted “ £50,000 ”.
- (4) After that paragraph there shall be inserted “or
  - (e) as respects the accounting period, the company is, within the meaning of regulations made by the Board for the purposes of this paragraph, resident in a territory specified in the regulations and satisfies—

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(i) such conditions with respect to its income or gains as may be so specified; and

(ii) such other conditions (if any) as may be so specified.”

(5) After subsection (1) there shall be inserted—

“(1A) Regulations under paragraph (e) of subsection (1) above may—

(a) make different provision for different cases or with respect to different territories;

(b) make provision having effect in relation to accounting periods of controlled foreign companies ending not more than one year before the date on which the regulations are made; and

(c) contain such supplementary, incidental, consequential and transitional provision as the Board may think fit.”

(6) Subsection (2) (which relates to directions under section 747) shall cease to have effect.

(7) In subsection (3) (which refers to paragraphs (a) to (d) of subsection (1)) for “(d)” there shall be substituted “(e)”.

(8) Also in subsection (3), for “no direction may be given under section 747(1) with respect to that accounting period if it appears to the Board that” there shall be substituted “no apportionment under section 747(3) falls to be made as regards that accounting period if it is the case that”.

(9) For the side-note to the section, there shall be substituted “Cases where section 747(3) does not apply.”

#### *Section 749*

4 For section 749 of the Taxes Act 1988 (residence and interest) there shall be substituted—

#### “749 Residence.

(1) Subject to subsections (2) to (4) and (6) below, in any accounting period in which a company is resident outside the United Kingdom, it shall be regarded for the purposes of this Chapter as resident in that territory in which, throughout that period, it is liable to tax by reason of domicile, residence or place of management.

(2) If, in the case of any company,—

(a) there are in any accounting period two or more territories falling within subsection (1) above, and

(b) no election or designation made under paragraph (d) or (e) of subsection (3) below in relation to an earlier accounting period of the company has effect by virtue of section 749A(1) in relation to that accounting period,

subsection (3) below shall apply with respect to that company and that accounting period.

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- (3) Where this subsection applies, the company shall in that accounting period be regarded for the purposes of this Chapter as resident in only one of those territories, namely—
- (a) if, throughout the accounting period, the company's place of effective management is situated in one of those territories only, in that territory;
  - (b) if, throughout the accounting period, the company's place of effective management is situated in two or more of those territories, in that one of them in which, at the end of the accounting period, the greater amount of the company's assets is situated;
  - (c) if neither paragraph (a) nor paragraph (b) above applies, in that one of the territories falling within subsection (1) above in which, at the end of the accounting period, the greater amount of the company's assets is situated;
  - (d) if—
    - (i) paragraph (a) above does not apply, and
    - (ii) neither paragraph (b) nor paragraph (c) above produces one, and only one, of those territories,in that one of them (if any) which is specified in an election made in relation to that accounting period by any one or more persons who together have a majority assessable interest in the company in that accounting period; and
  - (e) if, in a case falling within paragraph (d) above, the time by which any election under that paragraph in relation to that accounting period must be made in accordance with section 749A(3)(b) expires without such an election having been made, in that one of those territories which the Board justly and reasonably designates in relation to that accounting period.
- (4) If, in the case of any company,—
- (a) there are in any accounting period two or more territories falling within subsection (1) above, and
  - (b) an election or designation made under paragraph (d) or (e) of subsection (3) above in relation to an earlier accounting period of the company has effect by virtue of section 749A(1) in relation to the accounting period mentioned in paragraph (a) above,
- the company shall in that accounting period be regarded for the purposes of this Chapter as resident in that one of those territories which is the subject of the election or designation.
- (5) If, in the case of any company, there is in any accounting period no territory falling within subsection (1) above, then, for the purposes of this Chapter, it shall be conclusively presumed that the company is in that accounting period resident in a territory in which it is subject to a lower level of taxation.
- (6) In any case where it becomes necessary for the purposes of subsection (3) above to determine in which of two or more territories the greater amount of a company's assets is situated at the end of an accounting period—
- (a) account shall be taken only of those assets which, immediately before the end of that period, are situated in those territories; and

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- (b) the amount of them shall be determined by reference to their market value at that time.
- (7) This section is without prejudice to the provision that may be made in regulations under section 748(1)(e).
- (8) For the purposes of this section, one or more persons together have a “majority assessable interest” in a controlled foreign company in an accounting period of the company if—
  - (a) each of them has an assessable interest in the company in that accounting period; and
  - (b) it is likely that, were an apportionment of the chargeable profits of the company for that accounting period made under section 747(3), the aggregate of the amounts which would be apportioned to them is greater than 50 per cent. of the aggregate of the amounts which would be apportioned to all the persons who have an assessable interest in the company in that accounting period.
- (9) For the purposes of subsection (8) above, a person has an “assessable interest” in a controlled foreign company in an accounting period of the company if he is one of the persons who it is likely would be chargeable to tax under section 747(4)(a) on an apportionment of the chargeable profits and creditable tax (if any) of the company for that accounting period under section 747(3).

**749A Elections and designations under section 749: supplementary provisions.**

- (1) An election under paragraph (d) or a designation under paragraph (e) of section 749(3) shall have effect in relation to—
  - (a) the accounting period in relation to which it is made (“the original accounting period”), and
  - (b) each successive accounting period of the controlled foreign company in question which precedes the next one in which the eligible territories are different,
 and shall so have effect notwithstanding any change in the persons who have interests in the company or any change in the interests which those persons have in the company.
- (2) For the purposes of subsection (1)(b) above, an accounting period of the controlled foreign company is one in which the eligible territories are different if in the case of that accounting period—
  - (a) at least one of the two or more territories which fell within subsection (1) of section 749 in the original accounting period does not fall within that subsection; or
  - (b) some other territory also falls within that subsection.
- (3) Any election under section 749(3)(d)—
  - (a) must be made by notice given to an officer of the Board;
  - (b) must be made no later than twelve months after the end of the controlled foreign company’s accounting period in relation to which it is made;

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- (c) must state, as respects each of the persons making it, the percentage of the chargeable profits and creditable tax (if any) of the controlled foreign company for that accounting period which it is likely would be apportioned to him on an apportionment under section 747(3) if one were made;
  - (d) must be signed by the persons making it; and
  - (e) is irrevocable.
- (4) Nothing in—
- (a) paragraph 10 of Schedule 18 to the Finance Act 1998 (claims or elections in company tax returns), or
  - (b) Schedule 1A to the Management Act (claims or elections not included in returns),
- shall apply, whether by virtue of section 754 or otherwise, to an election under section 749(3)(d).
- (5) A designation under section 749(3)(e) is irrevocable.
- (6) Where the Board make a designation under section 749(3)(e), notice of the making of the designation shall be given to every company resident in the United Kingdom which appears to the Board to have had an assessable interest in the controlled foreign company at any time during the accounting period of the controlled foreign company in relation to which the designation is made.
- (7) A notice under subsection (6) above shall specify—
- (a) the date on which the designation was made;
  - (b) the controlled foreign company to which the designation relates;
  - (c) the accounting period of the controlled foreign company in relation to which the designation is made; and
  - (d) the territory designated.
- (8) Subsection (9) of section 749 has effect for the purposes of subsection (6) above as it has effect for the purposes of subsection (8) of that section.

#### **749B Interests in companies.**

- (1) For the purposes of this Chapter, the following persons have an interest in a company—
- (a) any person who possesses, or is entitled to acquire, share capital or voting rights in the company;
  - (b) any person who possesses, or is entitled to acquire, a right to receive or participate in distributions of the company;
  - (c) any person who is entitled to secure that income or assets (whether present or future) of the company will be applied directly or indirectly for his benefit; and
  - (d) any other person who, either alone or together with other persons, has control of the company.
- (2) Rights which a person has as a loan creditor of a company do not constitute an interest in the company for the purposes of this Chapter.

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- (3) For the purposes of subsection (1)(b) above, the definition of “distribution” in Part VI shall be construed without any limitation to companies resident in the United Kingdom.
- (4) References in subsection (1) above to being entitled to do anything apply where a person—
- (a) is presently entitled to do it at a future date, or
  - (b) will at a future date be entitled to do it;
- but a person whose entitlement to secure that any income or assets of the company will be applied as mentioned in paragraph (c) of that subsection is contingent upon a default of the company or any other person under any agreement shall not be treated as falling within that paragraph unless the default has occurred.
- (5) Where a company has an interest in another company and a third person has, or two or more persons together have, an interest in the first company (as in a case where one company has a shareholding in a controlled foreign company and the first company is controlled by a third company or by two or more persons together) subsections (6) and (7) below apply.
- (6) Where this subsection applies, the person who has, or each of the persons who together have, the interest in the first company shall be regarded for the purposes of this Chapter as thereby having an interest in the second company.
- (7) In any case where this subsection applies, in construing references in this Chapter to one person having the same interest as another, the person or, as the case may be, each of the persons who together have, the interest in the first company shall be treated as having, to the extent of that person’s interest in that company, the same interest as the first company has in the second company.
- (8) Where two or more persons jointly have an interest in a company otherwise than in a fiduciary or representative capacity, they shall be treated for the purposes of this Chapter as having the interest in equal shares.”

#### *Section 750*

- 5 (1) Section 750 of the Taxes Act 1988 (territories with a lower level of taxation) shall be amended as follows.
- (2) In subsection (1) (which refers to certain provisions of section 749)—
- (a) for “subsection (3)” there shall be substituted “ subsection (5) ”; and
  - (b) for “subsection (1) or subsection (2)” there shall be substituted “ any of subsections (1) to (4) ”.
- (3) In subsection (3), for paragraph (a) (which refers to a direction under section 747(1) and a declaration under paragraph 11(3) of Schedule 24) there shall be substituted—
- “(a) it shall be assumed for the purposes of Schedule 24 that an apportionment under section 747(3) falls to be made as regards that period; and”.

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### Section 751

- 6 (1) Section 751 of the Taxes Act 1988 (accounting periods and creditable tax) shall be amended as follows.
- (2) In subsection (1) (occasions on which an accounting period begins) in paragraph (b) (company commencing to carry on business)—
- (a) the words “not being the subject of an earlier direction under section 747(1)” shall cease to have effect; and
- (b) after “commences to carry on business” there shall be inserted “ unless an accounting period of the company has previously begun as respects which an apportionment under section 747(3) falls or has fallen to be made ”.
- (3) In subsection (5) (direction may specify accounting period where beginning or end appears uncertain)—
- (a) for “a direction under section 747(1) may” there shall be substituted “ the Board may by notice ”; and
- (b) for “the direction” there shall be substituted “ the notice ”.
- (4) In subsection (5) (power to amend so as to specify true accounting period where further facts come to the knowledge of the Board after making a direction)—
- (a) for “making of a direction (including facts emerging on an appeal against notice of the making of the direction)” there shall be substituted “ giving of a notice under subsection (4) above ”; and
- (b) for “direction”, in the third and fourth places where it occurs, there shall be substituted “ notice ”.
- (5) After subsection (5) there shall be inserted—
- “(5A) Any notice under subsection (4) above, and notice of any amendment of such a notice under subsection (5) above, shall be given to every person who has an assessable interest (as defined in section 749(9)) in the company in the accounting period in question.”
- (6) In subsection (6) (meaning of “creditable tax”) for “in respect of which a direction is given under section 747(1)” there shall be substituted “ as regards which an apportionment under section 747(3) falls to be made ”.

### Section 752

- 7 For section 752 of the Taxes Act 1988 (apportionment of chargeable profits and creditable tax) there shall be substituted—

#### **“752 Apportionment of chargeable profits and creditable tax.**

- (1) This section applies in any case where an apportionment under section 747(3) falls to be made as regards an accounting period of a controlled foreign company.
- (2) Where—
- (a) the persons who have relevant interests in the controlled foreign company at any time in the relevant accounting period have those interests by virtue only of directly or indirectly holding ordinary shares of the company,

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- (b) each of those persons satisfies the condition that he is either—
    - (i) resident in the United Kingdom throughout that accounting period, or
    - (ii) resident in the United Kingdom at no time in that accounting period, and
  - (c) no company which has an intermediate interest in the controlled foreign company at any time in the relevant accounting period has that interest otherwise than by virtue of directly or indirectly holding ordinary shares of the controlled foreign company,
- subsection (3) below shall apply.
- (3) Where this subsection applies, the apportionment of the controlled foreign company's chargeable profits and creditable tax (if any) for the relevant accounting period shall be made among the persons who have relevant interests in the company at any time in that period in direct proportion to the percentage of the issued ordinary shares of the controlled foreign company which, in accordance with section 752B, each of those relevant interests represents.
  - (4) Where subsection (3) above does not apply, the apportionment of the controlled foreign company's chargeable profits and creditable tax (if any) for the relevant accounting period shall be made on a just and reasonable basis among the persons who have relevant interests in the company at any time in that period.

#### **752A Relevant interests.**

- (1) This section has effect for the purpose of determining for the purposes of this Chapter who has a relevant interest in a controlled foreign company at any time; and references in this Chapter to relevant interests shall be construed accordingly.
- (2) A UK resident company which has a direct or indirect interest in a controlled foreign company has a relevant interest in the company by virtue of that interest unless subsection (3) below otherwise provides.
- (3) A UK resident company which has an indirect interest in a controlled foreign company does not have a relevant interest in the company by virtue of that interest if it has the interest by virtue of having a direct or indirect interest in another UK resident company.
- (4) A related person who has a direct or indirect interest in a controlled foreign company has a relevant interest in the company by virtue of that interest unless subsection (5) or (6) below otherwise provides.
- (5) A related person who has an indirect interest in a controlled foreign company does not have a relevant interest in the company by virtue of that interest if he has the interest by virtue of having a direct or indirect interest in—
  - (a) a UK resident company; or
  - (b) another related person.
- (6) A related person who has a direct or indirect interest in a controlled foreign company does not have a relevant interest in the company by virtue of that interest to the extent that a UK resident company—



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- (a) has the whole or any part of the same interest indirectly, by virtue of having a direct or indirect interest in the related person, and
  - (b) by virtue of that indirect interest in the controlled foreign company, has a relevant interest in the company by virtue of subsection (2) above.
- (7) A person who—
- (a) has a direct interest in a controlled foreign company, but
  - (b) does not by virtue of subsections (2) to (6) above have a relevant interest in the company by virtue of that interest,
- has a relevant interest in the company by virtue of that interest unless subsection (8) below otherwise provides.
- (8) A person does not by virtue of subsection (7) above have a relevant interest in a controlled foreign company by virtue of having a direct interest in the company to the extent that another person—
- (a) has the whole or any part of the same interest indirectly, and
  - (b) by virtue of that indirect interest, has a relevant interest in the company by virtue of subsections (2) to (6) above.
- (9) No person has a relevant interest in a controlled foreign company otherwise than as provided by subsections (2) to (8) above.
- (10) In this section—
- “related person” means a person who—
- (a) is not a UK resident company, but
  - (b) is connected or associated with a UK resident company which has by virtue of subsection (2) above a relevant interest in the controlled foreign company in question;
- “UK resident company” means a company resident in the United Kingdom.

**752B Section 752(3): the percentage of shares which a relevant interest represents.**

- (1) For the purposes of section 752(3) above, where a person has a relevant interest in a controlled foreign company by virtue of indirectly holding issued ordinary shares of the company, the percentage of the issued ordinary shares of the company which the relevant interest represents is equal to—

$$P \times S$$

where—

P is the product of the appropriate fractions of that person and each of the share-linked companies through which he indirectly holds the shares in question, other than the lowest share-linked company; and  
S is the percentage of issued ordinary shares of the controlled foreign company which is held directly by the lowest share-linked company.

- (2) In subsection (1) above and this subsection—

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“the appropriate fraction”, in the case of a person who directly holds ordinary shares of a share-linked company, means that fraction of the issued ordinary shares of that company which his holding represents;  
 “the lowest share-linked company”, in relation to a person who indirectly holds ordinary shares of a controlled foreign company, means the share-linked company which directly holds the shares in question;  
 “share-linked company” means a company which is share-linked to the controlled foreign company in question.

- (3) Where a person has different indirect holdings of shares of the controlled foreign company (as in a case where different shares are held through different companies which are share-linked to the controlled foreign company)—
- (a) subsection (1) above shall apply separately in relation to the different holdings with any necessary modifications; and
  - (b) for the purposes of section 752(3) above the percentage of the issued ordinary shares of the company which the relevant interest represents is the aggregate of the percentages resulting from those separate applications.
- (4) Where, for the purposes of subsection (3) of section 752, the percentage of the issued ordinary shares of the controlled foreign company which a person directly or indirectly holds varies during the relevant accounting period, he shall be treated for the purposes of that subsection as holding throughout that period that percentage of the issued ordinary shares of the company which is equal to the sum of the relevant percentages for each holding period in the relevant accounting period.
- (5) For the purposes of subsection (4) above—
- “holding period”, in the case of any person, means a part of the relevant accounting period during which the percentage of the issued ordinary shares of the controlled foreign company which the person holds (whether directly or indirectly) remains the same;  
 “the relevant percentage”, in the case of a holding period, means the percentage equal to—

$$\frac{P \times H}{A}$$

where—

P is the percentage of the issued ordinary shares of the controlled foreign company which the person in question directly or indirectly holds in the holding period, as calculated in accordance with subsections (1) to (3) above so far as applicable;  
 H is the number of days in the holding period; and  
 A is the number of days in the relevant accounting period.

### **752C Interpretation of apportionment provisions.**

- (1) In this section “the relevant provisions” means sections 752 to 752B and this section.

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- (2) For the purposes of the relevant provisions—
- (a) a person has a direct interest in a company if (and only if) he has an interest in the company otherwise than by virtue of having an interest in another company;
  - (b) a person has an indirect interest in a company if (and only if) he has an interest in the company by virtue of having an interest in another company;
  - (c) a person indirectly holds shares of a controlled foreign company if (and only if) he directly holds ordinary shares of a company which is share-linked to the controlled foreign company.
- (3) For the purposes of the relevant provisions, a company is “share-linked” to a controlled foreign company if it has an interest in the controlled foreign company only by virtue of directly holding ordinary shares—
- (a) of the controlled foreign company, or
  - (b) of the controlled foreign company or of one or more companies which are share-linked to the controlled foreign company by virtue of paragraph (a) above, or
  - (c) of the controlled foreign company or of one or more companies which are share-linked to the controlled foreign company by virtue of paragraph (a) or (b) above,
- and so on.
- (4) For the purposes of the relevant provisions, a company (“company A”) has an intermediate interest in a controlled foreign company if (and only if)—
- (a) it has a direct or indirect interest in the controlled foreign company; and
  - (b) one or more other persons have relevant interests in the controlled foreign company by virtue of having a direct or indirect interest in company A.
- (5) Any interest or shares held by a nominee or bare trustee shall be treated for the purposes of the relevant provisions as held by the person or persons for whom the nominee or bare trustee holds the interest or shares.
- (6) Where—
- (a) an interest in a controlled foreign company is held in a fiduciary or representative capacity, and
  - (b) subsection (5) above does not apply, but
  - (c) there are one or more identifiable beneficiaries,
- the interest shall be treated for the purposes of the relevant provisions as held by that beneficiary or, as the case may be, as apportioned on a just and reasonable basis among those beneficiaries.
- (7) In the relevant provisions—
- “bare trustee” means a person acting as trustee—
- (a) for a person absolutely entitled as against the trustee; or
  - (b) for any person who would be so entitled but for being a minor or otherwise under a disability; or

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(c) for two or more persons who are or would, but for all or any of them being a minor or otherwise under a disability, be jointly so entitled;

“ordinary shares”, in the case of any company, means shares of a single class, however described, which is the only class of shares issued by the company;

“the relevant accounting period” means the accounting period mentioned in section 752(1);

“share” includes a reference to a fraction of a share.”

#### Section 753

8 Section 753 of the Taxes Act 1988 (notices and appeals) shall cease to have effect.

#### Section 754

9 (1) Section 754 of the Taxes Act 1988 (assessment, recovery and postponement of tax) shall be amended as follows.

(2) In subsection (1) (provisions of section 747(4)(a) relating to assessment and recovery of a sum as if it were an amount of corporation tax to be taken as applying all enactments applying generally to corporation tax, including certain described enactments)—

(a) for “assessment and recovery” there shall be substituted “the charging”; and

(b) after “including” there shall be inserted “ those relating to company tax returns, ”.

(3) After subsection (1) there shall be inserted—

“(1A) Accordingly (but without prejudice to subsection (1) above) the Management Act shall have effect as if—

(a) any reference to corporation tax included a reference to a sum chargeable under section 747(4)(a) as if it were an amount of corporation tax; and

(b) any reference to profits of a company included a reference to an amount of chargeable profits of a controlled foreign company which falls to be apportioned to a company under section 747(3).”

(4) For subsection (2) (which provides for any sum assessable and recoverable under section 747(4)(a) to be regarded as corporation tax which falls to be assessed for the accounting period in which ends the accounting period of the controlled foreign company and which makes provision as to the contents of a notice of assessment) there shall be substituted—

“(2) For the purposes of the Taxes Acts, any sum chargeable on a company under section 747(4)(a) is chargeable for the accounting period of the company in which ends that one of the controlled foreign company’s accounting periods the chargeable profits of which give rise to that sum.”

(5) After subsection (2) there shall be inserted—

“(2A) Where—

(a) an apportionment under section 747(3) falls to be made as regards an accounting period of a controlled foreign company, and

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- (b) the apportionment falls to be made in accordance with section 752(4) on a just and reasonable basis, and
    - (c) a company tax return is made or amended using for the apportionment a particular basis adopted by the company making the return,

the Board may determine that another basis is to be used for the apportionment.
  - (2B) For the purposes of subsection (2A) above, the Board may by notice require the company making the return—
    - (a) to produce to them such documents in the company’s power or possession, and
    - (b) to provide them with such information, in such form,

as they may reasonably require for the purpose of determining the basis which is to be used for making the apportionment.
  - (2C) The provisions of paragraphs 27 to 29 of Schedule 18 to the Finance Act 1998 (notice to produce documents etc for the purposes of enquiry: supplementary provisions and penalty) shall apply in relation to a notice under subsection (2B) above.
  - (2D) Once the Board have determined under subsection (2A) above the basis to be used for the apportionment, matters shall proceed as if that were the only basis allowed by the Tax Acts.
  - (2E) A determination under subsection (2A) above may be questioned on an appeal against an amendment, made under paragraph 30 or 34(2) of Schedule 18 to the Finance Act 1998, of the company’s company tax return, but only on the ground that the basis of apportionment determined by the Board is not just and reasonable.”
- (6) For subsection (3) (appeals) there shall be substituted the following subsections—
- “(3) Where any appeal—
    - (a) under paragraph 34(3) of Schedule 18 to the Finance Act 1998 against an amendment of a company tax return, or
    - (b) under paragraph 48 of that Schedule against a discovery assessment or discovery determination under paragraph 41 of that Schedule (including an assessment by virtue of paragraph 52 of that Schedule),

involves any question concerning the application of this Chapter in relation to any particular person, that appeal shall be to the Special Commissioners.
  - (3A) Where—
    - (a) any such question as is mentioned in subsection (3) above falls to be determined by the Special Commissioners for the purposes of any proceedings before them, and
    - (b) the question is one whose resolution is likely to affect the liability of more than one person under this Chapter in respect of the controlled foreign company concerned,

subsection (3B) below shall apply.
  - (3B) Where this subsection applies—

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- (a) each of the persons whose liability under this Chapter in respect of the controlled foreign company concerned is likely to be affected by the resolution of the question shall be entitled to appear and be heard by the Special Commissioners, or to make representations to them in writing;
  - (b) the Special Commissioners shall determine that question separately from any other questions in those proceedings; and
  - (c) their determination on that question shall have effect as if made in an appeal to which each of those persons was a party.”
- (7) Subsection (4) shall cease to have effect.
- (8) In subsection (6) (power of Board to serve notice of liability to tax on another company with the same interest where tax assessed by virtue of section 752(6) remains unpaid by the assessable company)—
- (a) for “assessed” and “assessable”, wherever occurring, there shall be substituted “chargeable”;
  - (b) in paragraph (a), for “752(6)” there shall be substituted “747(4)(a)”;
  - (c) in paragraph (b), before “the same interest” there shall be inserted “the whole or any part of”; and
  - (d) at the beginning of the words following paragraph (b) there shall be inserted “the whole or, as the case may be, the corresponding part of”.
- (9) In subsection (7) (liability for interest where notice of liability to tax is served)—
- (a) at the beginning of paragraph (a) there shall be inserted “the whole, or (as the case may be) the corresponding part, of”;
  - (b) in paragraph (a), for “assessed” and “assessable” there shall be substituted “chargeable”; and
  - (c) at the end of paragraph (b), there shall be added “(so far as referable to tax payable by the responsible company by virtue of the notice)”.
- (10) In subsection (8) (recovery of tax and interest from the assessable company where the responsible company fails to pay within the time allowed) for “assessable” there shall be substituted “chargeable”.

*Returns where it is not established whether acceptable distribution policy applies*

10 After section 754 of the Taxes Act 1988 there shall be inserted—

**“754A Returns where it is not established whether acceptable distribution policy applies.**

- (1) This section applies where—
  - (a) a company resident in the United Kingdom (“the UK company”) has an interest in a controlled foreign company at any time during an accounting period of the controlled foreign company;
  - (b) the UK company delivers a company tax return; and
  - (c) at the time when the UK company delivers the company tax return, it is not established whether or not the controlled foreign company has pursued an acceptable distribution policy in relation to the accounting period.

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- (2) If the UK company is of the opinion that the controlled foreign company is likely to pursue an acceptable distribution policy in relation to the accounting period, the UK company shall make the company tax return on the basis that the accounting period of the controlled foreign company is one in relation to which the controlled foreign company pursues such a policy.
- (3) If the UK company is not of the opinion that the controlled foreign company is likely to pursue an acceptable distribution policy in relation to the accounting period, the UK company shall make the company tax return on the basis that the accounting period of the controlled foreign company is one in relation to which the controlled foreign company does not pursue such a policy.
- (4) In any case where—
  - (a) the UK company acts in pursuance of subsection (2) above, but
  - (b) it becomes established that the controlled foreign company has not pursued an acceptable distribution policy in relation to the accounting period,the UK company shall amend the company tax return on the basis that the accounting period is not one in relation to which the controlled foreign company pursues an acceptable distribution policy.
- (5) In any case where—
  - (a) the UK company acts in pursuance of subsection (3) above, but
  - (b) it becomes established that the controlled foreign company has pursued an acceptable distribution policy in relation to the accounting period,the UK company shall amend the company tax return on the basis that the accounting period is one in relation to which the controlled foreign company pursues an acceptable distribution policy.
- (6) Any amendment required to be made to the company tax return by virtue of subsection (4) or (5) above (“an ADP amendment”) shall be made by the UK company before the expiration of the period of 30 days next following the end of the period allowed for establishing an ADP in relation to the accounting period of the controlled foreign company.
- (7) Subject to subsection (8) below, the making of any ADP amendment is subject to, and must be in accordance with, the other provisions of the Corporation Tax Acts as they apply for the purposes of this Chapter.
- (8) The time limits otherwise applicable to amendment of a company tax return do not apply to an ADP amendment.
- (9) A company which fails to make an ADP amendment required by subsection (4) above within the time allowed for doing so shall be liable to a tax-related penalty under paragraph 20 of Schedule 18 to the Finance Act 1998 (penalty, not exceeding amount of tax understated, for incorrect or uncorrected return).
- (10) For the purposes of this section, if it has not previously been established whether or not the controlled foreign company has pursued an acceptable distribution policy in relation to the accounting period, it shall be taken to be

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established immediately after the end of the period allowed for establishing an ADP in relation to that accounting period.

- (11) In this section, “the period allowed for establishing an ADP” means, in relation to an accounting period of a controlled foreign company, the period ending with the expiration of—
- (a) subject to paragraph (b) below, the period of eighteen months next following the end of the accounting period; or
  - (b) if the Board have, in the case of the accounting period, allowed further time under paragraph 2(1)(b) of Schedule 25, the further time so allowed.
- (12) In this section any reference to a controlled foreign company pursuing an acceptable distribution policy in relation to an accounting period shall be construed in accordance with Part I of Schedule 25.”

*Determinations requiring the sanction of the Board*

11 After section 754A of the Taxes Act 1988 there shall be inserted—

**“754B Determinations requiring the sanction of the Board.**

- (1) This section has effect where a determination requiring the Board’s sanction is made for any of the following purposes, that is to say—
  - (a) the giving of a closure notice; or
  - (b) the making of a discovery assessment.
- (2) If the closure notice or, as the case may be, notice of the discovery assessment is given to any person without—
  - (a) the determination, so far as it is taken into account in the closure notice or the discovery assessment, having been approved by the Board, or
  - (b) notification of the Board’s approval having been served on that person at or before the time of the giving of the notice,

the closure notice or, as the case may be, the discovery assessment shall be deemed to have been given or made (and in the case of an assessment notified) in the terms (if any) in which it would have been given or made had that determination not been taken into account.
- (3) A notification under subsection (2)(b) above—
  - (a) must be in writing;
  - (b) must state that the Board have given their approval on the basis that—
    - (i) an amount of chargeable profits, and
    - (ii) an amount of creditable tax (which may be nil),

for the accounting period of the controlled foreign company in question fall to be apportioned under section 747(3) to the person in question;
  - (c) must state the amounts mentioned in sub-paragraphs (i) and (ii) of paragraph (b) above; and
  - (d) subject to paragraphs (a) to (c) above, may be in such form as the Board may determine.



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- (4) For the purposes of this section, the Board's approval of a determination requiring their sanction—
  - (a) must be given specifically in relation to the case in question and must apply to the amount determined; but
  - (b) subject to that, may be given by the Board (either before or after the making of the determination) in any such form or manner as they may determine.
- (5) In this section references to a determination requiring the Board's sanction are references (subject to subsection (6) below) to any determination of the amount of chargeable profits or creditable tax for an accounting period of a controlled foreign company which falls to be apportioned to a particular person under section 747(3).
- (6) For the purposes of this section, a determination shall be taken, in relation to a closure notice or a discovery assessment, not to be a determination requiring the Board's sanction if—
  - (a) an agreement about the relevant amounts has been made between an officer of the Board and the person in whose case it is made;
  - (b) that agreement is in force at the time of the giving of the closure notice or, as the case may be, notice of the assessment; and
  - (c) the matters to which the agreement relates include the amount determined.
- (7) In paragraph (a) of subsection (6) above, "the relevant amounts" means—
  - (a) the amount of chargeable profits, and
  - (b) the amount of creditable tax (which may be nil),for the accounting period of the controlled foreign company in question which fall to be apportioned under section 747(3) to the person mentioned in that paragraph.
- (8) For the purposes of subsection (6) above an agreement made between an officer of the Board and any person ("the taxpayer") in relation to any matter shall be taken to be in force at any time if, and only if—
  - (a) the agreement is one which has been made or confirmed in writing;
  - (b) that time is after the end of the period of thirty days beginning—
    - (i) in the case of an agreement made in writing, with the day of the making of the agreement, and
    - (ii) in any other case, with the day of the agreement's confirmation in writing; and
  - (c) the taxpayer has not, before the end of that period of thirty days, served a notice on an officer of the Board stating that he is repudiating or resiling from the agreement.
- (9) The references in subsection (8) above to the confirmation in writing of an agreement are references to the service on the taxpayer by an officer of the Board of a notice—
  - (a) stating that the agreement has been made; and
  - (b) setting out the terms of the agreement.
- (10) The matters that may be questioned on so much of any appeal by virtue of any provision of the Management Act or Schedule 18 to the Finance Act

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1998 (company tax returns, assessments and related matters) as relates to a determination the making of which has been approved by the Board for the purposes of this section shall not include the Board's approval, except to the extent that the grounds for questioning the approval are the same as the grounds for questioning the determination itself.

(11) In this section—

“closure notice” means a notice under paragraph 32 of Schedule 18 to the Finance Act 1998 (completion of enquiry and statement of conclusions);

“discovery assessment” means a discovery assessment or discovery determination under paragraph 41 of that Schedule (including an assessment by virtue of paragraph 52 of that Schedule).”

#### Section 755

12 Section 755 of the Taxes Act 1988 (information relating to controlled foreign companies) shall cease to have effect.

#### *Treatment of chargeable profits and creditable tax apportioned to company carrying on life assurance business*

13 After section 755 of the Taxes Act 1988 there shall be inserted—

#### **“755A Treatment of chargeable profits and creditable tax apportioned to company carrying on life assurance business.**

(1) This section applies in any case where—

- (a) an amount (“the apportioned profit”) of a controlled foreign company's chargeable profits for an accounting period falls to be apportioned under section 747(3) to a company resident in the United Kingdom (“the UK company”);
- (b) the UK company carries on life assurance business in that one of its accounting periods (“the relevant accounting period”) in which ends the accounting period of the controlled foreign company; and
- (c) the property or rights which represent the UK company's relevant interest in the controlled foreign company constitute to any extent assets of the UK company's long term business fund.

(2) Subsections (3) and (4) below apply if, in the case of the relevant accounting period, the UK company is not charged to tax under Case I of Schedule D in respect of its profits from life assurance business.

(3) Where this subsection applies, the “appropriate rate” for the purposes of section 747(4)(a) and paragraph 1 of Schedule 26 in relation to the policy holders' part of any BLAGAB apportioned profit shall be—

- (a) if a single rate of tax under section 88A(1) of the <sup>M56</sup>Finance Act 1989 (lower corporation tax rate on certain insurance company profits) is applicable in relation to the relevant accounting period, that rate; or

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- (b) if more than one such rate of tax is applicable in relation to the relevant accounting period, the average of those rates over the whole of that period.
- (4) Where this subsection applies, the “appropriate rate” for the purposes of section 747(4)(a) and paragraph 1 of Schedule 26 shall be nil in relation to so much of the apportioned profit as is referable to—
  - (a) pension business,
  - (b) life reinsurance business, or
  - (c) overseas life assurance business,carried on by the UK company.
- (5) If, in the case of the relevant accounting period, the UK company is charged to tax under Case I of Schedule D in respect of its profits from life assurance business, the “appropriate rate” for the purposes of—
  - (a) section 747(4)(a), and
  - (b) paragraph 1 of Schedule 26,shall be nil in relation to so much of the apportioned profit as is referable to the UK company’s relevant interest so far as represented by assets of its long term business fund.
- (6) If, in the case of the relevant accounting period,—
  - (a) the UK company is not charged to tax under Case I of Schedule D in respect of its profits from life assurance business,
  - (b) any creditable tax of the controlled foreign company falls to be apportioned to the UK company, and
  - (c) the apportioned profit is to any extent referable to a category of business specified in paragraphs (a) to (c) of subsection (4) above,so much of the creditable tax so apportioned as is attributable to the apportioned profit so far as so referable shall be left out of account for the purposes of this Chapter, other than section 747(3) and this section, and shall be treated as extinguished.
- (7) If, in the case of the relevant accounting period,—
  - (a) the UK company is charged to tax under Case I of Schedule D in respect of its profits from life assurance business, and
  - (b) any creditable tax of the controlled foreign company falls to be apportioned to the UK company,so much of the creditable tax so apportioned as is attributable to so much of the apportioned profit as is referable to the UK company’s relevant interest so far as represented by assets of the UK company’s long term business fund shall be left out of account for the purposes of this Chapter, other than section 747(3) and this section, and shall be treated as extinguished.
- (8) Any set off under paragraph 1 or 2 of Schedule 26 against the UK company’s liability to tax under section 747(4)(a) in respect of the apportioned profit shall be made against only so much of that liability as is attributable to the eligible part of the apportioned profit.
- (9) Accordingly, in the application of paragraph 2 of Schedule 26 in relation to the apportioned profit, in the definition of “the relevant maximum” in subparagraph (3)—

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- (a) the reference to the liability to tax referred to in sub-paragraph (1) of that paragraph shall be taken as a reference to only so much of that liability as is attributable to the eligible part of the apportioned profit; and
  - (b) in paragraph (a), for the amount there described there shall be substituted a reference to the eligible part of the apportioned profit.
- (10) For the purposes of this section, the “eligible part” of the apportioned profit is any BLAGAB apportioned profit, other than the policy holders’ part.
- (11) For the purposes of this section, the “policy holders’ part” of any BLAGAB apportioned profit is—
- (a) in a case where subsection (4) of section 88A of the <sup>M57</sup>Finance Act 1989 applies, the whole; and
  - (b) in any other case, the fraction described in subsection (5)(b) of that section.
- (12) In this section—
- “BLAGAB apportioned profit” means so much of the apportioned profit as is referable to basic life assurance and general annuity business carried on by the UK company;
- “long term business fund” has the meaning given by section 431(2).
- (13) For the purposes of this section, the part of the apportioned profit which is referable to—
- (a) pension business,
  - (b) life reinsurance business,
  - (c) overseas life assurance business, or
  - (d) basic life assurance and general annuity business,
- carried on by the UK company is the part which would have been so referable under section 432A had the apportioned profit been a dividend paid to the UK company at the end of the accounting period mentioned in subsection (1)(a) above in respect of the property or rights which represent the UK company’s relevant interest in the controlled foreign company.
- (14) For the purposes of this section, any attribution of creditable tax to a particular part of the apportioned profit shall be made in the proportion which that part of the apportioned profit bears to the whole of the apportioned profit.”

#### Marginal Citations

**M56** 1989 c. 26.

**M57** 1989 c. 26.

*Amendment of return where general insurance business  
of foreign company accounted for on non-annual basis*

*Status: Point in time view as at 06/04/2008.*

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**“755B Amendment of return where general insurance business of foreign company accounted for on non-annual basis.**

- (1) This section applies where—
  - (a) a controlled foreign company carries on general insurance business in an accounting period;
  - (b) an amount of the company’s chargeable profits, and an amount of its creditable tax (if any), for that accounting period falls to be apportioned under section 747(3) to a company resident in the United Kingdom (“the UK company”);
  - (c) the UK company delivers a company tax return for that one of its accounting periods in which the controlled foreign company’s accounting period ends; and
  - (d) in making or amending the return, the UK company has regard to accounts of the controlled foreign company drawn up using a method falling within subsection (2) below.
- (2) The methods which fall within this subsection are—
  - (a) the method described in paragraph 52 of Schedule 9A to the <sup>M58</sup>Companies Act 1985 (which provides for a technical provision to be made in the accounts which is later replaced by a provision for estimated claims outstanding); and
  - (b) any method which would have fallen within paragraph (a) above, had final replacement of the technical provision, as described in sub-paragraph (4) of paragraph 52 of that Schedule, taken place, and been required to take place, no later than the end of the year referred to in that sub-paragraph as the third year following the underwriting year.
- (3) Where this section applies—
  - (a) the UK company may make any amendments of its company tax return arising from the replacement of the technical provision in the controlled foreign company’s accounts at any time within twelve months from the date on which the provision was replaced; and
  - (b) notice of intention to enquire into the return under paragraph 24 of Schedule 18 to the Finance Act 1998 may be given at any time up to two years from that date (or at any later time in accordance with the general rule in sub-paragraph (3) of that paragraph).
- (4) If, in a case where this section applies, the accounts of the controlled foreign company are drawn up using a method falling within paragraph (b) of subsection (2) above—
  - (a) the controlled foreign company, and
  - (b) any person with an interest in the controlled foreign company,shall be treated for the purposes of this section as if final replacement of the technical provision, as described in sub-paragraph (4) of paragraph 52 of Schedule 9A to the <sup>M59</sup>Companies Act 1985, had taken place at, and been required to take place no later than, the end of the year referred to in that sub-paragraph as the third year following the underwriting year.

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- (5) Regulations under section 755C may make provision with respect to the determination of the amount of the provision by which the technical provision is to be treated as replaced in cases falling within subsection (4) above.
- (6) In this section “general insurance business” means insurance business which is general business, as defined in section 1 of the <sup>M60</sup>Insurance Companies Act 1982.”

#### Marginal Citations

**M58** 1985 c. 6.

**M59** 1985 c. 6.

**M60** 1982 c. 50.

*Application of Chapter where general insurance business of foreign company accounted for on non-annual basis.*

15 After section 755B of the Taxes Act 1988 there shall be inserted—

**“755C Application of Chapter where general insurance business of foreign company accounted for on non-annual basis.**

- (1) The Treasury may by regulations provide for the provisions of this Chapter to have effect with prescribed modifications in any case where a non-resident company—
- (a) carries on general insurance business; and
  - (b) draws up accounts relating to that business using a method falling within subsection (2) of section 755B.
- (2) Regulations under subsection (1) above may—
- (a) make different provision for different cases;
  - (b) make provision having effect in relation to accounting periods of non-resident companies ending not more than one year before the date on which the regulations are made; and
  - (c) contain such supplementary, incidental, consequential and transitional provision as the Treasury may think fit.
- (3) In this section—
- “general insurance business” has the same meaning as in section 755B;
- “non-resident company” means a company resident outside the United Kingdom;
- “prescribed” means prescribed in regulations under this section.”

#### *Section 756*

16 (1) Section 756 of the Taxes Act 1988 (interpretation and construction of Chapter IV) shall be amended as follows.

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- (2) In subsection (1), after “In this Chapter” there shall be inserted the following definition—

““company tax return” means a return required to be made under Schedule 18 to the Finance Act 1998;”.

*Paragraph 1 of Schedule 24*

- 17 (1) In Schedule 24 to the Taxes Act 1988 (assumptions for calculating chargeable profits, creditable tax and corresponding United Kingdom tax of foreign companies) paragraph 1 shall be amended as follows.
- (2) Sub-paragraph (3A) (assumption for applying provisions of Schedule 24 which refer to the first accounting period for which a direction is given or which is an ADP exempt period in cases where, as respects the accounting period in question and any earlier ones, no direction has been given and it has not been established that there is an ADP exempt period) shall be amended in accordance with sub-paragraphs (3) to (5) below.
- (3) In paragraph (a) (necessity to determine the chargeable profits) after “to determine” there shall be inserted “ in the case of any person ”.
- (4) In paragraph (b) (conditions obtaining at the time in question)—
- (a) for sub-paragraph (i) (no direction given) there shall be substituted—
- “(i) it has not been established in the case of that person that that or any earlier accounting period of the company is an accounting period in respect of which an apportionment under section 747(3) falls to be made, and”; and
- (b) in sub-paragraph (ii) (not established that there is an ADP exempt period) after “it has not been established” there shall be inserted “ in the case of that person ”.
- (5) For the words following paragraph (b) (assumption for purpose of the provisions in question that the accounting period is the first for which a direction is given or which is an ADP exempt period) there shall be substituted—
- “in determining the chargeable profits of the company for the accounting period mentioned in paragraph (a) above, it shall be assumed, for the purposes of those provisions of paragraphs 2 and 10 below which refer to the first accounting period in respect of which an apportionment under section 747(3) falls to be made or which is an ADP exempt period, that that period (but not any earlier period) is an accounting period in respect of which such an apportionment falls to be made or which is an ADP exempt period.”
- (6) Sub-paragraph (4) (assumption for applying provisions of Schedule 24 which refer to the first accounting period for which a direction is given in cases where, as respects the accounting period in question and any earlier ones, no direction has been given) shall be amended in accordance with sub-paragraphs (7) to (9) below.
- (7) In paragraph (a) (necessity to determine chargeable profits) after “to determine” there shall be inserted “ in the case of any person ”.
- (8) For paragraph (b) (no direction given) there shall be substituted—

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“(b) at that time it has not been established in the case of that person that that or any earlier accounting period of the company is an accounting period in respect of which an apportionment under section 747(3) falls to be made.”.

(9) For the words following paragraph (b) (assumption for the purpose of the provisions in question that the accounting period is the first for which a direction is given) there shall be substituted—

“in determining the chargeable profits of the company for the accounting period mentioned in paragraph (a) above, it shall be assumed, for the purposes of those provisions of paragraph 9 below which refer to the first accounting period in respect of which an apportionment under section 747(3) falls to be made, that such an apportionment falls to be made in respect of that period (but not in respect of any earlier period).”

*Paragraph 2 of Schedule 24*

18 In paragraph 2(1) of Schedule 24 to the Taxes Act 1988 (foreign company assumed to become resident in UK at beginning of first accounting period in respect of which a direction is given or which is an ADP exempt period)—

- (a) in paragraph (a), for “a direction is given under section 747(1)” there shall be substituted “an apportionment under section 747(3) falls to be made”; and
- (b) in the words following paragraph (b), for “a direction is given” there shall be substituted “an apportionment falls to be made”.

*Paragraph 4 of Schedule 24*

19 (1) Paragraph 4 of Schedule 24 to the Taxes Act 1988 (assumption that claims or elections giving maximum relief have been made, subject to notice to the contrary) shall be amended as follows.

- (2) In sub-paragraph (1A)(a) (sub-paragraph (2) to apply to accounting period of foreign company in respect of which a direction is given) for “a direction is given under section 747(1)” there shall be substituted “an apportionment under section 747(3) falls to be made”.
- (3) In sub-paragraph (2) (notice to be given to the Board at any time not later than the expiry of the appropriate period etc)—
  - (a) for “given to the Board” there shall be substituted “given to an officer of the Board”; and
  - (b) for “the appropriate period” there shall be substituted “the period of twenty months following the end of the accounting period”.
- (4) In consequence of sub-paragraph (3)(b) above, sub-paragraph (2A) shall cease to have effect.
- (5) In sub-paragraph (3) (majority interest in foreign company) in paragraph (b) for “an assessment” there shall be substituted “any liability”.
- (6) In sub-paragraph (3A) (application of sub-paragraph (3) to ADP exempt periods)—



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- (a) in paragraph (a), for “a direction had been duly given under section 747(1)” there shall be substituted “an apportionment under section 747(3) had fallen to be made”;
- (b) for paragraph (b) there shall be substituted—
  - “(b) such apportionments as are mentioned in sub-paragraph (3) above had been made and such liabilities as are mentioned in that sub-paragraph had arisen.”

*Paragraph 9 of Schedule 24*

- 20 (1) Paragraph 9 of Schedule 24 to the Taxes Act 1988 (losses in pre-direction accounting periods) shall be amended as follows.
- (2) For “pre-direction”, wherever occurring, there shall be substituted “pre-apportionment”.
  - (3) In sub-paragraph (1) (which provides that, subject to sub-paragraph (2), the paragraph applies where the foreign company incurs a loss in an accounting period preceding the first in respect of which a direction is given etc)—
    - (a) the words “Subject to sub-paragraph (2) below,” shall cease to have effect; and
    - (b) in paragraph (a), for “a direction is given under section 747(1)” there shall be substituted “an apportionment under section 747(3) falls to be made”.
  - (4) Sub-paragraph (2) (which provides that the paragraph does not apply where a declaration is made under paragraph 11(3)) shall cease to have effect.
  - (5) In sub-paragraph (3) (assumption that pre-direction period was first accounting period in respect of which a direction was given) for “a direction was given under section 747(1)” there shall be substituted “an apportionment under section 747(3) fell to be made”.
  - (6) For sub-paragraph (4) (claim to be made by notice given to Board within 60 days of notice under section 753(1) or (3) relating to starting period etc) there shall be substituted—
    - “(4) A claim under sub-paragraph (3) above shall be made by notice given to an officer of the Board within the period of twenty months following the end of the starting period or within such longer period as the Board may in any particular case allow.”
  - (7) Sub-paragraph (5) (which provides for an assumption that Chapter IV was in force before the beginning of the first of the pre-direction periods, and which is of no further practical utility) shall cease to have effect.
  - (8) Sub-paragraph (6) (no account to be taken of declaration under paragraph 11(3)) shall cease to have effect.
  - (9) At the end of the paragraph there shall be added—
    - “(7) Nothing in—
      - (a) paragraph 10 of Schedule 18 to the Finance Act 1998 (claims or elections in company tax returns), or
      - (b) Schedule 1A to the Management Act (claims or elections not included in returns),

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shall apply, whether by virtue of section 754 or otherwise, to a claim under sub-paragraph (3) above.”

*Paragraph 10 of Schedule 24*

21 In paragraph 10 of Schedule 24 to the Taxes Act 1988 (capital allowances) in sub-paragraph (1) (which, subject to paragraphs 11 and 12, provides an assumption where capital expenditure is incurred in an accounting period falling before the first accounting period in respect of which a direction is given or which is an ADP exempt period)—

- (a) for “Subject to paragraphs 11 and 12 below,” there shall be substituted “Subject to paragraph 12 below, ”; and
- (b) in paragraph (a), for “a direction is given under section 747(1)” there shall be substituted “ an apportionment under section 747(3) falls to be made ”.

*Paragraph 11 of Schedule 24*

22 Paragraph 11 of Schedule 24 to the Taxes Act 1988 (power of Board by notice to declare that a specified accounting period is to be treated as the first direction period where it appears that no direction was given as respects that period as a result of capital allowances being claimed) shall cease to have effect.

*Paragraph 11A of Schedule 24*

23 In paragraph 11A of Schedule 24 to the Taxes Act 1988 (capital allowances) sub-paragraphs (3) and (6) (which relate to the application of paragraph 11(1)(c)) shall cease to have effect.

*Transfer pricing*

F67 24 .....

**Textual Amendments**  
 F67 Sch. 17 para. 24 repealed (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(1\)](#)

*Schedule 25*

25 For the heading to Schedule 25 to the Taxes Act 1988 (cases excluded from direction-making powers) there shall be substituted—

“ Cases where section 747(3) does not apply”.

*Paragraph 1 of Schedule 25*

26 In paragraph 1 of Schedule 25 to the Taxes Act 1988 (which provides that Part I of the Schedule has effect for the purposes of section 748(1)(a)) there shall be added at the end “and the other provisions of Chapter IV of Part XVII which refer to a company pursuing an acceptable distribution policy”.

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*Paragraph 2A of Schedule 25*

- 27 (1) Paragraph 2A of Schedule 25 to the Taxes Act 1988 (acceptable distribution policy: modifications of paragraph 2) shall be amended as follows.
- (2) In sub-paragraph (2) (dividend paid for earlier accounting period which is not an excluded period to be treated as falling within paragraph 2(1)(a)) in paragraph (a) and paragraph (b)—
- (a) for “which immediately precedes” there shall be substituted “ immediately preceding ”; and
- (b) for “is not an excluded period” there shall be substituted “ which is not an excluded dividend ”.
- (3) In sub-paragraph (4) (position where no direction could be given under section 747(1) in respect of earlier accounting period because foreign company pursued acceptable distribution policy) for “no direction could be given in respect of the earlier period under section 747(1)” there shall be substituted “ no apportionment under section 747(3) fell to be made in respect of the earlier period ”.
- (4) In sub-paragraph (8), before paragraph (a) (definition of “excluded period”) there shall be inserted—
- “(aa) a dividend is an excluded dividend if it is paid, in whole or in part, out of the total profits from which (in accordance with section 747(6) (a)) the chargeable profits for an excluded period are derived,”.
- (5) In sub-paragraph (8)(a) (which defines an excluded period as one for which a direction is given under section 747(1)) for “a direction is given under section 747(1)” there shall be substituted “ an apportionment under section 747(3) falls to be made ”.

*Paragraph 3 of Schedule 25*

- 28 In paragraph 3(4A) of Schedule 25 to the Taxes Act 1988 (meaning of “net chargeable profits”) in paragraph (b), for “a direction were given under section 747(1)” there shall be substituted “ an apportionment under section 747(3) fell to be made ”.

*Paragraph 5 of Schedule 25*

- 29 In paragraph 5(2)(a) of Schedule 25 to the Taxes Act 1988, for “749(3)” there shall be substituted “ 749(5) ”.

*Paragraph 6 of Schedule 25*

- 30 (1) Paragraph 6 of Schedule 25 to the Taxes Act 1988 (exemption for controlled foreign companies engaged in exempt activities) shall be amended as follows.
- (2) In sub-paragraph (1)(c) (which provides that for a company to be engaged in exempt activities, any of sub-paragraphs (2) to (4) must apply) for “(4)” there shall be substituted “ (4A) ”.
- (3) In sub-paragraph (2)(b) (which in certain cases requires less than 50 per cent. of gross trading receipts to be derived from connected or associated persons or persons who have an interest in the company at any time during the accounting period) for “an interest in the company at any time during” there shall be substituted “ a 25 per cent. assessable interest in the company in the case of ”.

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- (4) In sub-paragraph (3) (local holding companies) in paragraph (b) (controlled companies which are not themselves holding companies but which are otherwise engaged in exempt activities)—
- (a) after “holding companies” there shall be inserted “ or superior holding companies ”; and
  - (b) after “exempt activities” there shall be inserted “ or are, in terms of sub-paragraph (5A) below, exempt trading companies ”.
- (5) In sub-paragraph (4) (holding companies other than local holding companies) in paragraph (b) (controlled companies which are not holding companies but which are otherwise engaged in exempt activities)—
- (a) after “holding companies (whether local or not)” there shall be inserted “ or superior holding companies ”; and
  - (b) after “exempt activities” there shall be inserted “ or are, in terms of sub-paragraph (5A) below, exempt trading companies ”.
- (6) After sub-paragraph (4) there shall be inserted—
- “(4A) This sub-paragraph applies to a company which is a superior holding company if at least 90 per cent. of its gross income during the accounting period in question—
- (a) represents qualifying exempt activity income of its subsidiaries; and
  - (b) is derived directly from companies which it controls and which fall within sub-paragraph (4B) below.
- (4B) For the purposes of paragraph (b) of sub-paragraph (4A) above, a company falls within this sub-paragraph if—
- (a) throughout the accounting period mentioned in that sub-paragraph, it is not itself a superior holding company but otherwise is, in terms of this Schedule, engaged in exempt activities or is, in terms of sub-paragraph (5A) below, an exempt trading company; or
  - (b) it is itself a superior holding company throughout that period and at least 90 per cent of its gross income during that period—
    - (i) represents qualifying exempt activity income of its subsidiaries, and
    - (ii) is derived directly from companies which it controls and which themselves fall within this paragraph or paragraph (a) above.”
- (7) After sub-paragraph (4B) there shall be inserted—
- “(4C) For the purposes of sub-paragraph (2)(b) above, a person has a 25 per cent. assessable interest in a controlled foreign company in the case of an accounting period of the company if, on an apportionment of the chargeable profits and creditable tax (if any) of the company for that accounting period under section 747(3), at least 25 per cent. of the controlled foreign company’s chargeable profits for the accounting period would be apportioned to that person.”
- (8) In sub-paragraph (5) (extended meaning of references in sub-paragraph (3) or (4) to companies which a holding company controls)—
- (a) for “sub-paragraph (3) or (4)” there shall be substituted “ sub-paragraphs (3) to (4B) ”; and

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(b) after “holding company”, in each place where it occurs, there shall be inserted “ or superior holding company ”.

(9) After sub-paragraph (5) there shall be inserted—

“(5A) For the purposes of sub-paragraphs (3) to (4B) above, a company is an exempt trading company throughout any period if—

- (a) it is a trading company throughout each of its accounting periods which falls wholly or partly within that period; and
- (b) each of those accounting periods is one as regards which—
  - (i) the condition in section 747(1)(c) is not satisfied; or
  - (ii) the conditions in section 748(1)(e) are satisfied; or
  - (iii) the conditions in section 748(3)(a) and (b) are satisfied.”

*Paragraph 8 of Schedule 25*

- 31 (1) Paragraph 8 of Schedule 25 to the Taxes Act 1988 (which relates to the condition in paragraph 6(1)(b) of that Schedule) shall be amended as follows.
- (2) In sub-paragraph (3) (which applies sub-paragraph (2) with modifications in relation to a holding company) after “In the case of a holding company” there shall be inserted “ or superior holding company ”.

*Paragraph 12 of Schedule 25*

- 32 (1) Paragraph 12 of Schedule 25 to the Taxes Act 1988 (meaning of “holding company” in paragraphs 6 and 8(3)) shall be amended as follows.
- (2) In sub-paragraph (1), after “in paragraphs 6 and 8(3) above and” there shall be inserted “ paragraph 12A below and in ”.
- (3) In sub-paragraph (5) (exclusion of income derived from certain sources) in paragraph (a)—
- (a) after “which is not a holding company” there shall be inserted “ or superior holding company ”; and
  - (b) after “engaged in exempt activities” there shall be inserted “ or, in terms of sub-paragraph (5A) of that paragraph, is an exempt trading company ”.

*Superior holding companies: supplementary provisions*

- 33 After paragraph 12 of Schedule 25 to the Taxes Act 1988 there shall be inserted—
- “12A (1) In paragraphs 6, 8(3) and 12(5) above and this paragraph, “superior holding company” means—
- (a) a company whose business consists wholly or mainly in the holding of shares or securities of companies which—
    - (i) are holding companies or local holding companies; or
    - (ii) are themselves superior holding companies; or
  - (b) a company which would fall within paragraph (a) above if there were disregarded so much of its business as consists in the holding of property or rights of any description for use wholly or mainly by companies which it controls and which are resident in the territory in which it is resident.

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- (2) For the purposes of sub-paragraphs (4A) and (4B) of paragraph 6 above, the income of a company during any period which “represents qualifying exempt activity income of its subsidiaries” is any income of the company during that period which is directly or indirectly derived from companies—
  - (a) which it controls, and
  - (b) which, throughout that period, fall within sub-paragraph (4B) (a) of that paragraph, but
  - (c) which are not holding companies other than local holding companies.
- (3) In determining for the purposes of sub-paragraph (4A) or (4B) of paragraph 6 above the companies from which, and the proportions in which, different descriptions of income of a company are derived (whether directly or indirectly), any dividend shall be taken to be paid out of the appropriate profits.
- (4) Subsections (3) and (4) of section 799 (which provide rules for determining the profits out of which a dividend is to be regarded as paid for the purpose of subsection (1) of that section) shall apply for determining the appropriate profits for the purposes of subsection (3) above as they apply for determining the relevant profits for the purposes of subsection (1) of that section.
- (5) Sub-paragraphs (4) to (6) of paragraph 12 above shall apply in relation to sub-paragraph (4A) or (4B) of paragraph 6 above and a superior holding company as they apply in relation to sub-paragraph (3) or (4) of paragraph 6 above and a holding company, but taking the reference in sub-paragraph (4) of paragraph 12 above to paragraph (a) or (b) of sub-paragraph (1) of that paragraph as a reference to paragraph (a) or (b) of sub-paragraph (1) above.”

*Paragraph 1 of Schedule 26*

- 34 (1) In Schedule 26 to the Taxes Act 1988 (reliefs against liability for tax in respect of chargeable profits apportioned to UK resident company) paragraph 1 (trading losses and group relief etc) shall be amended as follows.
- (2) In sub-paragraph (1) (set-off against liability to tax under section 747(4)(a) where UK resident company entitled to deduction in respect of relevant allowance) the following provisions shall cease to have effect—
  - (a) paragraph (c) (set-off only available if company has no profits or relevant allowance exceeds profits) and the word “and” immediately preceding that paragraph; and
  - (b) in the words following paragraph (c), the words “or, as the case may be, of the excess of it referred to in paragraph (c) above”.
- (3) In sub-paragraph (2)(a) (which defines the appropriate accounting period as that for which by virtue of section 754(2) the company is regarded as assessed to corporation tax in respect of the chargeable profits concerned) for “regarded as assessed to corporation tax” there shall be substituted “chargeable to tax by virtue of this Chapter”.

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- (4) Sub-paragraph (4) (time limit for making claims for group relief) shall cease to have effect.
- (5) Sub-paragraph (6) (which modifies section 43 of the <sup>M61</sup>Taxes Management Act 1970 in its application for the purposes of the paragraph) shall cease to have effect.

#### Marginal Citations

M61 1970 c. 9.

#### Paragraph 3 of Schedule 26

- 35 (1) Paragraph 3 of Schedule 26 to the Taxes Act 1988 (gains on disposal of shares in controlled foreign companies) shall be amended as follows.
- (2) In sub-paragraph (1), for paragraph (a) (which refers to a direction having been given in respect of an accounting period of a controlled foreign company) there shall be substituted—
    - “(a) an accounting period of a controlled foreign company (“the apportionment period”) is one in respect of which an apportionment under section 747(3) falls to be made; and”.
  - (3) Accordingly, in paragraphs (b) and (c) of sub-paragraph (1), for the words “the direction period”, in each place where they occur, there shall be substituted “ the apportionment period ”.
  - (4) In paragraph (d) of sub-paragraph (1) (which refers to a sum being, under section 747(1)(a), assessed and recoverable from a company) for “assessed on and recoverable from” there shall be substituted “ chargeable on ”.
  - (5) In sub-paragraph (3), for “the direction period” there shall be substituted “ the apportionment period ”.
  - (6) In sub-paragraph (4), in the words following paragraph (c), for “assessed and recoverable” there shall be substituted “ chargeable under section 747(4)(a) ”.
  - (7) After subsection (6) there shall be inserted—
    - “(6A) Nothing in—
      - (a) paragraph 10 of Schedule 18 to the Finance Act 1998 (claims or elections in company tax returns), or
      - (b) Schedule 1A to the Management Act (claims or elections not included in returns),shall apply, whether by virtue of section 754 or otherwise, to a claim under sub-paragraph (6) above.”

#### Paragraph 4 of Schedule 26

- 36 (1) Paragraph 4 of Schedule 26 to the Taxes Act 1988 (dividends from the controlled foreign company) shall be amended as follows.

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- (2) In sub-paragraph (1), for paragraph (a) (which refers to a direction having been given in respect of an accounting period of a controlled foreign company) there shall be substituted—
- “(a) an accounting period of a controlled foreign company is one in respect of which an apportionment under subsection (3) of section 747 falls to be made; and”.
- (3) Accordingly, in paragraph (b) of that sub-paragraph for “subsection (3) of that section” there shall be substituted “ that subsection ”.
- (4) In sub-paragraph (2) (which refers to sums assessed on and recoverable from companies in accordance with s.747(4)(a)) for “assessed on and recoverable from” there shall be substituted “ chargeable on ”.
- (5) In sub-paragraph (5)(a) (which refers to the amount of tax assessed on and recoverable from the company in accordance with s.747(4)(a)) for “assessed on and recoverable from” there shall be substituted “ chargeable on ”.

*Commencement and transitional provision*

- 37 (1) The preceding provisions of this Schedule have effect as respects accounting periods of companies resident in the United Kingdom which end on or after the corporation tax self-assessment appointed day.
- (2) Where by virtue of sub-paragraph (1) above any question as to liability (if any) to tax by virtue of Chapter IV of Part XVII of the Taxes Act 1988 as respects any particular accounting period of a non-resident company which ends before the corporation tax self-assessment appointed day falls to be determined—
- (a) in the case of at least one company resident in the United Kingdom, for an accounting period of its which ends on or after that day, and
- (b) in the case of at least one other such company, for an accounting period of its which ends before that day,
- such separate determinations and computations shall be made as are necessary for determining the liability of the companies which fall within paragraph (a) above and the liability of the companies which fall within paragraph (b) above.
- (3) For the purposes of sub-paragraph (2) above—
- (a) any question as to the liability (if any) of a company falling within paragraph (a) shall be determined as if, in the case of every company resident in the United Kingdom, the accounting period of the non-resident company ended in an accounting period of the company ending on or after the corporation tax self-assessment appointed day; and
- (b) any question as to the liability (if any) of a company falling within paragraph (b) shall be determined as if, in the case of every company resident in the United Kingdom, the accounting period of the non-resident company ended in an accounting period of the company ending before the corporation tax self-assessment appointed day.
- (4) In this paragraph—
- “accounting period”, in relation to a non-resident company, has the same meaning as it has in Chapter IV of Part XVII of the Taxes Act 1988;



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“the corporation tax self-assessment appointed day” means the day which is the appointed day for the purposes of section 199 of the <sup>M62</sup>Finance Act 1994 (corporation tax self-assessment);

“non-resident company” means a company resident outside the United Kingdom.

#### Marginal Citations

M62 1994 c. 9.

## SCHEDULE 18

Section 117(1).

### COMPANY TAX RETURNS, ASSESSMENTS AND RELATED MATTERS

#### Modifications etc. (not altering text)

- C3** Sch. 18 restricted (31.7.1998) by 1988 c. 1, s. 754B(10) (as inserted (31.7.1998 with effect as mentioned in Sch. 17 para. 37 of 1998 c. 36) by 1998 c. 36, s. 113, Sch. 17 para. 11)
- C4** Sch. 18 modified (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), Sch. 4 para. 68(c); S.I. 2005/1126, art. 2(2)(h)
- C5** Sch. 18 applied (20.7.2005) by Finance (No. 2) Act 2005 (c. 22), s. 61
- C6** Sch. 18 applied (with modifications) (6.4.2006) by The Registered Pension Schemes (Accounting and Assessment) Regulations 2005 (S.I. 2005/3454), regs. 1, 13

## PART I

### INTRODUCTION

#### *Meaning of “ta”x*

- 1 In this Schedule “tax” means corporation tax including, except as otherwise indicated, any amount assessable or chargeable as if it was corporation tax.

Amounts are assessable or chargeable as if they were corporation tax under—  
section 419(1) of the Taxes Act 1988 (tax on loan or advance made by close company to a participator),  
[<sup>F68</sup>section 501A(1) of that Act (supplementary charge in respect of ring fence trades), and]  
section 747(4)(a) of that Act (tax on profits of controlled foreign company).

#### Textual Amendments

F68 Words in Sch. 18 para. 1 substituted (24.7.2002) by 2002 c. 23, s. 92(3)

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*Duty to give notice of chargeability*

- 2 (1) A company which—
- (a) is chargeable to tax for an accounting period, and
  - (b) has not received a notice requiring a company tax return,
- must give notice to [<sup>F69</sup>an officer of Revenue and Customs] that it is so chargeable.
- (2) The notice must be given within twelve months from the end of the accounting period.
- (3) A company which fails to comply with this paragraph is liable to a penalty not exceeding the amount of tax payable for the accounting period in question that remains unpaid twelve months after the end of the period.
- (4) In computing the amount of unpaid tax for this purpose, no account shall be taken of any relief under section 419(4) of the Taxes Act 1988 (relief in respect of repayment, etc. of loan) which is deferred under subsection (4A) of that section.

**Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); [S.I. 2005/1126](#), art. 2(2)(h)

**PART II**

COMPANY TAX RETURN

*Company tax return*

- 3 (1) [<sup>F69</sup>An officer of Revenue and Customs] may by notice require a company to deliver a return (a “company tax return”) of such information, accounts, statements and reports—
- (a) relevant to the tax liability of the company, or
  - (b) otherwise relevant to the application of the Corporation Tax Acts to the company,
- as may reasonably be required by the notice.
- (2) Different information, accounts, statements and reports may be required from different descriptions of company.
- (3) A company tax return must include a declaration by the person making the return that the return is to the best of his knowledge correct and complete.
- (4) The return must be delivered to the officer of the Board by whom the notice was issued not later than the filing date.
- [<sup>F70</sup>(5) Sub-paragraph (1)(b) has effect as if the reference to the Corporation Tax Acts included a reference to sections 911, 912, 914 and 915 of the Income Tax Act 2007.]

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#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F70** Sch. 18 para. 3(5) inserted (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 385\(2\)](#) (with Sch. 2)

#### Modifications etc. (not altering text)

- C7** Sch. 18 para. 3 extended (31.7.1998) by [1988 c. 1, s. 488\(12\)\(a\)](#) (as inserted (31.7.1998) by [1998 c. 36, s. 117, Sch. 19 para. 48\(3\)](#))
- C8** Sch. 18 para. 3(1) modified (with effect in accordance with s. 97(5)(6) of the amending Act) by [Finance Act 2004 \(c. 12\), s. 101\(6\)](#) (with s. 106)

#### *Meaning of delivery of return*

- 4 References in this Schedule to the delivery of a company tax return are to the delivery of all the information, accounts, statements and reports required to comply with the notice requiring the return.

#### *Period for which return required*

- 5 (1) A notice requiring a company tax return must specify the period to which the notice relates.
- (2) If an accounting period of the company ended during (or at the end of) the specified period, a return is required for that accounting period.
- If there is more than one, a separate company tax return is required for each of them.
- (3) If sub-paragraph (2) does not apply but an accounting period of the company began during the specified period, a company tax return is required for the part of the specified period before the accounting period began.
- (4) If the company was outside the charge to corporation tax for the whole of the specified period, a company tax return is required for the whole of the specified period.
- (5) If none of the above provisions applies, no company tax return is required in response to the notice.

#### *Notice relating to period beginning before appointed day*

- 6 (1) A notice requiring a company tax return may be given on or after the self-assessment appointed day in relation to a period beginning before that day.
- (2) Where the effect of such a notice is to require a return for an accounting period ending before that day, the provisions of the Tax Acts apply as if it were a notice under section 11 of the <sup>M63</sup>Taxes Management Act 1970.
- (3) The provisions of this Act relating to company tax returns, or amending other provisions of the Tax Acts so as to refer to such returns, do not affect the operation of those Acts in relation to such a notice.

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### Marginal Citations

**M63** 1970 c. 9.

### *Return to include self-assessment*

- 7 (1) Every company tax return for an accounting period must include an assessment (a “self-assessment”) of the amount of tax which is payable by the company for that period—
- (a) on the basis of the information contained in the return, and
  - (b) taking into account any relief or allowance for which a claim is included in the return or which is required to be given in relation to that accounting period.
- (2) For this purpose a company tax return is regarded as a return for an accounting period if the period is treated in the return as an accounting period and is not longer than twelve months, even though it is not, or may not be, an accounting period.

### *Calculation of tax payable*

- 8 (1) The amount of tax payable for an accounting period is calculated as follows.

#### *First step*

Calculate the corporation tax chargeable on the company’s profits:

- 1 Take the amount of the company’s profits for that period on which corporation tax is chargeable.
- 2 Apply the rate or rates of corporation tax applicable to the company.

#### *Second step*

Then give effect to any reliefs or set-offs available against corporation tax chargeable on profits:

- 1 Any reduction under section 13(2) <sup>F71</sup>... of the Taxes Act 1988 (marginal small companies’ relief).
- 1A [<sup>F72</sup>Any relief under Part V of Schedule 15 to the Finance Act 2000 (corporate venturing scheme: investment relief).]
- 1B [<sup>F73</sup>Any relief under Part. 5 of Schedule 16 to the Finance Act 2002 (community investment tax relief)]
- 2 Any double taxation relief under section 788 or 790 of that Act.
- 3 Any set off for advance corporation tax under section 239 of that Act or under regulations made under section 32 of this Act.

#### *Third step*

Then add any amounts assessable or chargeable as if they were corporation tax (reduced by any reliefs specific to those amounts):

- 1 Any amount due under section 419(1) of the Taxes Act 1988 (tax on a loan or advance made by close company to a participator).
- 1A [<sup>F74</sup>Any sum chargeable under section 501A(1) of that Act (supplementary charge in respect of ring fence trades).]
- 2 Any sum chargeable under section 747(4)(a) of that Act (tax on profits of a controlled foreign company).

*Status: Point in time view as at 06/04/2008.*

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#### *Fourth step*

Then deduct any amounts to be set off against the company's overall tax liability for that period:

- 1 Any amount to be set off under section 7(2) or 11(3) of the Taxes Act 1988 (income tax borne by deduction).
  - 2 Any amount to be set off under section 246N or 246Q of that Act (advance corporation tax paid in respect of foreign income dividend).
- (2) Except as otherwise provided, references in this Schedule to the amount of tax payable by a company for an accounting period are to the amount shown in the company's self-assessment as the amount payable.

#### **Textual Amendments**

- F71** Words in Sch. 18 para. 8(1) repealed (with effect in accordance with s. 26(8)-(11) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), s. 26(7), [Sch. 26 Pt. 3\(1\)](#)
- F72** Words in Sch. 18 para. 8(1) inserted (28.7.2000 with application as mentioned in s. 63(4) of the amending Act) by [2000 c. 17](#), s. 63(2), [Sch. 16 para. 5\(2\)](#)
- F73** Words in Sch. 18 para. 8(1) inserted (24.7.2002 with effect as mentioned in s. 57(4)(c) of the amending Act) by [2002 c. 23](#), s. 57, [Sch. 17 para. 5](#)
- F74** Words in Sch. 18 para. 8(1) inserted (24.7.2002) by [2002 c. 23](#), s. 92(4)

#### *Claims that cannot be made without a return*

- 9 (1) No claim to which this paragraph applies may be made by a company before it delivers a company tax return for the period to which the claim relates.
- (2) This paragraph applies to a claim by a company for any repayment of income tax called for by virtue of—
- (a) section 6(2) of the Taxes Act 1988 (exclusion of income tax charge in case of UK resident company or income within chargeable profits for corporation tax), or
  - (b) exemptions from income tax conferred by the Corporation Tax Acts.
- (3) This paragraph applies to a claim by a company for payment of a tax credit, unless—
- (a) the company is wholly exempt from corporation tax or is only not so exempt in respect of trading income, and
  - (b) the tax credit is not one in respect of which a payment on account may be claimed by the company under Schedule 19AB to the Taxes Act 1988 (pension business).
- [<sup>F75</sup>(4) This paragraph applies to a claim by a company for relief under Part V of Schedule 15 to the Finance Act 2000 (corporate venturing scheme: investment relief).]

#### **Textual Amendments**

- F75** Sch. 18 para. 9(4) inserted (28.7.2000 with application as mentioned in s. 63(4) of the amending Act) by [2000 c. 17](#), s. 63(2), [Sch. 16 para. 5\(3\)](#)

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*Other claims and elections to be included in return*

- 10 (1) In Part VII of this Schedule (general provisions as to claims and elections) paragraphs 57 to 59 contain provisions as to the circumstances in which a claim or election may or must be made, or is to be treated as having been made, in a company tax return.
- [<sup>F76</sup>(2) A claim to which Part VIII, IX or IXA of this Schedule applies (claims for group relief, capital allowances or [<sup>F77</sup>R&D tax relief]) can only be made by being included in a company tax return (see paragraphs 67, 79 and 83B).]
- [<sup>F78</sup>(2A) A claim to which Part 9B of this Schedule applies (claims for land remediation tax credit and life assurance company tax credit) can only be made by being included in a company tax return (see paragraph 83H).]
- [<sup>F79</sup>(2B) A claim to which Part 9BA of this Schedule applies (claims for relief under Schedule 12 to the Finance Act 2002) can only be made by being included in a company tax return (see paragraph 83LB).]
- [<sup>F80</sup>(3) A claim to which Part 9C of this Schedule applies (claims for [<sup>F81</sup>tax relief under Schedule 13 to the Finance Act 2002]) can only be made by being included in a company tax return (see paragraph 83N).]
- [<sup>F82</sup>(4) A claim to which Part 9D of this Schedule applies (claims for film tax relief) can only be made by being included in a company tax return (see paragraph 83T).]
- [<sup>F83</sup>(5) An election under section 32(7) of the Finance Act 2006 (election not to be a film production company) can only be made by being included in a company tax return (see section 32(8)(a) of that Act).]

**Textual Amendments**

- F76** Sch. 18 para. 10(2) substituted (28.7.2000 with effect as mentioned in s. 69(1) of the amending Act) by 2000 c. 17, s. 69(2), **Sch. 21 para. 2**
- F77** Words in Sch. 18 para. 10(2) substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by Finance Act 2006 (c. 25), **Sch. 3 para. 2(2)**
- F78** Sch. 18 para. 10(2A) inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s.70, **Sch. 23 para. 4**
- F79** Sch. 18 para. 10(2B) inserted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by Finance Act 2006 (c. 25), **Sch. 3 para. 2(3)**
- F80** Sch. 18 Pt. II para. 10(3) inserted (24.7.2002 with effect as mentioned in Sch. 14 para. 5 of the amending Act) by 2002 c. 23, s. 54, **Sch. 14 para. 2**
- F81** Words in Sch. 18 para. 10(3) substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by Finance Act 2006 (c. 25), **Sch. 3 para. 2(4)**
- F82** Sch. 18 para. 10(4) inserted (1.1.2007) by Finance Act 2006 (c. 25), s. 53(1), **Sch. 5 para. 27**; S.I. 2006/3399, art. 2
- F83** Sch. 18 para. 10(5) inserted (19.7.2007) by Finance Act 2007 (c. 11), s. 58(2)

**Modifications etc. (not altering text)**

- C9** Sch. 18 para. 10 excluded (31.7.1998) by 1988 c. 1, s. 754(5), **Sch. 26 para. 3(6A)(a)** (as inserted (31.7.1998) by 1998 c. 36, s. 113, Sch. 17 paras. 35(7), 37)  
 Sch. 18 para. 10 excluded (31.7.1998) by 1988 c. 1, s. 749A(4)(a) (as substituted (31.7.1998) by 1998 c. 36, s. 113, Sch. 17 paras. 4, 37)  
 Sch. 18 para. 10 excluded (31.7.1998) by 1988 c. 1, s. 747(6), **Sch. 24 para. 9(7)** (as added (31.7.1998) by 1998 c. 36, s. 113, Sch. 17 paras. 20(9), 37)

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*[<sup>F84</sup>Accounts required in case of Companies Act company*

**Textual Amendments**

**F84** Sch. 18 para. 11 and cross-heading substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments\) \(Taxes and National Insurance\) Order 2008 \(S.I. 2008/954\)](#), arts. 1(1), **25(2)** (with art. 4)

- 11 In the case of a company which—
- (a) is required to deliver a company tax return for a period,
  - (b) is resident in the United Kingdom throughout that period, and
  - (c) is required under the Companies Act 2006 to prepare accounts for a period consisting of or including the whole of that period,
- the power to require the delivery of accounts as part of the return is limited to such accounts, containing such information and having annexed to them such documents, as are required to be prepared under that Act.]

*Information about business carried on in partnership*

- 12 (1) A company tax return of a company which carries on a trade, profession or business in partnership must include any amount which in a relevant partnership statement is stated to be its share of any income, loss, consideration, tax, credit or charge.
- (2) A “relevant partnership statement” means a statement under section 12AB of the <sup>M64</sup>Taxes Management Act 1970 for the period for which the return is made or a period which includes that period or any part of it.

**Marginal Citations**

**M64** 1970 c. 9.

*Information about chargeable gains*

- 13 (1) A notice requiring a company tax return may require details of assets acquired by the company in the period specified in the notice.
- The details required may include details of the person from whom the asset was acquired and the consideration for its acquisition.
- (2) The power in sub-paragraph (1) does not apply to —
- (a) assets exempted by —
    - section 121 of the <sup>M65</sup>Taxation of Chargeable Gains Act 1992 (government non-marketable securities), or
    - section 263 of that Act (passenger vehicles); or
  - (b) tangible movable property, unless—
    - (i) the amount or value of the consideration for its acquisition exceeded £6,000, or
    - (ii) it is within the exceptions in section 262(6) of the Taxation of Chargeable Gains Act 1992 (terminal markets and currency); or
  - (c) assets acquired as trading stock, unless they are held for the purposes of [<sup>F85</sup>long-term] business carried on by an insurance company.



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- (3) In sub-paragraph (2)(c)—  
 “trading stock” has the meaning given by section 100(2) of the Taxes Act 1988

F86  
 ...

**Textual Amendments**

- F85** Words in Sch. 18 para. 13(2)(c) substituted (1.12.2001) by [S.I. 2001/3629, art. 103\(1\)\(2\)](#)  
**F86** Words in Sch. 18 para. 13(3) repealed (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by [Finance Act 2007 \(c. 11\), Sch. 10 para. 14\(7\), Sch. 27 Pt. 2\(10\)](#)

**Marginal Citations**

- M65** [1992 c. 12.](#)

*Filing date*

- 14 (1) The filing date for a company tax return is the last day of whichever of the following periods is the last to end—
- (a) twelve months from the end of the period for which the return is made;
  - (b) if the company’s relevant period of account is not longer than 18 months, twelve months from the end of that period;
  - (c) if the company’s relevant period of account is longer than 18 months, 30 months from the beginning of that period;
  - (d) three months from the date on which the notice requiring the return was served.
- (2) In sub-paragraph (1) “relevant period of account” means, in relation to a return for an accounting period, the period of account of the company in which the last day of that accounting period falls.

F87  
 . . .

**Textual Amendments**

- F87** Words in Sch. 18 Pt. II para. 14(2) repealed (24.7.2002) by [2002 c. 23, s. 141, Sch. 40 Pt. 3\(16\)](#)

*Amendment of return by company*

- 15 (1) A company may amend its company tax return by notice to [<sup>F69</sup>an officer of Revenue and Customs].
- (2) The notice must be in such form as [<sup>F69</sup>an officer of Revenue and Customs] may require.
- (3) The notice must contain such information and be accompanied by such statements as [<sup>F69</sup>an officer of Revenue and Customs] may reasonably require.
- (4) Except as otherwise provided, an amendment may not be made more than twelve months after—
- (a) the filing date, or



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- (b) in the case of a return for the wrong period, what would be the filing date if the period for which the return was made were an accounting period.

**Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), **Sch. 4 para. 68(a)**; S.I. 2005/1126, art. 2(2)(h)

**Modifications etc. (not altering text)**

**C10** Sch. 18 para. 15 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), **5**

*Correction of return by Revenue*

- 16 (1) [<sup>F69</sup>An officer of Revenue and Customs] may amend a company tax return so as to correct obvious errors or omissions in the return (whether errors of principle, arithmetical mistakes or otherwise).
- (2) A correction under this paragraph is made by notice to the company concerned.
- (3) No such correction may be made more than nine months after—
- (a) the day on which the return was delivered, or
- (b) if the correction is required in consequence of an amendment by the company under paragraph 15, the day on which that amendment was made.
- (4) A correction under this paragraph is of no effect if the company—
- (a) amends its return so as to reject the correction, or
- (b) after the end of the period within which it may amend its return, but within three months from the date of issue of the notice of correction, gives notice rejecting the correction.
- (5) Notice under sub-paragraph (4)(b) must be given—
- (a) in writing,
- (b) to the officer of the Board by whom notice of the correction was given.

**Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), **Sch. 4 para. 68(a)**; S.I. 2005/1126, art. 2(2)(h)

**Modifications etc. (not altering text)**

**C11** Sch. 18 para. 16 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), **5**

*Failure to deliver return: flat-rate penalty*

- 17 (1) A company which is required to deliver a company tax return and fails to do so by the filing date is liable to a flat-rate penalty under this paragraph.
- It may also be liable to a tax-related penalty under paragraph 18.
- (2) The penalty is—

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- (a) £100, if the return is delivered within three months after the filing date, and
  - (b) £200, in any other case.
- (3) The amounts are increased to £500 and £1000 for a third successive failure, that is, where—
- (a) the company is within the charge to corporation tax for three consecutive accounting periods (and at no time between the beginning of the first of those periods and the end of the last is it outside the charge to corporation tax),
  - (b) a company tax return is required for each of those accounting periods,
  - (c) the company was liable to a penalty under this paragraph in respect of each of the first two of those periods, and
  - (d) the company is again liable to a penalty under this paragraph in respect of the third period.
- (4) The first or second period mentioned in sub-paragraph (3) may be a period ending before the self-assessment appointed day, in relation to which—
- (a) the reference in paragraph (b) to a company tax return shall be construed as a reference to a return under section 11 of the <sup>M66</sup>Taxes Management Act 1970, and
  - (b) the references in paragraphs (c) and (d) to a penalty under this paragraph shall be construed as a reference to a penalty under section 94 of that Act.

#### Marginal Citations

M66 1970 c. 9.

#### *Failure to deliver return: tax-related penalty*

- 18 (1) A company which is required to deliver a company tax return for an accounting period and fails to do so—
- (a) within 18 months after the end of that period, or
  - (b) if the filing date is later than that, by the filing date,
- is liable to a tax-related penalty under this paragraph.
- This is in addition to any flat-rate penalty under paragraph 17.
- (2) The penalty is—
- (a) 10 per cent. of the unpaid tax, if the return is delivered within two years after the end of the period for which the return is required, and
  - (b) 20 per cent. of the unpaid tax, in any other case.
- (3) The “unpaid tax” means the amount of tax payable by the company for the accounting period for which the return was required which remains unpaid on the date when the liability to the penalty arises under sub-paragraph (1).
- (4) In determining that amount no account shall be taken of any relief under section 419(4) of the Taxes Act 1988 (relief in respect of repayment, etc. of loan) which is deferred under subsection (4A) of that section.

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*[<sup>F88</sup>Excuse for late delivery of return*

**Textual Amendments**

**F88** Sch. 18 para. 19 and cross-heading substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments\) \(Taxes and National Insurance\) Order 2008 \(S.I. 2008/954\)](#), arts. 1(1), **25(3)** (with art. 4)

- 19 A company is not liable to a penalty under paragraph 17 (flat rate penalty) if—
- (a) the period for which the return is required is one for which the company is required to deliver accounts under the Companies Act 2006, and
  - (b) the return is delivered no later than the last day for the delivery of those accounts to the registrar of companies.]

*Penalty for incorrect or uncorrected return*

<sup>F89</sup>20 .....

**Textual Amendments**

**F89** Sch. 18 para. 20 repealed (1.4.2008 for specified purposes, 1.7.2008 for specified purposes, 1.1.2009 for specified purposes, 1.4.2009 in so far as not already in force) by [Finance Act 2007 \(c. 11\)](#), s. 97(2), [Sch. 24 para. 29\(c\)](#), [Sch. 27 Pt. 5\(5\)](#); S.I. 2008/568, art. 2(a)(b)(c)(d)(e)(f) (with art. 3)

*[<sup>F90</sup>Voluntary returns*

**Textual Amendments**

**F90** Sch. 18 para. 20A and cross-heading inserted (retrospectively) by [Finance Act 2019 \(c. 1\)](#), s. 87(2)(3) (with s. 87(4))

- 20A (1) This paragraph applies where—
- (a) a company delivers a purported return (“the relevant return”) for a period (“the relevant period”),
  - (b) no notice under paragraph 3 has been given to the company in respect of the relevant period, and
  - (c) Her Majesty’s Revenue and Customs treats the relevant return as a return made and delivered in pursuance of such a notice.
- (2) For the purposes of the Taxes Acts—
- (a) treat a relevant notice as having been given to the company on the day the relevant return was delivered, and
  - (b) treat the relevant return as having been made and delivered in pursuance of that notice (and, accordingly, treat it as if it were a company tax return under paragraph 3).
- (3) “Relevant notice” means a notice under paragraph 3 requiring the company to deliver a return for the relevant period.
- (4) In sub-paragraph (1)(a) “purported return” means anything that—

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- (a) is in a form, and is delivered in a way, that a corresponding return could have been made and delivered had a relevant notice been given, and
  - (b) purports to be a company tax return.
- (5) Nothing in this paragraph affects paragraph 46 or any other provisions of the Taxes Acts specifying a time limit for the making of an assessment.]

### PART III

#### DUTY TO KEEP AND PRESERVE RECORDS

##### *Duty to keep and preserve records*

- 21 (1) A company which may be required to deliver a company tax return for any period must—
- (a) keep such records as may be needed to enable it to deliver a correct and complete return for the period, and
  - (b) preserve those records in accordance with this paragraph.
- (2) The records must be preserved for six years from the end of the period for which the company may be required to deliver a company tax return.
- (3) If the company is required to deliver a company tax return by notice given before the end of that six year period, the records must be preserved until any later date on which—
- (a) any enquiry into the return is completed, or
  - (b) if there is no enquiry, [<sup>F69</sup>an officer of Revenue and Customs] no longer [<sup>F91</sup>has] power to enquire into the return.
- (4) If the company is required to deliver a company tax return by notice given after the end of that six year period and has in its possession at that time any records that may be needed to enable it to deliver a correct and complete return, it is under a duty to preserve those records until the date on which—
- (a) any enquiry into the return is completed, or
  - (b) if there is no enquiry, [<sup>F69</sup>an officer of Revenue and Customs] no longer [<sup>F91</sup>has] power to enquire into the return.
- (5) The records required to be kept and preserved under this paragraph include records of—
- (a) all receipts and expenses in the course of the company’s activities, and the matters in respect of which the receipts and expenses arise, and
  - (b) in the case of a trade involving dealing in goods, all sales and purchases made in the course of the trade.
- (6) The duty to preserve records under this paragraph includes a duty to preserve all supporting documents relating to the items mentioned in sub-paragraph (5)(a) and (b).
- “Supporting documents” includes accounts, books, deeds, contracts, vouchers and receipts.

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#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)

#### *Preservation of information instead of original records*

- 22 (1) The duty under paragraph 21 to preserve records may be satisfied by the preservation of the information contained in them, except in the case of records of the kinds specified in sub-paragraph (3) below.
- (2) Where information is so preserved a copy of any document forming part of the records is admissible in evidence in any proceedings before the Commissioners to the same extent as the records themselves.
- (3) The records excluded from sub-paragraph (1) are—
- (a) any statement in writing such as is mentioned in—
    - (i) section 234(1) of the Taxes Act 1988 (amount of qualifying distribution and tax credit), or
    - <sup>F92</sup>(ii) section 495(1) or 975(2) or (4) of the Income Tax Act 2007 (statements about deduction of income tax),]provided by the company or person there mentioned whether after the making of a request or otherwise;
  - <sup>F93</sup>(b) any record (however described) which is required by regulations under section 70(1)(c) of the Finance Act 2004 to be given to a sub-contractor (within the meaning of section 58 of that Act) on the making of a payment to which section 61 of that Act (deductions on account of tax) applies;]
  - (c) any record relating to an amount of tax—
    - (i) paid under the law of a territory outside the United Kingdom, or
    - (ii) which would have been so payable but for a relief to which section 788(5) of the Taxes Act 1988 applies (relief for promoting development or contemplated by double taxation arrangements).

#### Textual Amendments

- F92** Sch. 18 para. 22(3)(a)(ii) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 385\(4\)](#) (with [Sch. 2](#))
- F93** Sch. 18 para. 22(3)(b) substituted (with effect in accordance with s. 77 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 12 para. 16\(2\)](#)

#### *Penalty for failure to keep and preserve records*

- 23 (1) A company which fails to comply with paragraph 21 in relation to an accounting period is liable to a penalty not exceeding £3,000, subject to the following exceptions.
- (2) No penalty is incurred if the records which the company fails to keep or preserve are records which might have been needed only for the purposes of claims, elections or notices not included in the return.

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- (3) No penalty is incurred if—
- (a) the records which the company fails to keep or preserve are statements in writing such as are mentioned in—
    - (i) section 234(1) of the Taxes Act 1988 (amount of qualifying distribution and tax credit), or
    - <sup>F94</sup>(ii) section 495(1) or 975(2) or (4) of the Income Tax Act 2007 (statements about deduction of income tax),]
 provided by the company or person there mentioned whether after the making of a request or otherwise, and
  - (b) [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>is] satisfied that any facts which [<sup>F91</sup>he] reasonably [<sup>F91</sup>requires] to be proved, and which would have been proved by the records, are proved by other documentary evidence furnished to [<sup>F91</sup>him].

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)
- F94** Sch. 18 para. 23(3)(a)(ii) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 385\(4\)](#) (with Sch. 2)

#### Modifications etc. (not altering text)

- C12** Sch. 18 para. 23 excluded (with effect in accordance with s. 33(1) of the amending Act) by [Finance Act 2004 \(c. 12\), s. 33\(3\)\(b\)](#)

## PART IV

### ENQUIRY INTO COMPANY TAX RETURN

#### *Notice of enquiry*

- 24 (1) [<sup>F69</sup>An officer of Revenue and Customs] may enquire into a company tax return if [<sup>F91</sup>he gives] notice to the company of [<sup>F91</sup>his] intention to do so (“notice of enquiry”) within the time allowed.
- (2) If the return was delivered on or before the filing date, notice of enquiry may be given at any time up to twelve months [<sup>F95</sup>from the day on which the return was delivered (subject to sub-paragraph (6)).]
- (3) If the return was delivered after the filing date, notice of enquiry may be given at any time up to and including the 31st January, 30th April, 31st July or 31st October next following the first anniversary of the day on which the return was delivered.
- (4) If the company amends its return, notice of enquiry may be given at any time up to and including the 31st January, 30th April, 31st July or 31st October next following the first anniversary of the day on which the amendment was made.

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- (5) A return which has been the subject of one notice of enquiry may not be the subject of another, except one given in consequence of an amendment (or another amendment) by the company of its return.
- [<sup>F96</sup>(6) In the case of a company which is a member of a group other than a small group, the 12-month period in sub-paragraph (2) shall start not from the day on which the return was delivered but from the filing date.]
- [<sup>F97</sup>(7) In sub-paragraph (6) “group” and “small group” have the same meaning as in sections 474(1) and 383 of the Companies Act 2006.]

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)
- F95** Words in Sch. 18 para. 24(2) substituted (19.7.2007) by [Finance Act 2007 \(c. 11\), s. 96\(3\)](#) (with s. 96(6))
- F96** Sch. 18 para. 24(6)(7) inserted (19.7.2007) by [Finance Act 2007 \(c. 11\), s. 96\(4\)](#) (with s. 96(6))
- F97** Sch. 18 para. 24(7) substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments\) \(Taxes and National Insurance\) Order 2008 \(S.I. 2008/954\), arts. 1\(1\), 25\(4\)](#) (with art. 4)

#### Modifications etc. (not altering text)

- C13** Sch. 18 para. 24 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\), regs. 1\(1\), 5](#)

#### Scope of enquiry

- 25 (1) An enquiry into a company tax return extends to anything contained in the return, or required to be contained in the return, including—
- (a) any claim or election included in the return,
  - (b) any amount that affects or may affect—
    - (i) the tax payable by that company for another accounting period, or
    - (ii) the tax liability of another company for any accounting period,
- [<sup>F98</sup>and also extends to consideration of whether to give the company a transfer pricing notice under paragraph 5C of Schedule 28AA to the Taxes Act 1988 (provision not at arm’s length: medium-sized enterprise) [<sup>F99</sup>or a notice under section 804ZA of the Taxes Act 1988 (schemes and arrangements designed to increase relief)] [<sup>F100</sup>or a notice under section 184G or 184H of the Taxation of Chargeable Gains Act 1992 (avoidance involving capital losses)] [<sup>F101</sup>or a notice under section 24 or 26 of the Finance (No. 2) Act 2005 (avoidance involving tax arbitrage)]. But this is subject to the following limitation.]
- (2) If the notice of enquiry is given—
- (a) as a result of an amendment by the company of its return, and
  - (b) at a time when it is no longer possible to give notice of enquiry under paragraph 24(2) or (3),
- the enquiry into the return is limited to matters to which the amendment relates or which are affected by the amendment.



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#### Textual Amendments

- F98** Words in Sch. 18 para. 25(1) substituted (with effect in accordance with s. 37 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 5 para. 10](#)
- F99** Words in Sch. 18 para. 25(1) inserted (with effect in accordance with s. 88(5) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [s. 88\(3\)](#)
- F100** Words in Sch. 18 para. 25(1) inserted (with effect in accordance with s. 71(4) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [s. 71\(2\)](#)
- F101** Words in Sch. 18 para. 25(1) inserted (with effect in accordance with s. 31 of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [s. 29\(1\)](#)

#### Modifications etc. (not altering text)

- C14** Sch. 18 para. 25 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), [regs. 1\(1\), 5](#)

#### *Enquiry into return for wrong period*

- 26 (1) In the case of a company tax return which it appears to [<sup>F69</sup>an officer of Revenue and Customs] —
- (a) is or may be a return for the wrong period, or
  - (b) has become a return for the wrong period as a result of a direction under section 12(5A) of the Taxes Act 1988 (power of Board to direct which accounting date to be used where company carries on several trades),
- the power to enquire into the return includes power to enquire into the period for which the return ought to have been made.
- (2) A return is a “return for the wrong period” in the following cases.
- (3) The first case is where the return is made for a period which is treated in the return as an accounting period, but which is not an accounting period of the company.
- (4) The second case is where the return is made on the basis that there is no accounting period ending in or at the end of the specified period, but there is such an accounting period.
- (5) In relation to a return for the wrong period the references to the filing date in paragraph 24(2) and (3) (period within which notice of enquiry may be given) are to the date that would be the filing date if the period for which the return was made were a period of the kind it is treated as in the return.
- (6) In this paragraph “the specified period” means the period specified in the notice requiring a company tax return.

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), [s. 53\(1\)](#), [Sch. 4 para. 68\(a\)](#); [S.I. 2005/1126](#), [art. 2\(2\)\(h\)](#)



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*Notice to produce documents, etc. for purposes of enquiry*

- 27 (1) If <sup>F69</sup>an officer of Revenue and Customs] <sup>F91</sup>gives] a notice of enquiry to a company, <sup>F91</sup>he] may by notice require the company—
- (a) to produce to <sup>F91</sup>him] such documents in the company's possession or power, and
  - (b) to provide <sup>F91</sup>him] with such information, in such form,
- as <sup>F91</sup>he] may reasonably require for the purposes of the enquiry.
- (2) A notice under this paragraph (which may be given at the same time as the notice of enquiry) must specify the time (which must not be less than 30 days) within which the company is to comply with it.
- (3) In complying with a notice under this paragraph copies of documents may be produced instead of originals, but—
- (a) the copies must be photographic or other facsimiles, and
  - (b) <sup>F69</sup>an officer of Revenue and Customs] may by notice require the original to be produced for inspection.
- A notice under paragraph (b) must specify the time (which must not be less than 30 days) within which the company is to comply with it.
- (4) <sup>F69</sup>An officer of Revenue and Customs] may take copies of, or make extracts from, any document produced to <sup>F91</sup>him] under this paragraph.
- (5) A notice under this paragraph does not oblige the company to produce documents or provide information relating to the conduct of <sup>F102</sup>—
- (a) any pending appeal by the company, or
  - (b) any pending referral to the Special Commissioners under paragraph 31A to which the company is a party.]

**Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)

**F102** Sch. 18 para. 27(5)(a)(b) and preceding “-” substituted (11.5.2001 with effect as mentioned in s. 88(3) of the amending Act) for words in Sch. 18 para. 27(5) by [2001 c. 9, s. 88, Sch. 29 para. 38\(4\)](#)

**Modifications etc. (not altering text)**

**C15** Sch. 18 paras. 27-29 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\), regs. 1\(1\), 5](#)

*Appeal against notice to produce documents, etc*

- 28 (1) An appeal may be brought against a requirement imposed by a notice under paragraph 27 to produce documents or provide information.
- (2) Notice of appeal must be given—
- (a) in writing,
  - (b) within 30 days after the notice was given to the company,

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- (c) to the officer of the Board by whom that notice was given.
- (3) An appeal under this paragraph shall be heard and determined in the same way as an appeal against an assessment.
- (4) On an appeal under this paragraph the Commissioners—
- (a) shall set aside the notice so far as it requires the production of documents, or the provision of information, which appears to them not reasonably required for the purposes of the enquiry, and
  - (b) shall confirm the notice so far as it requires the production of documents, or the provision of information, which appears to them reasonably required for the purposes of the enquiry.
- (5) A notice which is confirmed by the Commissioners (or so far as it is confirmed) has effect as if the period specified in it for complying was 30 days from the determination of the appeal.
- (6) The decision of the Commissioners on an appeal under this paragraph is final and conclusive.

**Modifications etc. (not altering text)**

- C15** Sch. 18 paras. 27-29 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), 5
- C16** Sch. 18 para. 28 applied (with effect in accordance with Sch. 11 para. 5(1) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 11 para. 2\(7\)\(a\)](#)

*Penalty for failure to produce documents, etc*

- 29 (1) A company which fails to comply with a notice under paragraph 27 (notice to produce documents, etc. for purposes of enquiry) is liable—
- (a) to a penalty of £50, and
  - (b) if the failure continues after a penalty is imposed under paragraph (a) above, to a further penalty or penalties not exceeding the amount specified in sub-paragraph (2) below for each day on which the failure continues.
- (2) The amount referred to in sub-paragraph (1)(b) is—
- (a) £30 if the penalty is determined by an officer of the Board under section 100 of the <sup>M67</sup>Taxes Management Act 1970, and
  - (b) £150 if the penalty is determined by the Commissioners under section 100C of that Act.
- (3) An officer of the Board authorised by the Board for the purposes of section 100C of the <sup>M68</sup>Taxes Management Act 1970 may commence proceedings under that section for any penalty under sub-paragraph (1)(b) above.
- (4) No penalty shall be imposed under this paragraph in respect of a failure at any time after the failure has been remedied.

**Modifications etc. (not altering text)**

- C15** Sch. 18 paras. 27-29 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), 5

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**C17** Sch. 18 para. 29 applied (with effect in accordance with Sch. 11 para. 5(1) of the amending Act) by Finance Act 2007 (c. 11), **Sch. 11 para. 2(7)(b)**

#### Marginal Citations

**M67** 1970 c. 9.

**M68** 1970 c. 9.

#### *Amendment of self-assessment during enquiry to prevent loss of tax*

- 30 (1) If after notice of enquiry has been given and before the enquiry is completed [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>forms] the opinion—
- (a) that the amount stated in the company's self-assessment as the amount of tax payable is insufficient, and
  - (b) that unless the assessment is immediately amended there is likely to be a loss of tax to the Crown,
- [<sup>F91</sup>he] may by notice to the company amend its self-assessment to make good the deficiency.
- (2) In the case of an enquiry which under paragraph 25(2) is limited to matters arising from an amendment of the return, sub-paragraph (1) above only applies so far as the deficiency is attributable to the amendment.
- (3) An appeal may be brought against an amendment of a company's self-assessment by [<sup>F69</sup>an officer of Revenue and Customs] under this paragraph.
- (4) Notice of appeal must be given—
- (a) in writing,
  - (b) within 30 days after the amendment was notified to the company,
  - (c) to the officer of the Board by whom the notice of amendment was given.
- (5) The appeal shall not be heard and determined before the completion of the enquiry.

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)

#### *Amendment of return by company during enquiry*

- 31 (1) This paragraph applies if a company amends its company tax return at a time when an enquiry is in progress into the return.
- (2) The amendment does not restrict the scope of the enquiry but may be taken into account (together with any matters arising) in the enquiry.
- (3) So far as the amendment affects—
- (a) the amount stated in the company's self-assessment as the amount of tax payable, or
  - (b) any amount that affects or may affect—

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(i) the tax payable by the company for another accounting period, or  
(ii) the tax liability of another company for any accounting period,  
it does not take effect until after the enquiry is completed.

This does not affect any claim by the company under section 59DA of the <sup>M69</sup>Taxes Management Act 1970 (claim for repayment in advance of liability being established).

- (4) An amendment whose effect is deferred under sub-paragraph (3) takes effect as follows—
- (a) if the conclusions in the closure notice state either—
- (i) that the amendment was not taken into account in the enquiry, or  
(ii) that no amendment of the return is required arising from the enquiry,  
the amendment takes effect on the completion of the enquiry;
- (b) in any other case, the amendment shall be taken into account by the company in amending its return to accord with the conclusions stated in the closure notice and takes effect accordingly as part of those amendments.
- (5) For the purposes of this paragraph the period during which an enquiry is in progress is the whole of the period—
- (a) beginning with the day on which [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>gives] notice of enquiry into the return, and  
(b) ending with the day on which the enquiry is completed.

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(e\)](#); S.I. 2005/1126, art. 2(2)(h)

#### Modifications etc. (not altering text)

**C18** Sch. 18 paras. 31-34 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), [5](#)

#### Marginal Citations

**M69** 1970 c. 9.

*[<sup>F103</sup>Referral of questions to Special Commissioners during enquiry*

#### Textual Amendments

**F103** Sch. 18 Pt. IV para. 31A-31D inserted (11.5.2001 with application as mentioned in [Sch. 29 para. 7\(2\)](#) of the amending Act) by [2001 c. 9, s. 88](#), [Sch. 29 para. 7](#)

- 31A (1) At any time when an enquiry is in progress into a company's tax return any question arising in connection with the subject-matter of the enquiry may be referred to the Special Commissioners for their determination.
- (2) Notice of referral must be given—

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- (a) jointly by the company and [<sup>F69</sup>an officer of Revenue and Customs],
  - (b) in writing,
  - (c) to the Special Commissioners.
- (3) The notice of referral must specify the question or questions being referred.
- (4) More than one notice of referral may be given under this paragraph in relation to an enquiry.
- (5) For the purposes of this paragraph the period during which an enquiry is in progress is the whole of the period—
- (a) beginning with the day on which [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>gives] notice of enquiry into the return, and
  - (b) ending with the day on which the enquiry is completed.

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(e\)](#); S.I. 2005/1126, art. 2(2)(h)

#### Modifications etc. (not altering text)

**C18** Sch. 18 paras. 31-34 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), [5](#)

#### *Withdrawal of notice of referral*

- <sup>F104</sup>31B(1) [<sup>F69</sup>An officer of Revenue and Customs] or the company may withdraw a notice of referral under paragraph 31A by notice in accordance with this paragraph.
- (2) Notice of withdrawal must be given—
- (a) in writing,
  - (b) to the other party to the referral and to the Special Commissioners,
  - (c) before the first hearing by the Special Commissioners in relation to the referral.

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F104** Sch. 18 Pt. IV para. 31A-31D inserted (11.5.2001 with application as mentioned in [Sch. 29 para. 7\(2\)](#) of the amending Act) by [2001 c. 9, s. 88](#), [Sch. 29 para. 7](#)

#### Modifications etc. (not altering text)

**C18** Sch. 18 paras. 31-34 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), [5](#)

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*Effect of referral on enquiry*

- <sup>F105</sup>31(1) While proceedings on a referral under paragraph 31A are in progress in relation to an enquiry—
- (a) no closure notice shall be given in relation to the enquiry, and
  - (b) no application may be made for a direction to give such a notice.
- (2) For the purposes of this paragraph proceedings on a referral are in progress where—
- (a) notice of referral has been given,
  - (b) the notice has not been withdrawn, and
  - (c) the questions referred have not been finally determined.
- (3) For the purposes of sub-paragraph (2)(c) a question referred is finally determined when—
- (a) it has been determined by the Special Commissioners, and
  - (b) there is no further possibility of that determination being varied or set aside (disregarding any power to grant permission to appeal out of time).

**Textual Amendments**

**F105** Sch. 18 Pt. IV para. 31A-31D inserted (11.5.2001 with application as mentioned in [Sch. 29 para. 7\(2\)](#) of the amending Act) by [2001 c. 9, s. 88](#), [Sch. 29 para. 7](#)

**Modifications etc. (not altering text)**

**C18** Sch. 18 paras. 31-34 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), [regs. 1\(1\), 5](#)

*Effect of determination*

- <sup>F106</sup>31(1) The determination of a question referred to the Special Commissioners under paragraph 31A is binding on the parties to the referral in the same way, and to the same extent, as a decision on a preliminary issue in an appeal.
- (2) The determination shall be taken into account by [<sup>F69</sup>an officer of Revenue and Customs] in reaching [<sup>F91</sup>his] conclusions on the enquiry.
  - (3) Any right of appeal under paragraph 30 or 34(3) may not be exercised so as to reopen the question determined except to the extent (if any) that it could be reopened if it had been determined as a preliminary issue in that appeal.]

**Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), [s. 53\(1\)](#), [Sch. 4 para. 68\(a\)](#); [S.I. 2005/1126](#), [art. 2\(2\)\(h\)](#)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), [s. 53\(1\)](#), [Sch. 4 para. 68\(c\)](#); [S.I. 2005/1126](#), [art. 2\(2\)\(h\)](#)

**F106** Sch. 18 Pt. IV para. 31A-31D inserted (11.5.2001 with application as mentioned in [Sch. 29 para. 7\(2\)](#) of the amending Act) by [2001 c. 9, s. 88](#), [Sch. 29 para. 7\(1\)](#)

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#### **Modifications etc. (not altering text)**

**C18** Sch. 18 paras. 31-34 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), **5**

#### *Completion of enquiry*

32 (1) An enquiry is completed when [<sup>F69</sup>an officer of Revenue and Customs] by notice (a “closure notice”) [<sup>F91</sup>informs] the company [<sup>F91</sup>he has] completed [<sup>F91</sup>his] enquiry and [<sup>F91</sup>states his] conclusions.

The notice takes effect when it is issued.

(2) If [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>concludes] that the return was a return for the wrong period, the closure notice must designate the accounting period for which a return should have been made (specifying the dates on which the period begins and ends).

(3) If there is more than one accounting period ending in or at the end of the period specified in the notice requiring a return, the closure notice shall only designate the first of those accounting periods for which no return has been delivered.

Paragraph 35 provides for a return to be delivered for any other outstanding accounting period.

#### **Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), **Sch. 4 para. 68(a)**; S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), **Sch. 4 para. 68(c)**; S.I. 2005/1126, art. 2(2)(h)

#### **Modifications etc. (not altering text)**

**C18** Sch. 18 paras. 31-34 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), **5**

#### *Direction to complete enquiry*

33 (1) The company may apply to the Commissioners for a direction that [<sup>F69</sup>an officer of Revenue and Customs] give a closure notice within a specified period.

(2) Any such application shall be heard and determined in the same way as an appeal.

(3) The Commissioners hearing the application shall give a direction unless they are satisfied that [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>has] reasonable grounds for not giving a closure notice within a specified period.

#### **Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), **Sch. 4 para. 68(a)**; S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), **Sch. 4 para. 68(c)**; S.I. 2005/1126, art. 2(2)(h)



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**Modifications etc. (not altering text)**

**C18** Sch. 18 paras. 31-34 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), 5

*Amendment of return after enquiry*

- 34 (1) The company has 30 days beginning with the day on which the enquiry is completed in which—
- (a) to amend the return that was the subject of the enquiry—
    - (i) to accord with the conclusions stated in the closure notice, and
    - (ii) in the case of a return for the wrong period, to make it a return appropriate to the designated period, and
  - (b) to make any amendments of other company tax returns delivered by it which are required to give effect to the conclusions stated in the closure notice.
- The time limits otherwise applicable to amendment of a company tax return do not prevent an amendment being made under paragraph (a) or (b).
- (2) If after the end of that period of 30 days [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>is] not satisfied—
- (a) that the return that was the subject of the enquiry—
    - (i) is correct and complete, and
    - (ii) in the case of a return for the wrong period, is a return appropriate to the designated period, and
  - (b) that any necessary amendments have been made to any other return delivered by the company that are required to give effect to the conclusions stated in the closure notice,
- [<sup>F91</sup>he] may, within the following period of 30 days, by notice to the company make such amendments of that return or those returns as [<sup>F91</sup>he considers] necessary.
- (3) An appeal may be brought against any such amendment of a company’s return.
- (4) Notice of appeal must be given—
- (a) in writing,
  - (b) within 30 days after the amendment was notified to the company,
  - (c) to the officer of the Board by whom the notice of amendment was given.
- (5) In this paragraph “the designated period” means the period designated in the closure notice.

**Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)

**Modifications etc. (not altering text)**

**C18** Sch. 18 paras. 31-34 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), 5



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*Further return for outstanding period*

- 35 (1) Where, following an enquiry into a company tax return—
- (a) it is finally determined—
    - (i) that the return is a return for the wrong period, and
    - (ii) what the period is for which the return should have been made, and
  - (b) the effect of the determination is that there is a further period (“the outstanding period”) for which a company tax return should have been made under the original notice requiring a return,
- then, if there is no such return delivered by the company which can be amended so as to become a return for the outstanding period, the original notice shall be taken to require the company to deliver a return in respect of that period.
- (2) The filing date for such a return for an outstanding period is whichever is the later of—
- (a) the original filing date, and
  - (b) the last day of the period of 30 days beginning with the day on which the matters mentioned in sub-paragraph (1)(a) are finally determined.

**PART V**

REVENUE DETERMINATIONS AND ASSESSMENTS

*Determination of tax payable if no return delivered in response to notice*

- 36 (1) If no return is delivered in response to a notice requiring a company tax return, [<sup>F69</sup>an officer of Revenue and Customs] may determine to the best of [<sup>F91</sup>his] information and belief the amount of tax payable by the company.
- (2) The power to make a determination under this paragraph becomes exercisable if no return is delivered on or before the following date—
- (a) if the filing date for any return required by the notice can be ascertained, that date;
  - (b) if no such date can be ascertained, the later of—
    - (i) 18 months from the end of the period specified in the notice, or
    - (ii) three months from the day on which the notice was served.
- (3) The accounting period or periods for which a determination may be made are—
- (a) if there is only one accounting period ending in or at the end of the period specified in the notice, that period;
  - (b) if there is more than one accounting period ending in or at the end of the period specified in the notice, each of those periods;
  - (c) if [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>has] insufficient information to identify the accounting periods of the company, such period or periods ending in or at the end of the period specified in the notice as [<sup>F91</sup>he] may determine.
- (4) Notice of a determination under this paragraph must be served on the company, stating the date on which the determination is issued.

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- (5) No determination under this paragraph may be made more than five years after the day on which the power becomes exercisable.
- (6) If the company shows—
- (a) that there is no accounting period of the company ending in or at the end of the period specified in the notice, or
  - (b) that it has delivered a return for the accounting period, or each accounting period, ending in or at the end of the period specified in the notice, or
  - (c) that no return is yet due for any such period,
- any determination under this paragraph is of no effect.

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)

#### Modifications etc. (not altering text)

**C19** Sch. 18 para. 36 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\), regs. 1\(1\), 6](#)

#### *Determination of tax payable if notice complied with in part*

- 37 (1) If a notice requiring a company tax return is served on a company and—
- (a) a return is delivered for an accounting period ending in or at the end of the period specified in the notice, but
  - (b) there is another period so ending (the “outstanding period”) which appears to <sup>[F69]</sup>an officer of Revenue and Customs] is or may be an accounting period, <sup>[F69]</sup>an officer of Revenue and Customs] may determine to the best of <sup>[F91]</sup>his] information and belief the amount of corporation tax payable by the company for the outstanding period.
- (2) The power to make a determination under this paragraph becomes exercisable—
- (a) if the filing date for the outstanding period can be ascertained and no return is delivered on or before that date;
  - (b) if no such date can be ascertained and no return for that period is delivered by the later of—
    - (i) 30 months from the end of the period specified in the notice, or
    - (ii) three months from the day on which the notice was served.
- (3) Notice of a determination under this paragraph must be served on the company, stating the date on which the determination is issued.
- (4) No determination under this paragraph may be made more than five years after the day on which the power first became exercisable.
- (5) If the company shows—
- (a) that the outstanding period is not an accounting period, or
  - (b) that it has delivered a return for that period,

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any determination under this paragraph is of no effect.

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)

#### *Extent of power to make determination*

- 38 (1) The power to make a determination under paragraph 36 or 37 includes power to determine—
- (a) any of the amounts mentioned in paragraph 8(1) (calculation of amount of tax payable), and
  - (b) any amount forming part of the calculation of any of those amounts.
- (2) Notice of a determination under either of those paragraphs may be accompanied by notice of any determination by [<sup>F69</sup>an officer of Revenue and Customs] relating to the dates on which amounts of tax become due and payable under section 59D or 59E of the <sup>M70</sup>Taxes Management Act 1970.

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

#### Marginal Citations

- M70** 1970 c. 9.

#### *Determination to have effect as self-assessment*

- 39 (1) A determination under paragraph 36 or 37 has effect for enforcement purposes as if it were a self-assessment by the company.
- (2) In sub-paragraph (1) “for enforcement purposes” means for the purposes of—
- (a) the following Parts of the <sup>M71</sup>Taxes Management Act 1970—
    - Part VA (payment),
    - Part VI (collection and recovery),
    - Part IX (interest on overdue tax), and
    - Part XI (miscellaneous and supplementary provisions);
  - (b) the provisions of this Schedule imposing tax-related penalties; and
  - (c) the provisions of the Corporation Tax Acts enabling unpaid tax assessed on a company to be assessed on other persons.
- (3) For those purposes the period for which the determination is made shall be treated as an accounting period of the company, even though—

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- (a) in the case of a determination under paragraph 36, [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>has] insufficient information to determine the accounting periods of the company and [<sup>F91</sup>exercises his] power under sub-paragraph (3) (c) of that paragraph, or
- (b) in the case of a determination under paragraph 37, [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>has] insufficient information to determine whether the outstanding period is an accounting period.

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)

#### Marginal Citations

**M71** 1970 c. 9.

#### *Determination superseded by actual self-assessment*

- 40 (1) If after a determination has been made under paragraph 36—
- (a) the company delivers a company tax return for a period ending in or at the end of the period specified in the notice requiring a company tax return, and
  - (b) the period is, or is treated in the return as, an accounting period,
- the self-assessment included in that return supersedes the determination or, if there is more than one, the determination for the period which is, or most closely approximates to, the period for which the return is made.
- (2) If after a determination has been made under paragraph 37—
- (a) the company delivers a further company tax return for a period ending in or at the end of the period specified in the notice requiring a company tax return, and
  - (b) the period is, or is treated in the return as, an accounting period,
- the self-assessment included in that return supersedes the determination.
- (3) Sub-paragraphs (1) and (2) do not apply to a return made—
- (a) more than five years after the day on which the power to make the determination first became exercisable (see paragraph 36(2) or 37(2)), or
  - (b) more than twelve months after the date of the determination,
- whichever is the later.
- (4) Where—
- (a) [<sup>F107</sup>proceedings have been begun] for the recovery of any tax charged by a determination under paragraph 36 or 37, and
  - (b) before the proceedings are concluded the determination is superseded by a self-assessment,
- the proceedings may be continued as if they were proceedings for the recovery of so much of the tax charged by the self-assessment as is due and payable and has not been paid.

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#### Textual Amendments

**F107** Words in Sch. 18 para. 40(4) substituted (11.5.2001 with application as mentioned in Sch. 29 para 17(3) of the amending Act) by 2001 c. 9, s. 88, **Sch. 29 para. 17(2)**

#### Modifications etc. (not altering text)

**C20** Sch. 18 para. 40 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), **6**

#### *Assessment where loss of tax discovered or determination of amount discovered to be incorrect*

- 41 (1) If [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>discovers] as regards an accounting period of a company that—
- (a) an amount which ought to have been assessed to tax has not been assessed, or
  - (b) an assessment to tax is or has become insufficient, or
  - (c) relief has been given which is or has become excessive,
- [<sup>F91</sup>he] may make an assessment (a “discovery assessment”) in the amount or further amount which ought in [<sup>F91</sup>his] opinion to be charged in order to make good to the Crown the loss of tax.
- (2) If [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>discovers] that a company tax return delivered by a company for an accounting period incorrectly states—
- (a) an amount that affects, or may affect, the tax payable by that company for another accounting period, or
  - (b) an amount that affects, or may affect, the tax liability of another company,
- [<sup>F91</sup>he] may make a determination (a “discovery determination”) of the amount which in [<sup>F91</sup>his] opinion ought to have been stated in the return.

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), **Sch. 4 para. 68(a)**; S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), **Sch. 4 para. 68(e)**; S.I. 2005/1126, art. 2(2)(h)

#### Modifications etc. (not altering text)

**C21** Sch. 18 para. 41(2)-44 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), **7**

#### *Restrictions on power to make discovery assessment or determination*

- 42 (1) The power to make—
- (a) a discovery assessment for an accounting period for which the company has delivered a company tax return, or
  - (b) a discovery determination,
- is only exercisable in the circumstances specified in paragraph 43 or 44 and subject to paragraph 45 below.

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- (2) Those restrictions do not apply to an assessment or determination which only gives effect to a discovery determination duly made with respect to an amount stated in another company's company tax return.
- [<sup>F108</sup>(2A) Those restrictions, other than the restriction in paragraph 45, do not apply so far as regards any income or chargeable gains of the company in relation to which the company has been given, after any enquiries have been completed into the return, a notice under section 804ZA of the Taxes Act 1988 [<sup>F109</sup>or section 184G or 184H of the Taxation of Chargeable Gains Act 1992][<sup>F110</sup>or section 24 or 26 of the Finance (No. 2) Act 2005].]
- (3) Any objection to a discovery assessment or determination on the ground that those paragraphs have not been complied with can only be made on an appeal against the assessment or determination.

#### Textual Amendments

- F108** Sch. 18 para. 42(2A) inserted (with effect in accordance with s. 88(5) of the amending Act) by [Finance Act 2005 \(c. 7\), s. 88\(4\)](#)
- F109** Words in Sch. 18 para. 42(2A) inserted (with effect in accordance with s. 71(4) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 71\(3\)](#)
- F110** Words in Sch. 18 para. 42(2A) inserted (with effect in accordance with s. 31 of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\), s. 29\(2\)](#)

#### Modifications etc. (not altering text)

- C21** Sch. 18 para. 41(2)-44 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\), regs. 1\(1\), 7](#)

#### *Fraudulent or negligent conduct*

- 43 A discovery assessment for an accounting period for which the company has delivered a company tax return, or a discovery determination, may be made if the situation mentioned in paragraph 41(1) or (2) is attributable to fraudulent or negligent conduct on the part of—
- (a) the company, or
  - (b) a person acting on behalf of the company, or
  - (c) a person who was a partner of the company at the relevant time.

#### Modifications etc. (not altering text)

- C21** Sch. 18 para. 41(2)-44 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\), regs. 1\(1\), 7](#)

#### *Situation not disclosed by return or related documents etc.*

- 44 (1) A discovery assessment for an accounting period for which the company has delivered a company tax return, or a discovery determination, may be made if at the time when [<sup>F69</sup>an officer of Revenue and Customs]—
- (a) ceased to be entitled to give a notice of enquiry into the return, or
  - (b) completed [<sup>F91</sup>his] enquiries into the return,

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[<sup>F91</sup>he] could not have been reasonably expected, on the basis of the information made available to [<sup>F91</sup>him] before that time, to be aware of the situation mentioned in paragraph 41(1) or (2).

- (2) For this purpose information is regarded as made available to [<sup>F69</sup>an officer of Revenue and Customs] if—
- (a) it is contained in a relevant return by the company or in documents accompanying any such return, or
  - (b) it is contained in a relevant claim made by the company or in any accounts, statements or documents accompanying any such claim, or
  - (c) it is contained in any documents, accounts or information produced or provided by the company to [<sup>F69</sup>an officer of Revenue and Customs] for the purposes of an enquiry into any such return or claim, or
  - (d) it is information the existence of which, and the relevance of which as regards the situation mentioned in paragraph 41(1) or (2)—
    - (i) could reasonably be expected to be inferred by [<sup>F69</sup>an officer of Revenue and Customs] from information falling within paragraphs (a) to (c) above, or
    - (ii) are notified in writing to [<sup>F69</sup>an officer of Revenue and Customs] by the company or a person acting on its behalf.

- (3) In sub-paragraph (2)—

“relevant return” means the company’s company tax return for the period in question or either of the two immediately preceding accounting periods, and

“relevant claim” means a claim made by or on behalf of the company as regards the period in question [<sup>F111</sup>or an application under section 751A of the Taxes Act 1988 made by or on behalf of the company which affects the company's tax return for the period in question].

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)
- F111** Words in Sch. 18 para. 44(3) inserted (with effect in accordance with Sch. 15 para. 10 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 15 para. 9](#)

#### Modifications etc. (not altering text)

- C21** Sch. 18 para. 41(2)-44 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), [7](#)
- C22** Sch. 18 para. 44(2)(3) applied by 1988 c. 1, s. 804ZC(6)(b) (as inserted (with effect in accordance with s. 87(3) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), s. [87\(1\)](#))
- C23** Sch. 18 para. 44(2)(3) applied (with effect in accordance with s. 31 of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), s. [28\(6\)](#)
- C24** Sch. 18 para. 44(2)(3) applied by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), s. 184I(6) (as inserted by [Finance Act 2006 \(c. 25\)](#), s. [71\(1\)\(4\)](#))



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*Return made in accordance with prevailing practice*

- 45 No discovery assessment for an accounting period for which the company has delivered a company tax return, or discovery determination, may be made if—
- (a) the situation mentioned in paragraph 41(1) or (2) is attributable to a mistake in the return as to the basis on which the company's liability ought to have been computed, and
  - (b) the return was in fact made on the basis or in accordance with the practice generally prevailing at the time when it was made.

*General time limits for assessments*

- 46 (1) Subject to any provision of the Taxes Acts allowing a longer period in any particular class of case no assessment may be made more than six years after the end of the accounting period to which it relates.
- (2) In a case involving fraud or negligence on the part of—
- (a) the company, or
  - (b) a person acting on behalf of the company, or
  - (c) a person who was a partner of the company at the relevant time,
- an assessment may be made up to 21 years after the end of the accounting period to which it relates.
- (3) Any objection to the making of an assessment on the ground that the time limit for making it has expired can only be made on an appeal against the assessment.

**Modifications etc. (not altering text)**

- C25** Sch. 18 paras. 46-49 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), 7
- C26** Sch. 18 para. 46(2)(3) applied (28.7.2000 with application as mentioned in s. 63(4) of the amending Act) by [2000 c. 17, s. 63\(1\)](#), [Sch. 15 Pt. VI para. 62\(3\)](#)
- C27** Sch. 18 para. 46(2) modified (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), 11

*Assessment procedure*

- 47 (1) Notice of an assessment to tax on a company must be served on the company stating—
- (a) the date on which the notice is issued, and
  - (b) the time within which any appeal against the assessment may be made.
- (2) After that notice has been served on the company, the assessment may not be altered except in accordance with the express provisions of the Taxes Acts.

**Modifications etc. (not altering text)**

- C25** Sch. 18 paras. 46-49 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), 7



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### *Appeal against assessment*

- 48 (1) An appeal may be brought against any assessment to tax on a company which is not a self-assessment.
- (2) Notice of appeal must be given—
- (a) in writing,
  - (b) within 30 days after notice of the assessment was issued,
  - (c) to the officer of the Board by whom the notice of the assessment was given.

#### **Modifications etc. (not altering text)**

- C25** Sch. 18 paras. 46-49 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), 7
- C28** Sch. 18 para. 48 modified (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), 10

### *Application of provisions to discovery determinations*

- 49 The provisions of paragraphs 46 to 48 (assessments: general provisions as to time limits, procedure and appeals) apply to a discovery determination as they apply to an assessment.

#### **Modifications etc. (not altering text)**

- C25** Sch. 18 paras. 46-49 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), regs. 1(1), 7

## **PART VI**

### **EXCESSIVE ASSESSMENTS OR REPAYMENTS, ETC**

#### *Relief in case of double assessment*

- 50 (1) A company which believes it has been assessed to tax more than once for the same cause and for the same accounting period may make a claim for relief—
- (a) by notice in writing,
  - (b) given to the Board.
- (2) If on a claim being made the Board are satisfied that the company has been assessed to tax more than once for the same cause and for the same accounting period, they shall amend the assessment or assessments concerned, or give relief by way of discharge or repayment of tax or otherwise, so as to eliminate the double charge.
- (3) An appeal against the Board's decision on a claim for relief under this paragraph may be brought to the Commissioners having jurisdiction to hear an appeal relating to the assessment, or the later of the assessments, to which the claim relates.

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*Relief in case of mistake in return*

- 51 (1) A company which believes it has paid tax under an assessment which was excessive by reason of some mistake in a return may make a claim for relief—
- (a) by notice in writing,
  - (b) given to the Board,
  - (c) not more than six years after the end of the accounting period to which the return relates.
- (2) On receiving the claim the Board shall enquire into the matter and give by way of repayment such relief in respect of the mistake as is reasonable and just.
- (3) No relief shall be given under this paragraph—
- (a) in respect of a mistake as to the basis on which the liability of the claimant ought to have been computed when the return was in fact made on the basis or in accordance with the practice generally prevailing at the time when it was made, or
  - (b) in respect of a mistake in a claim or election which is included in the return.
- (4) In determining a claim under this paragraph the Board shall have regard to all the relevant circumstances of the case.
- They shall, in particular, consider whether the granting of relief would result in amounts being excluded from charge to tax.
- For that purpose they may take into consideration the liability of the claimant company, and assessments made on it, for accounting periods other than that to which the claim relates.
- (5) On an appeal against the Board's decision on the claim, the Special Commissioners shall hear and determine the claim in accordance with the same principles as apply to the determination by the Board of claims under this paragraph.
- (6) Neither the company nor the Board may appeal under section 56A of the <sup>M72</sup>Taxes Management Act 1970 against the determination of the Special Commissioners, except on a point of law arising in connection with the computation of—
- (a) the profits of the company for the purposes of corporation tax,
  - (b) any amount assessable under section 419(1) of the Taxes Act 1988 (tax on loan or advance made by close company to a participator), or
  - (c) any amount chargeable under section 747(4)(a) of that Act (tax on profits of controlled foreign company).

**Modifications etc. (not altering text)**

- C29** Sch. 18 para. 51 restricted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by [1994 c. 9, s. 118\(7\)\(b\)](#) (as substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by [1999 c. 16, s. 93\(1\)\(2\)](#), [Sch. 11 para. 8](#))
- C30** Sch. 18 para. 51 applied (with modifications) (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Lloyds Underwriters \(Tax\) Regulations 2005 \(S.I. 2005/3338\)](#), [regs. 1\(1\), 8](#)

**Marginal Citations**

- M72** [1970 c. 9](#).

*Status: Point in time view as at 06/04/2008.*

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*Recovery of excessive repayments etc*

- 52 (1) The provisions of paragraphs 41 to 48 relating to discovery assessments apply to an amount to which this paragraph applies as if it were unpaid tax, unless—
- (a) it is assessable under those provisions apart from this paragraph, or
  - (b) it is recoverable under section 826(8A) of the Taxes Act 1988 (interest overpaid which is recoverable in same way as interest charged).
- (2) This paragraph applies to an amount paid to a company by way of—
- (a) repayment of tax (or income tax) or payment of a tax credit,
  - (b) repayment supplement under section 825 of the Taxes Act 1988,
  - [<sup>F112</sup>(ba) R&D tax credit under Schedule 20 to the Finance Act 2000,]
  - [<sup>F113</sup>(bb) land remediation tax credit or life assurance company tax credit under Schedule 22 to the Finance Act 2001,] or
  - [<sup>F114</sup>(bc) tax credit under Schedule 13 to the Finance Act 2002,]
  - [<sup>F115</sup>(bd) film tax credit,]
  - (c) interest paid under section 826 of [<sup>F116</sup>the Taxes Act 1988],  
to the extent that it ought not to have been paid.
- (3) For the purposes of this paragraph—
- (a) an amount is regarded as paid if it is allowed by way of set-off, and
  - (b) an amount is regarded as a repayment if it was intended as repayment but exceeds the amount paid by the company.
- (4) An assessment made by virtue of this paragraph shall be made under Case VI of Schedule D.
- (5) An assessment to recover—
- (a) an amount of tax repaid to a company in respect of an accounting period, or interest on any such repayment,
  - [<sup>F117</sup>(ab) an amount of R&D tax credit paid to a company for an accounting period,]
  - [<sup>F118</sup>(ac) an amount of land remediation tax credit or life assurance company tax credit paid to a company for an accounting period,] or
  - [<sup>F119</sup>(ad) an amount of tax credit under Schedule 13 to the Finance Act 2002 paid to a company for an accounting period,]
  - [<sup>F120</sup>(ae) an amount of film tax credit paid to a company for an accounting period,]
  - (b) an amount of income tax repaid to a company in respect of a payment received by the company in an accounting period, or interest on any such repayment,
- shall be treated as an assessment to tax for the accounting period referred to in paragraph (a)[<sup>F121</sup>, (ab)][<sup>F122</sup>(ac)][<sup>F123</sup>, (ad)][<sup>F124</sup>, (ae)] or (b).
- (6) The sum assessed shall carry interest at the prescribed rate for the purposes of section 87A of the <sup>M73</sup>Taxes Management Act 1970 (interest on overdue corporation tax, etc.) from the date when the payment being recovered was made until payment.

**Textual Amendments**

**F112** Sch. 18 para. 52(2)(ba) inserted (28.7.2000 with effect as mentioned in s. 69(1) of the amending Act) by 2000 c. 17, s. 69(2), **Sch. 21 para. 3(a)**

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- F113** Sch. 18 para. 52(2)(bb) inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s. 70, **Sch. 23 para. 5(a)**
- F114** Sch. 18 Pt. VI para. 52(2)(bc) inserted (24.7.2002 with effect as mentioned in Sch. 14 para. 5 of the amending Act) by 2002 c. 23, s. 54, **Sch. 14 para. 3(a)**
- F115** Sch. 18 para. 52(2)(bd) inserted (1.1.2007) by Finance Act 2006 (c. 25), s. 53(1), **Sch. 5 para. 28(a)**; S.I. 2006/3399, art. 2
- F116** Words in Sch. 18 para. 52(2)(C) substituted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s. 70, **Sch. 23 para. 5(b)**
- F117** Sch. 18 para. 52(5)(ab) inserted (28.7.2000 with effect as mentioned in s. 69(1) of the amending Act) by 2000 c. 17, s. 69(2), **Sch. 21 para. 3(b)**
- F118** Sch. 18 para. 52(5)(ac) inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s. 70, **Sch. 23 para. 5(c)**
- F119** Sch. 18 Pt. VI para. 52(5)(ad) inserted (24.7.2002 with effect as mentioned in Sch. 14 para. 5 of the amending Act) by 2002 c. 23, s. 54, **Sch. 14 para. 3(b)**
- F120** Sch. 18 para. 52(5)(ae) inserted (1.1.2007) by Finance Act 2006 (c. 25), s. 53(1), **Sch. 5 para. 28(b)**; S.I. 2006/3399, art. 2
- F121** Words in Sch. 18 para. 52(5) inserted (28.7.2000 with effect as mentioned in s. 69(1) of the amending Act) by 2000 c. 17, s. 69(2), **Sch. 21 para. 3(c)**
- F122** Word in Sch. 18 para. 52(2)(c) inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s. 70, **Sch. 23 para. 5(d)**
- F123** Words in Sch. 18 Pt. VI para. 52(5) inserted (24.7.2002 with effect as mentioned in Sch. 14 para. 5 of the amending Act) by 2002 c. 23, s. 54, **Sch. 14 para. 3(c)**
- F124** Word in Sch. 18 para. 52(5) inserted (1.1.2007) by Finance Act 2006 (c. 25), s. 53(1), **Sch. 5 para. 28(c)**; S.I. 2006/3399, art. 2

#### Marginal Citations

**M73** 1970 c. 9.

#### *Time limit for recovery of excessive repayments, etc.*

- 53 (1) An assessment made by virtue of paragraph 52 is not out of time under paragraph 46(1) (general six year time limit for assessments) if it is made—
- (a) before the end of the accounting period following that in which the amount assessed was paid, or
  - (b) if later, before the end of the period of three months beginning with the day on which [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>completes] an enquiry into a relevant company tax return by the company concerned.
- (2) Sub-paragraph (1) above is without prejudice to paragraph 46(2) (time limit for assessment in case of fraud or negligence).

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 68(a)**; S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 68(c)**; S.I. 2005/1126, art. 2(2)(h)

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## PART VII

### GENERAL PROVISIONS AS TO CLAIMS AND ELECTIONS

#### *Claims must be quantified*

- 54 A claim under any provision of the Corporation Tax Acts for a relief, an allowance or a repayment of tax must be for an amount which is quantified at the time when the claim is made.

#### **Modifications etc. (not altering text)**

- C31** Sch. 18 para. 54-60 excluded (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1990 c. 1, s. 59C(7)(b) (as substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 93(1)(2), Sch. 11 para. 6)  
Sch. 18 paras. 54-60 excluded (28.7.2000) by 1990 c. 1, s. 76B(5)(b) (as inserted (28.7.2000) by 2000 c. 17, s. 77(1))  
Sch. 18 paras. 54-60 applied (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 3(5)(6)  
Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned s. 579(1) of the amending Act) by 2001 c. 2, s. 201 (5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)  
Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 227(5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)
- C32** Sch. 18 paras. 54-60 excluded by Income and Corporation Taxes Act 1988 (c. 1), s. 444ABBA(3) (as inserted (with effect in accordance with art. 1(4) of the amending S.I.) by S.I. 2008/381, arts. 1(1), 14)

#### *General time limit for making claims*

- 55 Subject to any provision prescribing a longer or shorter period, a claim for relief under any provision of the Corporation Tax Acts must be made within six years from the end of the accounting period to which it relates.

#### **Modifications etc. (not altering text)**

- C31** Sch. 18 para. 54-60 excluded (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1990 c. 1, s. 59C(7)(b) (as substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 93(1)(2), Sch. 11 para. 6)  
Sch. 18 paras. 54-60 excluded (28.7.2000) by 1990 c. 1, s. 76B(5)(b) (as inserted (28.7.2000) by 2000 c. 17, s. 77(1))  
Sch. 18 paras. 54-60 applied (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 3(5)(6)  
Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned s. 579(1) of the amending Act) by 2001 c. 2, s. 201 (5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)  
Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 227(5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)
- C32** Sch. 18 paras. 54-60 excluded by Income and Corporation Taxes Act 1988 (c. 1), s. 444ABBA(3) (as inserted (with effect in accordance with art. 1(4) of the amending S.I.) by S.I. 2008/381, arts. 1(1), 14)

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*Supplementary claim or election*

- 56 A company which has made a claim or election under any provision of the Corporation Tax Acts (by including it in a return or otherwise) and subsequently discovers that a mistake has been made in it may make a supplementary claim or election within the time allowed for making the original claim or election.

**Modifications etc. (not altering text)**

- C31** Sch. 18 paras. 54-60 excluded (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1990 c. 1, s. 59C(7)(b) (as substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 93(1)(2), Sch. 11 para. 6)  
 Sch. 18 paras. 54-60 excluded (28.7.2000) by 1990 c. 1, s. 76B(5)(b) (as inserted (28.7.2000) by 2000 c. 17, s. 77(1))  
 Sch. 18 paras. 54-60 applied (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 3(5)(6)  
 Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned s. 579(1) of the amending Act) by 2001 c. 2, s. 201 (5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)  
 Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 227(5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)
- C32** Sch. 18 paras. 54-60 excluded by Income and Corporation Taxes Act 1988 (c. 1), s. 444ABBA(3) (as inserted (with effect in accordance with art. 1(4) of the amending S.I.) by S.I. 2008/381, arts. 1(1), 14)

*Claims or elections affecting a single accounting period*

- 57 (1) This paragraph applies to a claim or election for tax purposes which affects only one accounting period ("the relevant accounting period").
- (2) If notice has been given under paragraph 3 requiring a company to deliver a company tax return for the relevant accounting period, a claim or election by the company which can be made by being included in the return (as originally made or by amendment) must be so made.
- (3) If a company has delivered a company tax return for the relevant accounting period, a claim or election made by the company which could be made by amending the return is treated as an amendment of the return.

The provisions of paragraph 15 (amendment of return by company) apply.

- (4) Schedule 1A to the <sup>M74</sup>Taxes Management Act 1970 (claims and elections not included in returns) applies to a claim or election made by a company which cannot be included in a company tax return for the relevant accounting period.

This applies in particular to a claim or election made—

- (a) before any notice is given under paragraph 3 requiring a company tax return for the relevant accounting period, or
- (b) at a time when its return for the relevant accounting period cannot be amended.



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#### Modifications etc. (not altering text)

- C31** Sch. 18 para. 54-60 excluded (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1990 c. 1, s. 59C(7)(b) (as substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 93(1)(2), Sch. 11 para. 6)  
Sch. 18 paras. 54-60 excluded (28.7.2000) by 1990 c. 1, s. 76B(5)(b) (as inserted (28.7.2000) by 2000 c. 17, s. 77(1))  
Sch. 18 paras. 54-60 applied (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 3(5)(6)  
Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned s. 579(1) of the amending Act) by 2001 c. 2, s. 201 (5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)  
Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 227(5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)
- C32** Sch. 18 paras. 54-60 excluded by Income and Corporation Taxes Act 1988 (c. 1), s. 444ABBA(3) (as inserted (with effect in accordance with art. 1(4) of the amending S.I.) by S.I. 2008/381, arts. 1(1), 14)

#### Marginal Citations

- M74** 1970 c. 9.

#### *Claims or elections involving more than one accounting period*

- 58 (1) This paragraph applies to a claim or election for tax purposes if—
- (a) the event or occasion giving rise to it occurs in one accounting period (the period to which it “relates”), and
  - (b) it affects one or more other accounting periods (whether or not it also affects the period to which it relates).
- (2) If a company makes a claim or election which—
- (a) relates to an accounting period for which the company has delivered a company tax return and could be made by amendment of the return, or
  - (b) affects an accounting period for which the company has delivered a company tax return and could be given effect by amendment of the return,
- the claim or election is treated as an amendment of the return.
- The provisions of paragraph 15 (amendment of return by company) apply.
- (3) Schedule 1A to the <sup>M75</sup>Taxes Management Act 1970 (claims and elections not included in returns) applies to a claim or election made by a company if or to the extent that it is not—
- (a) made by being included (by amendment or otherwise) in the company tax return for the accounting period to which it relates, and
  - (b) given effect by being included (by amendment or otherwise) in company tax returns for the accounting periods affected by it.

#### Modifications etc. (not altering text)

- C31** Sch. 18 para. 54-60 excluded (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1990 c. 1, s. 59C(7)(b) (as substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 93(1)(2), Sch. 11 para. 6)  
Sch. 18 paras. 54-60 excluded (28.7.2000) by 1990 c. 1, s. 76B(5)(b) (as inserted (28.7.2000) by 2000 c. 17, s. 77(1))

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Sch. 18 paras. 54-60 applied (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 3(5)(6)

Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned s. 579(1) of the amending Act) by 2001 c. 2, s. 201 (5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)

Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 227(5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)

**C32** Sch. 18 paras. 54-60 excluded by Income and Corporation Taxes Act 1988 (c. 1), s. 444ABBA(3) (as inserted (with effect in accordance with art. 1(4) of the amending S.I.) by S.I. 2008/381, arts. 1(1), 14)

#### Marginal Citations

**M75** 1970 c. 9.

#### *Other claims and elections*

- 59 (1) Schedule 1A to the Taxes Management Act 1970 applies to a claim or election for tax purposes which is not within paragraph 57 or 58, whether or not it is included (by amendment or otherwise) in a company tax return.
- (2) The provisions of this Schedule do not apply where or to the extent that the provisions of Schedule 1A apply.

#### Modifications etc. (not altering text)

**C31** Sch. 18 para. 54-60 excluded (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1990 c. 1, s. 59C(7)(b) (as substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 93(1)(2), Sch. 11 para. 6)

Sch. 18 paras. 54-60 excluded (28.7.2000) by 1990 c. 1, s. 76B(5)(b) (as inserted (28.7.2000) by 2000 c. 17, s. 77(1))

Sch. 18 paras. 54-60 applied (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 3(5)(6)

Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned s. 579(1) of the amending Act) by 2001 c. 2, s. 201 (5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)

Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 227(5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)

**C32** Sch. 18 paras. 54-60 excluded by Income and Corporation Taxes Act 1988 (c. 1), s. 444ABBA(3) (as inserted (with effect in accordance with art. 1(4) of the amending S.I.) by S.I. 2008/381, arts. 1(1), 14)

#### *Provisions supplementary to paragraphs 57 to 59*

- 60 (1) Paragraphs 57 to 59 have effect subject to any express provision to the contrary.
- (2) Nothing in those paragraphs affects the time limit or any other conditions for making a claim or election.
- (3) Where Schedule 1A to the <sup>M76</sup>Taxes Management Act 1970 applies by virtue of any of those paragraphs and the claim or election results in an increase in the amount of tax payable, all such adjustments by way of assessment or otherwise shall be made as are necessary to give effect to it.



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#### **Modifications etc. (not altering text)**

- C31** Sch. 18 para. 54-60 excluded (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by **1990 c. 1, s. 59C(7)(b)** (as substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by **1999 c. 16, s. 93(1)(2), Sch. 11 para. 6**)  
Sch. 18 paras. 54-60 excluded (28.7.2000) by **1990 c. 1, s. 76B(5)(b)** (as inserted (28.7.2000) by **2000 c. 17, s. 77(1)**)  
Sch. 18 paras. 54-60 applied (22.3.2001 with effect as mentioned in **s. 579(1)** of the amending Act) by **2001 c. 2, s. 3(5)(6)**  
Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned **s. 579(1)** of the amending Act) by **2001 c. 2, s. 201** (5)(b) (with Sch. 3 Pt. 4 paras. 54, 55)  
Sch. 18 paras. 54-60 excluded (22.3.2001 with effect as mentioned in **s. 579(1)** of the amending Act) by **2001 c. 2, s. 227(5)(b)** (with **Sch. 3 Pt. 4 paras. 54, 55**)
- C32** Sch. 18 paras. 54-60 excluded by Income and Corporation Taxes Act 1988 (c. 1), s. 444ABBA(3) (as inserted (with effect in accordance with art. 1(4) of the amending S.I.) by **S.I. 2008/381, arts. 1(1), 14**)

#### **Marginal Citations**

**M76** 1970 c. 9.

#### *Consequential claims, etc. arising out of certain Revenue amendments or assessments*

- 61 (1) Paragraphs 62 to 64 have effect to allow certain claims, elections, applications and notices to be made or given, or if previously given to be revoked or varied, where—
- an amendment of a company tax return is made under paragraph 34(2)(b) (amendments of other returns required in consequence of closure notice) which has the effect of increasing the amount of tax payable by a company,
  - a discovery assessment is made, or
  - an assessment is made under paragraph 76 (recovery of excessive group relief).
- (2) Paragraphs 62 to 64 do not apply in relation to an assessment made in a case involving fraudulent or negligent conduct on the part of—
- the company, or
  - a person acting on behalf of the company, or
  - a person who was a partner of the company at the relevant time.
- In such a case more limited provision is made by paragraph 65.
- (3) In paragraphs 62 to 64 “the relevant accounting period”, in relation to the time limit for making a consequential claim, election, application or notice, means—
- in relation to an amendment of a company tax return under paragraph 34(2) (b), the accounting period in which the closure notice was issued;
  - in relation to an assessment, the accounting period in which the assessment was made.

#### *Consequential claims etc that may be made*

- 62 (1) A claim, election, application or notice to which this paragraph applies—
- may be made or given at any time within one year from the end of the relevant accounting period, or
  - if previously made or given may at any such time be revoked or varied—

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- (i) in the same manner as it was made or given, and
  - (ii) by or with the consent of the same person or persons who made, gave or consented to it (or, if a person has died, by or with the consent of his personal representatives),
- unless, by virtue of any enactment, it is irrevocable.
- (2) This paragraph applies to a claim, election, application or notice—
- (a) relating to the accounting period in respect of which the amendment or assessment is made, or
  - (b) made or given by reference to an event occurring in that period,
- whose making, giving, revocation or variation has or could have the effect of reducing a relevant liability of the company.
- (3) The following are relevant liabilities of the company for this purpose—
- (a) the increased liability to tax resulting from the amendment or assessment;
  - (b) any other liability to tax of the company—
    - (i) for the accounting period to which the amendment or assessment relates, or
    - (ii) for any subsequent accounting period ending not later than one year after the end of the relevant accounting period.
- (4) Where a claim, election, application or notice is made, given, revoked or varied by virtue of this paragraph, all such adjustments shall be made, whether by way of discharge or repayment of tax or the making of amendments, assessments or otherwise, as are required to take account of the effect of the taking of that action on any person's liability to tax for any chargeable period.
- (5) The provisions of the <sup>M77</sup>Taxes Management Act 1970 relating to appeals against decisions on claims apply with any necessary modifications to a decision on the revocation or variation of a claim by virtue of this paragraph.
- (6) This paragraph has effect subject to—
- paragraph 63 (consequential claims etc. affecting tax liability of another person), and
  - paragraph 64 (consequential claims etc. not to give rise to reduction in liability).

**Marginal Citations**

**M77** 1970 c. 9.

*Consequential claims etc. affecting tax liability of another person*

- 63 (1) If the effect of the exercise by any person of a power conferred by paragraph 62 would be to alter the liability to tax of another person, the power may not be exercised except with the consent in writing of that other person or, if he has died, of his personal representatives.
- (2) Where such a power is exercised so as to increase the liability to tax of another person, neither paragraph 61 above nor section 43A of the <sup>M78</sup>Taxes Management Act 1970 (which makes corresponding provision in relation to income tax or capital gains tax) applies in relation to any amendment or assessment made because of that increased liability.

*Status: Point in time view as at 06/04/2008.*

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(3) In this paragraph “tax” includes income tax or capital gains tax.

#### Marginal Citations

M78 1970 c. 9.

#### *Consequential claims etc. not to give rise to reduction in liability*

- 64 (1) If in any case—
- (a) one or more claims, elections, applications or notices are made, given, revoked or varied under paragraph 62 in consequence of an amendment or assessment, and
  - (b) the total of the reductions in liability to tax resulting from that action would exceed the additional liability to tax resulting from the amendment or assessment,
- the excess is not available to reduce any liability to tax.
- (2) Where sub-paragraph (1) has the effect of limiting either—
- (a) the reduction in a person’s liability to tax for more than one period, or
  - (b) the reduction in the liability to tax of more than one person,
- the limited amount shall be apportioned between the periods or persons concerned.
- (3) The apportionment shall be made in such manner as [<sup>F69</sup>an officer of Revenue and Customs] may specify by notice in writing to the person or persons concerned, unless notice is given under the following provision.
- (4) If the person concerned gives (or the persons concerned jointly give) notice in writing to [<sup>F69</sup>an officer of Revenue and Customs] within the period of 30 days beginning with—
- (a) the day on which notice under sub-paragraph (3) is given to the person concerned, or
  - (b) where more than one person is concerned, the latest date on which such notice is given to any of them,
- the apportionment shall be made in such manner as may be specified in the notice given by the person or persons concerned.
- (5) In this paragraph “tax” includes income tax or capital gains tax.

#### Textual Amendments

F69 Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

#### *Consequential claims in case of fraud or negligence*

- 65 (1) This paragraph applies where an assessment is made on a company in a case involving fraudulent or negligent conduct on the part of—
- (a) the company, or
  - (b) a person acting on behalf of the company, or

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- (c) a person who was a partner of the company at the relevant time.
- (2) If the company so requires, effect shall be given in determining the amount of the tax charged by the assessment to any relief or allowance to which the company would have been entitled for that accounting period on a claim or application made within the time allowed by the Taxes Acts.

## PART VIII

### CLAIMS FOR GROUP RELIEF

#### **Modifications etc. (not altering text)**

- C33** Sch. 18 Pt. VIII (except paras. 70(4), 71(4)) applied (with modifications) (23.11.1999) by [S.I. 1999/2975, reg. 10\(3\)](#)  
 Sch. 18 Pt. VIII (except para. 77) applied (28.7.2000) by [2000 c. 17, s. 82, Sch. 22 Pt. IX para. 81\(3\)](#)

#### *Introduction*

- 66 This Part of this Schedule applies to claims for relief under Chapter IV of Part X of the Taxes Act 1988 (group relief).

#### *Claim to be included in company tax return*

- 67 (1) A claim for group relief must be made by being included in the claimant company's company tax return for the accounting period for which the claim is made.
- (2) It may be included in the return originally made or by amendment.

#### **Modifications etc. (not altering text)**

- C34** Sch. 18 para. 67 applied (with modifications) (31.3.2001 with effect as mentioned in reg. 1(2) of the amending S.I.) by [S.I. 2001/1163, regs. 1, 8](#)

#### *Content of claims*

- 68 (1) A claim for group relief must specify—
- (a) the amount of relief claimed, and
  - (b) the name of the surrendering company.
- (2) The amount specified must be an amount which is quantified at the time the claim is made.
- [<sup>F125</sup>(3) A claim for group relief must also state whether or not there is a company mentioned in sub-paragraph (4) that was not resident in the United Kingdom in either or both of the following periods—
- (a) the accounting period of the surrendering company to which the surrender relates,
  - (b) the corresponding accounting period of the claimant company.

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- <sup>F125</sup>(4) Those companies are the claimant company, the surrendering company and any other company by reference to which—
- (a) the claimant company and the surrendering company are members of the same group, or
  - (b) the conditions specified in section 402(3) of the Taxes Act 1988 for the making of the claim are satisfied in the case of the claimant company and the surrendering company.]

#### Textual Amendments

**F125** Sch. 18 para. 68(3)(4) inserted (28.7.2000 with effect as mentioned in [Sch. 27 para. 12\(1\)](#) of the amending Act) by [2000 c. 17, s. 97](#), [Sch. 27 Pt. II para. 11](#)

#### Modifications etc. (not altering text)

**C35** Sch. 18 para. 68 applied (with modifications) (31.3.2001 with effect as mentioned in reg. 1(2) of the amending S.I.) by [S.I. 2001/1163, regs. 1, 8](#)

#### *Claims for more or less than the amount available for surrender*

- 69 (1) A claim for group relief may be made for less than the amount available for surrender at the time the claim is made.
- (2) A claim is ineffective if the amount claimed exceeds the amount available for surrender at the time the claim is made.
- (3) For these purposes the amount available for surrender at any time is calculated as follows.
- First step*
- Determine the total amount available for surrender under section 403 of the Taxes Act 1988—
- (a) on the basis of the information in the company's company tax return, and
  - (b) disregarding any amendments whose effect is deferred under paragraph 31(3).
- Second step*
- Then deduct the total of all amounts for which notices of consent have been given by the company and not withdrawn.
- (4) Where one or more claims are withdrawn on the same day as one or more claims are made, the withdrawals are given effect first.
- (5) Where more than one claim is made on the same day, and the claims together take the amount claimed over the limit of what is available for surrender, [<sup>F69</sup>an officer of Revenue and Customs] may determine which of the claims is to be ineffective.
- (6) The power under sub-paragraph (5) shall not be exercised to any greater extent than is necessary to bring the total amount claimed within the amount available for surrender.

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### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

### *Consent to surrender*

- 70 (1) A claim for group relief requires the consent of the surrendering company.
- (2) A consortium claim also requires the consent of each member of the consortium.
- (3) The necessary consent or consents must be given—
- (a) by notice in writing,
  - (b) to the officer of the Board to whom the surrendering company makes its company tax returns,
  - (c) at or before the time the claim is made.
- Otherwise the claim is ineffective.
- (4) A claim for group relief is ineffective unless it is accompanied by a copy of the notice of consent to surrender given by the surrendering company.
- (5) A consortium claim is ineffective unless it is also accompanied by a copy of the notice of consent to surrender given by each member of the consortium.

### Modifications etc. (not altering text)

**C36** Sch. 18 para. 70(1)(3)(4) applied (with modifications) (31.3.2001 with effect as mentioned in reg. 1(2) of the amending S.I.) by [S.I. 2001/1163](#), [regs. 1, 8](#)

### *Notice of consent*

- 71 (1) Notice of consent by the surrendering company must contain all the following details—
- (a) the name of the surrendering company;
  - (b) the name of the company to which relief is being surrendered;
  - (c) the amount of relief being surrendered;
  - (d) the accounting period of the surrendering company to which the surrender relates;
  - (e) the tax district references of the surrendering company and the company to which relief is being surrendered.
- Otherwise the notice is ineffective.
- (2) Notice of consent may not be amended, but it may be withdrawn and replaced by another notice of consent.
- (3) Notice of consent may be withdrawn by notice to the officer of the Board to whom the notice of consent was given.
- (4) Except where the consent is withdrawn under paragraph 75 (withdrawal in consequence of reduction of amount available for surrender), the notice of

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withdrawal must be accompanied by a notice signifying the consent of the claimant company to the withdrawal.

Otherwise the notice is ineffective.

- (5) The claimant company must, so far as it may do so, amend its company tax return for the accounting period for which the claim was made so as to reflect the withdrawal of consent.

**Modifications etc. (not altering text)**

**C37** Sch. 18 para. 71 applied (with modifications) (31.3.2001 with effect as mentioned in reg. 1(2) of the amending S.I.) by [S.I. 2001/1163](#), [regs. 1, 8](#)

*Notice of consent requiring amendment of return*

- 72 (1) Where notice of consent by the surrendering company is given after the company has made a company tax return for the period to which the surrender relates, the surrendering company must at the same time amend its return so as to reflect the notice of consent.
- (2) Where notice of consent by the surrendering company relates to a loss in respect of which relief has been given under section 393(1) of the Taxes Act 1988 (carry forward of trading losses), the surrendering company must at the same time amend its company tax return for the period or, if more than one, each of the periods in which relief for that loss has been given under section 393(1) so as to reflect the new notice of consent.

For this purpose relief under section 393(1) is treated as given for losses incurred in earlier accounting periods before losses incurred in later accounting periods.

- (3) The time limits otherwise applicable to amendment of a company tax return do not prevent an amendment being made under sub-paragraph (1) or (2).
- (4) If the surrendering company fails to comply with sub-paragraph (1) or (2), the notice of consent is ineffective.

**Modifications etc. (not altering text)**

**C38** Sch. 18 para. 72(1)(4) applied (with modifications) (31.3.2001 with effect as mentioned in reg. 1(2) of the amending S.I.) by [S.I. 2001/1163](#), [regs. 1, 8](#)

*Withdrawal or amendment of claim*

- 73 (1) A claim for group relief may be withdrawn by the claimant company only by amending its company tax return.
- (2) A claim for group relief may not be amended, but must be withdrawn and replaced by another claim.



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**Modifications etc. (not altering text)**

- C39** Sch. 18 para. 73 applied (with modifications) (31.3.2001 with effect as mentioned in reg. 1(2) of the commencing Regulations) by [S.I. 2001/1163](#), [regs. 1, 8](#)

*Time limit for claims*

- 74 (1) A claim for group relief may be made or withdrawn at any time up to whichever is the last of the following dates—
- (a) the first anniversary of the filing date for the company tax return of the claimant company for the accounting period for which the claim is made;
  - (b) if notice of enquiry is given into that return, 30 days after the enquiry is completed;
  - (c) if after such an enquiry [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>amends] the return under paragraph 34(2), 30 days after notice of the amendment is issued;
  - (d) if an appeal is brought against such an amendment, 30 days after the date on which the appeal is finally determined.

- (2) A claim for group relief may be made or withdrawn at a later time if [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>allows] it.

- (3) The time limits otherwise applicable to amendment of a company tax return do not apply to an amendment to the extent that it makes or withdraws a claim for group relief within the time allowed by or under this paragraph.

- (4) The references in sub-paragraph (1) to an enquiry into a company tax return do not include an enquiry restricted to a previous amendment making or withdrawing a claim for group relief.

An enquiry is so restricted if—

- (a) the scope of the enquiry is limited as mentioned in paragraph 25(2), and
- (b) the amendment giving rise to the enquiry consisted of the making or withdrawing of a claim for group relief.

**Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); [S.I. 2005/1126](#), art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(c\)](#); [S.I. 2005/1126](#), art. 2(2)(h)

**Modifications etc. (not altering text)**

**C40** Sch. 18 para. 74 applied by [Income and Corporation Taxes Act 1988 \(c. 1\)](#), Sch. 19B para. 15(3) (as inserted (22.7.2004) by [Finance Act 2004 \(c. 12\)](#), [Sch. 38](#))

**C41** Sch. 18 para. 74 applied by [Income and Corporation Taxes Act 1988 \(c. 1\)](#), Sch. 19C paras. 14(2), 15(3) (as inserted (19.7.2006) by [Finance Act 2006 \(c. 25\)](#), [Sch. 19](#))



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### *Reduction in amount available for surrender*

- 75 (1) This paragraph applies if, after the surrendering company has given one or more notices of consent to surrender, the [<sup>F126</sup>total amount available for surrender] is reduced to less than the amount stated in the notice, or the total of the amounts stated in the notices, as being surrendered.
- (2) The company must within 30 days withdraw the notice of consent, or as many of the notices as is necessary to bring the total amount surrendered within the new [<sup>F127</sup>total] amount available for surrender, and may give one or more new notices of consent.
- (3) The company must give notice in writing of the withdrawal of consent, and send a copy of any new notice of consent—
- to each of the companies affected, and
  - to [<sup>F69</sup>an officer of Revenue and Customs].
- (4) If the surrendering company fails to act in accordance with sub-paragraph (2), [<sup>F69</sup>an officer of Revenue and Customs] may by notice to the surrendering company give such directions as [<sup>F91</sup>he thinks] fit as to which notice or notices are to be ineffective or are to have effect in a lesser amount.
- This power shall not be exercised to any greater extent than is necessary to secure that the total amount stated in the notice or notices is consistent with the [<sup>F127</sup>total] amount available for surrender.
- (5) [<sup>F69</sup>An officer of Revenue and Customs] must at the same time send a copy of the notice to the claimant company, or each claimant company, affected by [<sup>F91</sup>his] action.
- (6) A claimant company which receives—
- notice of the withdrawal of consent, or a copy of a new notice of consent, under sub-paragraph (3), or
  - a copy of a notice containing directions by [<sup>F69</sup>an officer of Revenue and Customs] under sub-paragraph (4),
- must, so far as it may do so, amend its company tax return for the accounting period for which the claim is made so that it is consistent with the new position with regard to consent to surrender.
- (7) An appeal may be brought by the surrendering company against any directions given by [<sup>F69</sup>an officer of Revenue and Customs] under sub-paragraph (4).
- (8) Notice of appeal must be given—
- in writing,
  - within 30 days after the notice containing the directions was issued,
  - to the officer of the Board by whom the notice was given.

#### **Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)

**F126** Words in Sch. 18 para. 75(1) substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by [1999 c. 16, s. 92\(2\)\(a\)\(7\)](#)

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**F127** Words in Sch. 18 para. 75(2)(4) inserted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 92(2)(b)(7)

**Modifications etc. (not altering text)**

**C42** Sch. 18 para. 75 applied (with modifications) (31.3.2001 with effect as mentioned in reg. 1(2) of the commencing Regulations) by S.I. 2001/1163, regs. 1, 8

*F128 [Assessment on other claimant companies]*

**Textual Amendments**

**F128** Sch. 18 para. 75A and crossheading inserted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 92(3)(7)

[<sup>F129</sup>75(A)] This paragraph applies where, after the surrendering company has given notice of consent to surrender, a claimant company (“the chargeable company”) has become liable to tax in consequence of receiving—

- (a) notice of the withdrawal of consent, or a copy of a new notice of consent, under paragraph 75(3), or
- (b) a copy of a notice containing directions by [<sup>F69</sup>an officer of Revenue and Customs] under paragraph 75(4).

(2) If any of the tax is unpaid six months after the chargeable company’s time limit for claims, [<sup>F69</sup>an officer of Revenue and Customs] may make an assessment to tax in the name of the chargeable company on any other company that has obtained group relief as a result of the surrender.

(3) The assessment may not be made more than two years after that time limit.

(4) The amount of the assessment must not exceed—

- (a) the amount of the unpaid tax, or
- (b) if less, the amount of tax which the other company saves by virtue of the surrender.

(5) A company assessed to an amount of tax under sub-paragraph (2) is entitled to recover from the chargeable company—

- (a) a sum equal to that amount, and
- (b) any interest on that amount which it has paid under section 87A of the <sup>M79</sup>Taxes Management Act 1970 (interest on unpaid corporation tax).

(6) For the purposes of this paragraph the chargeable company’s time limit for claims is the last of the dates mentioned in paragraph 74(1) on which the chargeable company could make or withdraw a claim for group relief for the accounting period for which the claim in question is made.]

**Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), Sch. 4 para. 68(a); S.I. 2005/1126, art. 2(2)(h)

**F129** Sch. 18 Pt. VIII para. 75A inserted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 92(3)(7)

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#### Modifications etc. (not altering text)

**C43** Sch. 18 para. 75A applied (with modifications) (31.3.2001 with effect as mentioned in reg. 1(2) of the commencing Regulations) by [S.I. 2001/1163](#), [regs. 1, 8](#)

#### Marginal Citations

**M79** [1970 c.9.](#)

#### *Assessment to recover excessive group relief*

- 76 (1) If [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>discovers] that any group relief which has been given is or has become excessive, [<sup>F91</sup>he] may make an assessment to tax in the amount which in [<sup>F91</sup>his] opinion ought to be charged.
- (2) This power is without prejudice to—
- (a) the power to make a discovery assessment under paragraph 41(1);
  - (b) the making of all such adjustments by way of discharge or repayment of tax or otherwise as may be required where a claimant company has obtained too much relief, or a surrendering company has forgone relief in respect of a corresponding amount.
- <sup>F130</sup>(3) If an assessment under this paragraph is made because a claimant company fails, or is unable, to amend its company tax return under paragraph 75(6), the assessment is not out of time if it is made within one year from—
- (a) the date on which the surrendering company gives notice of the withdrawal of consent, or (if later) sends a copy of a new notice of consent, to the claimant company under paragraph 75(3), or
  - (b) the date on which [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>sends] the claimant company a copy of a notice containing [<sup>F91</sup>his] directions under paragraph 75(4).]

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), [s. 53\(1\)](#), [Sch. 4 para. 68\(a\)](#); [S.I. 2005/1126](#), [art. 2\(2\)\(h\)](#)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), [s. 53\(1\)](#), [Sch. 4 para. 68\(c\)](#); [S.I. 2005/1126](#), [art. 2\(2\)\(h\)](#)

**F130** Sch. 18 para. 76(3) added (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by [1999 c. 16](#), [s. 92\(4\)\(7\)](#)

#### Modifications etc. (not altering text)

**C44** Sch. 18 para. 76 applied (with modifications) (31.3.2001 with effect as mentioned in reg. 1(2) of the amending S.I.) by [S.I. 2001/1163](#), [regs. 1, 8](#)

#### *Joint amended returns*

- 77 (1) The Treasury may by regulations make provision for arrangements under which—
- (a) a claim for group relief may be made without being accompanied by a copy of the notice of consent to surrender given by the surrendering company [<sup>F131</sup>, provided authority for the claim being so made is given by a company

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- which is authorised in relation to the claimant company as mentioned in paragraph (b)], and
- (b) one company may be authorised to act on behalf of two or more companies in the same group in amending their company tax returns for the purpose of claiming or surrendering group relief or revising the amounts of group relief claimed or surrendered by them.
- (2) Regulations under this paragraph may add to, exclude or modify the operation of any provisions of this Part of this Schedule to such extent as the Treasury think necessary or expedient for the purpose of, or in connection with, such arrangements.
- (3) Provision may in particular be made—
- (a) altering the conditions for making and withdrawing claims for group relief, and
- (b) giving [<sup>F69</sup>an officer of Revenue and Customs] power to recover from the authorised company or another company in the group any amount which might be recovered from the claimant company by an assessment under paragraph 76.

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F131** Words in Sch. 18 para. 77(1)(a) inserted (28.7.2000) by [2000 c. 17, s. 99](#)

#### *[<sup>F132</sup>Claims in respect of overseas losses of non-resident companies*

#### Textual Amendments

**F132** Sch. 18 para. 77A and cross-heading inserted (with effect in accordance with Sch. 1 para. 9 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 1 para. 8](#)

- 77A (1) This paragraph applies if a claim for group relief is made in respect of any loss or other amount as a result of the condition in section 402(2A) of the Taxes Act 1988 being satisfied (relief in respect of overseas losses of non-resident companies).
- (2) In relation to the surrendering company, this Part of this Schedule applies as if—
- (a) references to the relief being surrendered were to the EEA amount and to the relief being claimed, and
- (b) references to its accounting period were to its deemed accounting period under Part 2 of Schedule 18A to the Taxes Act 1988.
- (3) Notice of consent of the surrendering company—
- (a) is to be given to the officer of the Board under paragraph 70(3)(b) by the claimant company (and not by the surrendering company), and
- (b) is to be given to the officer to whom the claimant company makes its company tax returns.
- (4) If the surrendering company is not within the charge to income or corporation tax, the requirement under paragraph 71(1)(e) for notice of consent by the surrendering company to contain details of its tax district reference is not to apply.

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- (5) If notice of consent is withdrawn under paragraph 71, the notice of the withdrawal is to be given to the officer of the Board by the claimant company (and not by the surrendering company).
- (6) If notice of consent is withdrawn under paragraph 75—
  - (a) the notice of withdrawal, and any copy of any new notice of consent, is to be sent to an officer of Revenue and Customs by the claimant company (and not by the surrendering company), and
  - (b) any notice containing directions by an officer of Revenue and Customs under sub-paragraph (4) of that paragraph is to be given to the claimant company (and not to the surrendering company).
- (7) The remaining provisions of that paragraph, and the rest of this Part of this Schedule, are, accordingly, to be read with the appropriate modifications (so that, in particular, it is the claimant company (and not the surrendering company) which can bring an appeal under paragraph 75(7)).
- (8) A notice under paragraph 27 (notice to produce documents etc for purposes of an enquiry) given to the claimant company may require the claimant company—
  - (a) to explain why the EEA amount meets the conditions mentioned in subsection (2)(a) to (d) of section 403F of the Taxes Act 1988 and is not prevented from being surrendered by section 403G of that Act, and
  - (b) to provide details of the recalculation required under Part 2 of Schedule 18A to that Act in relation to the EEA amount.
- (9) Except where expressly indicated, requirements imposed under this paragraph are in addition to those imposed apart from this paragraph.
- (10) In this paragraph “the EEA amount” has the same meaning as in Part 2 of Schedule 18A to the Taxes Act 1988.]

## PART IX

### CLAIMS FOR CAPITAL ALLOWANCES

**Modifications etc. (not altering text)**

C45 Sch. Pt. IX applied (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 135(5) (with Sch. 3 Pt. IV paras. 54, 55)

#### *Introduction*

- [<sup>F133</sup>78 This Part of this Schedule applies to claims for allowances under the Capital Allowances Act which—
- (a) are made for corporation tax purposes, and
  - (b) are required under section 3 of that Act to be included in a tax return.]

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

#### Textual Amendments

**F133** Sch. 18 para. 78 substituted (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, ss. 578, 579, **Sch. 2 para. 103(1)**

#### *Claim to be included in company tax return*

- [<sup>F134</sup>79(1) A claim for capital allowances must be included in the claimant company's company tax return for the accounting period for which the claim is made.]
- (2) It may be included in the return originally made or by amendment.

#### Textual Amendments

**F134** Sch. 18 para. 79(1) substituted (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, ss. 578, 579, **Sch. 2 para. 103(2)**

#### *Content of claims*

- 80 A claim for capital allowances must specify the amount claimed, which must be an amount which is quantified at the time the claim is made.

#### *Amendment or withdrawal of claim*

- 81 A claim for capital allowances may be amended or withdrawn by the claimant company only by amending its company tax return.

#### *Time limit for claims*

- 82 (1) A claim for capital allowances may be made, amended or withdrawn at any time up to whichever is the last of the following dates—
- (a) the first anniversary of the filing date for the company tax return of the claimant company for the accounting period for which the claim is made;
  - (b) if notice of enquiry is given into that return, 30 days after the enquiry is completed;
  - (c) if after such an enquiry [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>amends] the return under paragraph 34(2), 30 days after notice of the amendment is issued;
  - (d) if an appeal is brought against such an amendment, 30 days after the date on which the appeal is finally determined.
- (2) A claim for capital allowances may be made, amended or withdrawn at a later time if [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>allows] it.
- (3) The time limits otherwise applicable to amendment of a company tax return do not apply to an amendment to the extent that it makes, amends or withdraws a claim for capital allowances within the time allowed by or under this paragraph.
- (4) The references in sub-paragraph (1) to an enquiry into a company tax return do not include an enquiry restricted to a previous amendment making, amending or withdrawing a claim for capital allowances.

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

An enquiry is so restricted if—

- (a) the scope of the enquiry is limited as mentioned in paragraph 25(2), and
- (b) the amendment giving rise to the enquiry consisted of the making, amending or withdrawing of a claim for capital allowances.

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)

#### *Consequential amendment of return for another accounting period*

- 83 (1) This paragraph applies if the effect of a claim for capital allowances is to reduce the amount available by way of capital allowances for another accounting period of the company for which a company tax return has been delivered.
- (2) The company has 30 days within which to make any necessary amendments of the company tax return for that other period.
- (3) If it does not do so, [<sup>F69</sup>an officer of Revenue and Customs] may by notice in writing to the company amend the return to make it consistent with the amount available by way of capital allowances.
- (4) The time limits otherwise applicable to amendment of a company tax return do not prevent an amendment being made under sub-paragraph (2) or (3).
- (5) An appeal may be brought by the company against any such amendment.
- (6) Notice of appeal must be given—
- (a) in writing,
  - (b) within 30 days after notice of the amendment was issued,
  - (c) to the officer of the Board by whom the notice of amendment was issued.

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

## [<sup>F135</sup>PART IXA

### CLAIMS FOR [<sup>F136</sup>R&D TAX RELIEF]

#### Textual Amendments

- F135** [Sch. 18 Pt. 9A](#) (paras. 83A-83F) inserted (28.7.2000 with effect as mentioned in [s. 69\(1\)](#) of the amending Act) by 2000 c. 17, s. 69(2), [Sch. 21 para. 4](#)



*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

**F136** Words in Sch. 18 Pt. 9A title substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 3 para. 5**

### *Introduction*

83A This Part of this Schedule applies to [<sup>F137</sup>claims for R&D tax relief] under Schedule 20 to the Finance Act 2000.

#### **Textual Amendments**

**F137** Words in Sch. 18 para. 83A substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 3 para. 3**

### *Claim to be included in company tax return*

83B (1) A [<sup>F138</sup>claim to which this Part of this Schedule applies] must be made by being included in the claimant company's company tax return for the accounting period for which the claim is made.

(2) It may be included in the return originally made or by amendment.

#### **Textual Amendments**

**F138** Words in Sch. 18 para. 83B(1) substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 3 para. 4(a)**

### *Content of claim*

83C A [<sup>F139</sup>claim to which this Part of this Schedule applies] must specify the amount of the relief claimed, which must be an amount quantified at the time the claim is made.

#### **Textual Amendments**

**F139** Words in Sch. 18 para. 83C substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 3 para. 4(b)**

### *Amendment or withdrawal of claim*

83D A [<sup>F140</sup>claim to which this Part of this Schedule applies] may be amended or withdrawn by the claimant company only by amending its company tax return.

#### **Textual Amendments**

**F140** Words in Sch. 18 para. 83D substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 3 para. 4(c)**



*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

### *Time limit for claims*

- 83E (1) A [<sup>F141</sup>claim to which this Part of this Schedule applies] may be made, amended or withdrawn at any time up to the first anniversary of the filing date for the company tax return of the claimant company for the accounting period for which the claim is made.
- (2) The claim may be made, amended or withdrawn at a later date if [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>allows] it.

#### **Textual Amendments**

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)
- F141** Words in Sch. 18 para. 83E(1) substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 3 para. 4\(d\)](#)

### *Penalty*

- 83F (1) The company is liable to a penalty where it—
- fraudulently or negligently makes a claim for an R&D tax credit which is incorrect, or
  - discovers that a claim for an R&D tax credit made by it (neither fraudulently or negligently) is incorrect and does not remedy the error without unreasonable delay.
- (2) The penalty is an amount not exceeding the excess R&D tax credit claimed, that is, the difference between—
- the amount of the R&D tax credit to which the company is entitled for the accounting period to which the claim relates, and
  - the amount of the R&D tax credit claimed by the company for that period.]

## **[<sup>F142</sup>PART 9B**

### CLAIMS RELATING TO REMEDIATION OF CONTAMINATED LAND

#### **Textual Amendments**

- F142** Sch. 18 Pt. 9B inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by virtue of [2001 c. 9, s.70](#), [Sch. 23 para. 6](#)

### *Introduction*

- <sup>F143</sup>83G This Part of this Schedule applies to claims for—
- land remediation tax credits under paragraph 14 of Schedule 22 to the Finance Act 2001 (“land remediation tax credits”), and
  - life assurance company tax credits under paragraph 24 of that Schedule (“life assurance company tax credits”).

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

**Textual Amendments**

**F143** Sch. 18 Pt. 9B para. 83G inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s. 70, **Sch. 23 para. 6**

*Claim to be included in company tax return*

<sup>F144</sup>83H(1) A claim for a land remediation tax credit or a life assurance company tax credit must be made by being included in the claimant company's company tax return for the accounting period for which the claim is made.

(2) It may be included in the return originally made or by amendment.

**Textual Amendments**

**F144** Sch. 18 Pt. 9B para. 83H inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s. 70, **Sch. 23 para. 6**

*Content of claim*

<sup>F145</sup>83I A claim for a land remediation tax credit or a life assurance company tax credit must specify the amount of the tax credit claimed, which must be an amount quantified at the time the claim is made.

**Textual Amendments**

**F145** Sch. 18 Pt. 9B para. 83I inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s. 70, **Sch. 23 para. 6**

*Amendment or withdrawal of claim*

<sup>F146</sup>83J A claim for a land remediation tax credit or a life assurance company tax credit may be amended or withdrawn by the claimant company only by amending its company tax return.

**Textual Amendments**

**F146** Sch. 18 Pt. 9B para. 83J inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s. 70, **Sch. 23 para. 6**

*Time limit for claims*

<sup>F147</sup>83K(1) A claim for a land remediation tax credit or a life assurance company tax credit may be made, amended or withdrawn at any time up to the first anniversary of the filing date for the company tax return of the claimant company for the accounting period for which the claim is made.

(2) The claim may be made, amended or withdrawn at a later date if [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>allows] it.

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)
- F147** Sch. 18 Pt. 9B para. 83K inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s. 70, [Sch. 23 para. 6](#)

#### Penalty

- <sup>F148</sup>83L(1) The company is liable to a penalty where it—
- (a) fraudulently or negligently makes a claim for a land remediation tax credit or a life assurance company tax credit and that claim is incorrect, or
  - (b) discovers that such a claim made by it (neither fraudulently nor negligently) is incorrect and does not remedy the error without unreasonable delay.
- (2) The penalty is an amount not exceeding the excess land remediation tax credit or excess life assurance company tax credit claimed, that is, the difference between—
- (a) the amount of the land remediation tax credit or the life assurance company tax credit claimed by the company for the accounting period to which the claim relates, and
  - (b) the amount of the land remediation tax credit or the life assurance company tax credit to which the company is entitled for that period.]

#### Textual Amendments

- F148** Sch. 18 Pt. 9B para. 83L inserted (11.5.2001 with effect as mentioned in s. 70 of the amending Act) by 2001 c. 9, s. 70, [Sch. 23 para. 6](#)

### [<sup>F149</sup>PART 9BA

#### CLAIMS FOR RELIEF UNDER SCHEDULE 12 TO THE FINANCE ACT 2002

#### Textual Amendments

- F149** Sch. 18 Pt. 9BA inserted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 3 para. 6](#)

#### Introduction

- 83LA This Part of this Schedule applies to claims for relief under Schedule 12 to the Finance Act 2002.

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

*Claim to be included in company tax return*

- 83LB (1) A claim to which this Part of this Schedule applies must be made by being included in the claimant company's company tax return for the accounting period for which the claim is made.
- (2) It may be included in the return originally made or by amendment.

*Content of claim*

- 83LC A claim to which this Part of this Schedule applies must specify the amount of the relief claimed, which must be an amount quantified at the time the claim is made.

*Amendment or withdrawal of claim*

- 83LD A claim to which this Part of this Schedule applies may be amended or withdrawn by the claimant company only by amending its company tax return.

*Time limit for claims*

- 83LE (1) A claim to which this Part of this Schedule applies may be made, amended or withdrawn at any time up to the first anniversary of the filing date for the company tax return of the claimant company for the accounting period for which the claim is made.
- (2) The claim may be made, amended or withdrawn at a later date if an officer of Revenue and Customs allows it.]

**[<sup>F150</sup>PART 9C**

CLAIMS FOR [<sup>F151</sup>RELIEF] UNDER SCHEDULE 13 TO THE FINANCE ACT 2002

**Textual Amendments**

**F150** Sch. 18 Pt. 9C inserted (24.7.2002 with effect as mentioned in [Sch. 14 para. 5](#) of the amending Act) by [2002 c. 23, s. 54](#), [Sch. 14 para. 4](#)

**F151** Word in Sch. 18 Pt. 9C title substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 3 para. 9](#)

*Introduction*

- 83M This Part of this Schedule applies to [<sup>F152</sup>claims for relief] under Schedule 13 to the Finance Act 2002 (vaccine research etc).

**Textual Amendments**

**F152** Words in Sch. 18 para. 83M substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 3 para. 7](#)

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

*Claim to be included in company tax return*

- 83N (1) A claim to which this Part of this Schedule applies must be made by being included in the claimant company's company tax return for the accounting period for which the claim is made.
- (2) It may be included in the return originally made or by amendment.

*Content of claim*

- 83O A claim to which this Part of this Schedule applies must specify the amount of the relief claimed, which must be an amount quantified at the time the claim is made.

*Amendment or withdrawal of claim*

- 83P A claim to which this Part of this Schedule applies may be amended or withdrawn by the claimant company only by amending its company tax return.

*Time limit for claims*

- 83Q (1) A claim to which this Part of this Schedule applies may be made, amended or withdrawn at any time up to the first anniversary of the filing date for the company tax return of the claimant company for the accounting period for which the claim is made.
- (2) The claim may be made, amended or withdrawn at a later date if [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>allows] it.

**Textual Amendments**

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(e\)](#); S.I. 2005/1126, art. 2(2)(h)

*Penalty*

- 83R (1) The company is liable to a penalty where it—
- fraudulently or negligently makes [<sup>F153</sup>a claim for a tax credit under Schedule 13 to the Finance Act 2002] which is incorrect, or
  - discovers that such a claim made by it (neither fraudulently nor negligently) is incorrect and does not remedy the error without unreasonable delay.
- (2) The penalty is an amount not exceeding the excess credit claimed, that is, the difference between—
- the amount of the credit to which the company is entitled under Schedule 13 to the Finance Act 2002 for the accounting period to which the claim relates, and
  - the amount of such credit claimed by the company for that period.]

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

**Textual Amendments**

**F153** Words in Sch. 18 para. 83R(1)(a) substituted (with effect in accordance with Sch. 3 para. 10 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 3 para. 8**

[<sup>F154</sup>**PART 9D**

CLAIMS FOR FILM TAX RELIEF

**Textual Amendments**

**F154** Sch. 18 Pt. 9D inserted (1.1.2007) by [Finance Act 2006 \(c. 25\)](#), s. 53(1), **Sch. 5 para. 29**; S.I. 2006/3399, art. 2

*Introduction*

83S This Part of this Schedule applies to claims for film tax relief.

*Claim to be included in company tax return*

- 83T (1) A claim to which this Part of this Schedule applies must be made by being included in the claimant company's tax return for the accounting period for which the claim is made.
- (2) It may be included in the return originally made or by amendment.

*Content of claim*

83U A claim to which this Part of this Schedule applies must specify the amount of the relief claimed, which must be an amount quantified at the time the claim is made.

*Amendment or withdrawal of claim*

83V A claim to which this Part of this Schedule applies may be amended or withdrawn by the claimant company only by amending its company tax return.

*Time limits for claim*

- 83W (1) A claim to which this part of this Schedule applies may be made, amended or withdrawn at any time up to the first anniversary of the filing date for the company tax return of the claimant company for the accounting period for which the claim is made.
- (2) The claim may be made, amended or withdrawn at a later date if an officer of Revenue and Customs allows it.

*Penalty*

83X (3) The company is liable to a penalty where it—

*Status: Point in time view as at 06/04/2008.*

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- (a) fraudulently or negligently makes a claim for a film tax credit that is incorrect, or
  - (b) discovers that a claim for a film tax credit made by it (neither fraudulently nor negligently) is incorrect and does not remedy the error without unreasonable delay.
- (4) The penalty is an amount not exceeding the excess film tax credit claimed, that is, the difference between—
- (a) the amount (if any) of the film tax credit to which the company is entitled for the accounting period to which the claim relates, and
  - (b) the amount of the film tax credit claimed by the company for that period.]

## PART X

### SPECIAL PROVISIONS

#### *Choice between different Cases of Schedule D*

- 84<sup>F155</sup>(1) This paragraph applies where amounts may be brought into charge to tax either—
- (a) in computing profits chargeable to tax under Case I of Schedule D, or
  - (b) as amounts within Case III or V of that Schedule.]
- (4) Where this paragraph applies, [<sup>F69</sup>an officer of Revenue and Customs] may by notice require a company—
- (a) to produce to [<sup>F91</sup>him] such documents in the company's power or possession, and
  - (b) to provide [<sup>F91</sup>him] with such information, in such form,
- as [<sup>F91</sup>he] may reasonably require for the purpose of determining which basis of charge is to be used for an accounting period.
- The provisions of paragraphs 27 to 29 (notice to produce documents, etc. for purposes of enquiry: supplementary provisions and penalty) apply in relation to such a notice.
- (5) A determination by [<sup>F69</sup>an officer of Revenue and Customs] under this paragraph is final and conclusive as to the basis of charge to be used for the accounting period concerned.

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)
- F155** Sch. 18 para. 84(1) substituted for Sch. 18 para. 84(1)-(3) (with effect in accordance with s. 39(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 8 para. 21](#) (with Sch. 8 Pt. 2)

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

*Non-annual accounting of general insurance business*

- 85 (1) This paragraph applies where a company carrying on insurance business delivers a company tax return based wholly or partly on accounts drawn up using the method described in paragraph 52 of Schedule 9A to the <sup>M80</sup>Companies Act 1985.

That paragraph provides for a technical provision to be made in the accounts which is later replaced by a provision for estimated claims outstanding.

- (2) Where this paragraph applies—
- (a) the company may make any amendments of its return arising from the replacement of the technical provision at any time within twelve months from the date on which the provision was replaced, and
  - (b) [<sup>F69</sup>an officer of Revenue and Customs] may give notice of enquiry into the return at any time up to two years from that date.
- (3) Nothing in this paragraph prevents notice of enquiry being given at any later time in accordance with the general rule in paragraph 24(3).

**Textual Amendments**

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**Marginal Citations**

**M80** 1985 c. 6.

*Insurance companies with non-annual actuarial investigations*

<sup>F156</sup>86 .....

**Textual Amendments**

**F156** Sch. 18 para. 86 repealed (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 16\(7\)](#), [Sch. 27 Pt. 2\(10\)](#)

*Friendly societies with non-annual actuarial investigations*

- 87 (1) This paragraph applies where a company tax return is delivered by a friendly society which is required by section [<sup>F157</sup>5.2 of the Prudential Sourcebook (Friendly Societies)] to cause an investigation to be made into its financial condition at least once in every period of three years.

- (2) Where this paragraph applies—
- (a) the society may make any amendments of its return arising from the relevant investigation at any time within 15 months from the date as at which that investigation is carried out, and
  - (b) [<sup>F69</sup>an officer of Revenue and Customs] may give notice of enquiry into the return at any time up to 27 months from that date.

- (3) “The relevant investigation” means—



*Status: Point in time view as at 06/04/2008.*

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- (a) if the return is for a period as at the end of which there is carried out an investigation under section [F157 5.2 of the Prudential Sourcebook (Friendly Societies)] into the financial condition of the society, that investigation;
- (b) if the return is not for such a period, the first such investigation to be made into the financial condition of the company as at the end of a subsequent period.

[F158 (4) In this paragraph “the Prudential Sourcebook (Friendly Societies)” means the Interim Prudential Sourcebook for Friendly Societies made by the Financial Services Authority under the Financial Services and Markets Act 2000 F159.]

#### Textual Amendments

- F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)
- F157** Words in Sch. 18 paras. 87(1)(3) substituted (1.12.2001 with effect as mentioned in art. 103(5) of the amending S.I.) by [S.I. 2001/3629, art. 103\(4\)\(a\)\(5\)](#)
- F158** Sch. 18 para. 87(4) inserted (1.12.2001 with effect as mentioned in art. 103(5) of the amending S.I.) by [S.I. 2001/3629, art. 103\(4\)\(b\)\(5\)](#)
- F159** This sourcebook is part of the FSA Handbook. The FSA Handbook may be purchased on paper and on CD Rom from the Publications Department (Sales), Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS and is available on line at [www.fsa.gov.uk](http://www.fsa.gov.uk).

## PART XI

### SUPPLEMENTARY PROVISIONS

#### *Conclusiveness of amounts stated in return*

- 88 (1) This paragraph applies to an amount stated in a company tax return for an accounting period which is required to be included in the return and which affects or may affect—
- (a) the tax payable by the company making the return for another accounting period, or
  - (b) the tax liability of another company for any accounting period.
- (2) If such an amount can no longer be altered it is taken to be conclusively determined for the purposes of the Corporation Tax Acts in relation to that other period or other company.
- Sub-paragraphs (3) to (5) explain what is meant by can no longer be altered.
- (3) An amount is regarded as one that can no longer be altered if—
- (a) the period specified in paragraph 15(4) (general period for amendment by company) has ended,
  - (b) any enquiry into the return has been completed and the period specified in paragraph 34(1) (period for amendment by company after enquiry) has ended,
  - (c) if [F69 an officer of Revenue and Customs][F91 amends] the return under paragraph 34(2), the period within which an appeal may be brought against that amendment has ended, and
  - (d) if an appeal is brought, the appeal has been finally determined.

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- (4) If the return is amended by the company under a provision that allows an amendment after the end of the period specified in paragraph 15(4), an amount affected by the amendment ceases to be regarded as one that can no longer be altered until after whichever is the last of the following—
- (a) the end of the period within which notice of enquiry into the return may be given in consequence of the amendment;
  - (b) if such a notice is given, the end of the period specified in paragraph 34(1);
  - (c) if [<sup>F69</sup>an officer of Revenue and Customs][<sup>F91</sup>amends] the return under paragraph 34(2), the end of the period within which an appeal against that amendment may be brought;
  - (d) if an appeal is brought, the date on which the appeal is finally determined.
- (5) If the return is amended by [<sup>F69</sup>an officer of Revenue and Customs] under paragraph 83(3) (consequential amendment of return where amount available by way of capital allowances is reduced), an amount affected by the amendment ceases to be regarded as one that can no longer be altered until after—
- (a) the end of the period within which an appeal against that amendment may be brought, or
  - (b) if an appeal is brought, the date on which the appeal is finally determined.
- (6) For the purposes of this paragraph an amount carried forward from a period for which a return was made under section 11 of the <sup>M81</sup>Taxes Management Act 1970 is not regarded as one required to be included in a company tax return for a later period.
- (7) Nothing in this paragraph affects any power to make an assessment other than a self-assessment or the power to make a discovery determination.

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(a\)](#); S.I. 2005/1126, art. 2(2)(h)

**F91** Words in Sch. 18 substituted (18.4.2005) by virtue of [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 68\(c\)](#); S.I. 2005/1126, art. 2(2)(h)

#### Modifications etc. (not altering text)

**C46** Sch. 18 para. 88 excluded (24.7.2002 with effect as mentioned in s. 80(2) of [2002 c. 23](#)) by [1993 c. 34](#), [ss. 94AA\(7\)](#), [94AB\(4\)](#) (as substituted by [2002 c. 23](#), s. 80, [Sch. 24 paras. 5, 6](#))

#### Marginal Citations

**M81** [1970 c. 9](#).

### *Penalty for fraud or negligence*

<sup>F160</sup>89 . . . . .

#### Textual Amendments

**F160** Sch. 18 para. 89 repealed (1.4.2008 for specified purposes, 1.7.2008 for specified purposes, 1.1.2009 for specified purposes, 1.4.2009 in so far as not already in force) by [Finance Act 2007 \(c. 11\)](#), s. 97(2),

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Sch. 24 para. 29(c), **Sch. 27 Pt. 5(5)**; S.I. 2008/568, art. 2(a)(b)(c)(d)(e)(f) (with art. 3) (see also S.I. 2009/56, **Sch. 1 para. 265**)

*Multiple tax-related penalties in respect of same accounting period*

- 90 (1) This paragraph applies where a company incurs more than one penalty whose amount falls to be determined by reference to the tax payable by it for an accounting period.
- (2) Each penalty after the first shall be reduced so that the total amount of the penalties, so far as determined by reference to any particular part of the tax, does not exceed whichever is, or but for this paragraph would be, the greater or greatest of them, so far as so determined.

*European Economic Interest Groupings*

- 91 An act or omission such as is mentioned in section 98B of the <sup>M82</sup>Taxes Management Act 1970 (European Economic Interest Groupings: acts or omissions attracting penalties) on the part of a grouping, or a member of a grouping, is treated as the act or omission of each member of the grouping for the purposes of—
- paragraphs 43 and 46(2) (assessment in case of fraud or negligence), and  
paragraphs 61(2) and 65(1) (consequential claims in case of such an assessment).

**Marginal Citations**

**M82** 1970 c. 9.

*Notices of appeal*

- 92 (1) This paragraph applies in relation to any appeal under this Schedule.
- (2) The notice of appeal shall specify the grounds of appeal.
- (3) On the hearing of the appeal the Commissioners may allow the appellant to put forward grounds not specified in the notice, and take them into consideration, if satisfied that the omission was not wilful or unreasonable.

*General jurisdiction of Special or General Commissioners*

- 93 (1) This paragraph applies in relation to an appeal against—
- (a) an amendment of a self-assessment under paragraph 30, or
  - (b) an amendment of a company tax return under paragraph 34(2), or
  - (c) an assessment to tax other than a self-assessment, or
  - (d) a discovery determination.
- (2) An appeal against a decision of the Board shall be to the Special Commissioners.
- [<sup>F161</sup>2A) Unless the Special Commissioners otherwise direct, an appeal under paragraph 30 or 34(3) shall be to the Special Commissioners if—
- (a) the appeal relates to a return in relation to which notice of enquiry has been given under paragraph 24, and

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- (b) notice has been given under paragraph 31A referring a question relating to the subject-matter of that enquiry to the Special Commissioners.

This applies even if the notice of referral was subsequently withdrawn.]

- (3) Any other appeal shall be to the General Commissioners, subject—
- (a) to any provision made by or under Part V of the <sup>M83</sup>Taxes Management Act 1970, and
- (b) to any election under paragraph 94 below.

#### Textual Amendments

**F161** Sch. 18 Pt. XI para. 93(2A) inserted (11.5.2001 with effect as mentioned in s. 88(3) of the amending Act) by 2001 c. 9, s. 88, **Sch. 29 para. 13(2)**

#### Marginal Citations

**M83** 1970 c. 9.

#### *Election to take appeal to Special Commissioners*

- 94 (1) The appellant may elect (in accordance with section 46(1) of the <sup>M84</sup>Taxes Management Act 1970) to bring an appeal to which paragraph 93(3) would otherwise apply before the Special Commissioners.
- (2) Such an election shall be disregarded if—
- (a) the appellant and [<sup>F69</sup>an officer of Revenue and Customs] agree in writing, at any time before the determination of the appeal, that it is to be disregarded, or
- (b) the General Commissioners have given a direction under sub-paragraph (4) and have not revoked it.
- (3) At any time before the determination of an appeal in respect of which an election has been made, the inspector or other officer of the Board for the time being concerned with the proceedings, after giving notice to the appellant, may refer the election to the General Commissioners.
- (4) On any such reference the Commissioners shall, unless they are satisfied that the appellant has arguments to present or evidence to adduce on the [<sup>F162</sup>merits of the appeal], direct that the election be disregarded.
- (5) If, at any time [<sup>F163</sup>after the giving] of such a direction (but before the determination of the appeal) the General Commissioners are satisfied that the appellant has arguments to present or evidence to adduce on the merits of the appeal, they shall revoke the direction.
- (6) Any decision to give or revoke such a direction shall be final.

#### Textual Amendments

**F69** Words in Sch. 18 substituted (18.4.2005) by **Commissioners for Revenue and Customs Act 2005 (c. 11)**, s. 53(1), **Sch. 4 para. 68(a)**; S.I. 2005/1126, art. 2(2)(h)

**F162** Words in Sch. 18 para. 94(4) substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 93(1)(2), **Sch. 11 para. 9(a)**

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**F163** Words in Sch. 18 para. 94(5) substituted (27.7.1999 with effect in relation to accounting periods ending on or after 1.7.1999) by 1999 c. 16, s. 93(1)(2), **Sch. 11 para. 9(b)**

**Marginal Citations**

**M84** 1970 c. 9.

*Meaning of “the Inland Revenue”*

**F164**95 .....

**Textual Amendments**

**F164** Sch. 18 para. 95 repealed (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), Sch. 4 para. 68(b), **Sch. 5**; S.I. 2005/1126, art. 2(2)(h)(i)

*The self-assessment appointed day*

96 In this Schedule “the self-assessment appointed day” means the day appointed by the Treasury under section 199 of the <sup>M85</sup>Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (corporation tax self-assessment).

**Marginal Citations**

**M85** 1994 c. 9.

*Construction of references to assessment*

97 Any reference in the Tax Acts (however expressed) to a person being assessed to tax, or being charged to tax by an assessment, include a reference to his being so assessed, or being so charged—

- (a) by a self-assessment under this Schedule, or an amendment of such a self-assessment, or
- (b) by a determination under paragraph 36 or 37 of this Schedule (which, until superseded by a self-assessment, has effect as if it were one).

*Index of defined expressions*

98 In this Schedule the expressions listed below are defined or otherwise explained by the provisions indicated—

the Board	paragraph 95(6)
closure notice	paragraph 32(1)
company tax return	paragraph 3(1)
delivery (in relation to company tax return)	paragraph 4
discovery assessment	paragraph 41(1)
discovery determination	paragraph 41(2)

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filing date	paragraph 14
Inland Revenue	paragraph 95
notice of enquiry	paragraph 24(1)
notice requiring company tax return	paragraph 3(1)
self-assessment	paragraph 7
self-assessment appointed day	paragraph 96
tax	paragraph 1 (and see paragraphs 63(3) and 64(5))
tax payable	paragraph 8
wrong period (return for)	paragraph 26(2) to (4)

SCHEDULE 19

Section 117(3).

COMPANY TAX RETURNS, ETC.: MINOR AND CONSEQUENTIAL AMENDMENTS

*Taxes Management Act 1970 (c.9)*

- 1 The following provisions of the Taxes Management Act 1970 shall cease to have effect—
- section 10 (notice of liability to corporation tax),
  - section 11 (return of profits),
  - section 11AA (return of profits to include self-assessment),
  - section 11AB (power to enquire into return of profits),
  - sections 11AC to 11AE (modifications of sections 11AA and 11AB for certain insurance companies and friendly societies).
- 2 In section 12(2) of the Taxes Management Act 1970 (information about chargeable gains), omit “or section 11”.
- 3 In section 12AA(7) of the Taxes Management Act 1970 (partnership return: information about chargeable gains), after “section 12(2) of this Act” insert “ or paragraph 13 of Schedule 18 to the Finance Act 1998 ”.
- F1654 .....

**Textual Amendments**

**F165** Sch. 19 para. 4 repealed (11.5.2001 with effect in accordance with s. 88 and Sch. 29 of the amending Act) by 2001 c. 9, ss. 88, 110, Sch. 33 Pt. 2(13) Note

F1665 .....

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**Textual Amendments**

**F166** Sch. 19 para. 5 repealed (11.5.2001 with effect as mentioned in s. 88 and Sch. 29 of the amending Act) by 2001 c. 9, ss. 88, 110, Sch. 33 Pt. 2(13) Note

6 In section 12B(1) of the Taxes Management Act 1970 (records to be kept for purposes of returns), omit “, 11”.

7 In section 19A(1) of the Taxes Management Act 1970 (power to call for documents for purposes of certain enquiries), omit “, 11AB(1)”.

<sup>F167</sup>8 .....

**Textual Amendments**

**F167** Sch. 19 para. 8 repealed (11.5.2001 with effect in accordance with Sch. 33 Pt. 2(13) of the amending Act) by 2001 c. 9, ss. 88, 110, Sch. 33 Pt. 2(13)

9 Sections 28AA and 28AB of the Taxes Management Act 1970 (amendment of return of profits made for wrong period) shall cease to have effect.

<sup>F168</sup>10 .....

**Textual Amendments**

**F168** Sch. 19 para. 10 repealed (11.5.2001 with effect in accordance with Sch.33 Pt. 2(13) of the amending Act) by 2001 c. 9, ss. 88, 110, Sch. 33 Pt. 2(13) Note

11 Sections 28D, 28E and 28F of the Taxes Management Act 1970 (determination of corporation tax in absence of self-assessment) shall cease to have effect.

12 (1) Section 29 of the Taxes Management Act 1970 (assessment where loss of tax discovered) is amended as follows.

(2) In subsection (1) for “profits which ought to have been assessed to tax” substitute “income which ought to have been assessed to income tax, or chargeable gains which ought to have been assessed to capital gains tax, ”.

(3) For “chargeable period”, wherever it occurs, substitute “ year of assessment ”.

(4) In subsections (2), (3), (5)(a), (6)(a) and (7)(a) for “section 8, 8A or 11” substitute “ section 8 or 8A ”.

(5) In subsection (3)(b) omit “in the case of a return under section 8 or 8A,”.

(6) Omit subsection (10).

13 (1) Section 30 of the Taxes Management Act 1970 (recovery of overpayment of tax, etc.) is amended as follows.

(2) In subsection (1) for “tax” in the first place where it occurs substitute “ income tax or capital gains tax ”.

(3) In subsection (2)(a), omit “or 825”.

(4) Omit subsection (2A).



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(5) In subsection (3), omit “or corporation tax”.

(6) Omit subsection (3A).

<sup>F169</sup>(7) . . . . .

(8) Omit subsection (4A).

(9) In subsection (5)(a), for “chargeable period” substitute “ year of assessment ”.

**Textual Amendments**

**F169** Sch. 19 para. 13(7) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

14 (1) Section 30B of the Taxes Management Act 1970 (amendment of partnership statement where loss of tax discovered) is amended as follows.

<sup>F170</sup>(2) . . . . .

(3) In subsection (7)(b) for “section 8, 8A or 11” substitute “ section 8 or 8A ”.

(4) In subsection (9) for the definition of “profits” substitute—

““profits”—

- (a) in relation to income tax, means income,
- (b) in relation to capital gains tax, means chargeable gains, and
- (c) in relation to corporation tax, means profits as computed for the purposes of that tax;”.

**Textual Amendments**

**F170** [Sch. 19 para. 14\(2\)](#) repealed (11.5.2001 with effect in accordance with s. 88 and [Sch. 29](#) of the amending Act) by [2001 c. 9, ss. 88, 110](#), [Sch. 33 Pt. 2](#) (13) Note

15 (1) Section 33 of the Taxes Management Act 1970 (error or mistake) is amended as follows.

(2) For subsection (1) substitute—

“(1) If a person who has paid income tax or capital gains tax under an assessment (whether a self-assessment or otherwise) alleges that the assessment was excessive by reason of some error or mistake in a return, he may by notice in writing at any time not later than five years after the 31st January next following the year of assessment to which the return relates, make a claim to the Board for relief.”.

(3) In subsection (5), after paragraph (a) insert “, and ” and omit paragraph (c).

16 (1) Section 33A of the Taxes Management Act 1970 (error or mistake in partnership statement) is amended as follows.

(2) In subsection (1) omit “under section 9 or 11AA of this Act”.

<sup>F171</sup>(3) . . . . .



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### Textual Amendments

**F171** Sch. 19 para. 16(3) repealed (11.5.2001 with effect in accordance with s. 88 and Sch. 29 of the amending Act) by 2001 c. 9, ss. 88, 110, Sch. 33 Pt. 2(13) Note

- 17 In section 34(1) of the Taxes Management Act 1970 (ordinary time limit for assessment), for the words from “an assessment to tax may be made” to the end substitute “ an assessment to income tax or capital gains tax may be made at any time not later than five years after the 31st January next following the year of assessment to which it relates ”.
- 18 In section 36(1) of the Taxes Management Act 1970 (fraudulent or negligent conduct)—
- (a) for “loss of tax” substitute “ loss of income tax or capital gains tax ”, and
  - (b) for the words from “not later than” to the end substitute “ not later than 20 years after the 31st January next following the year of assessment to which it relates ”.
- 19 Sections 41A, 41B and 41C of the Taxes Management Act 1970 (corporation tax determinations) shall cease to have effect.
- 20 (1) Section 42 of the Taxes Management Act 1970 (procedure for making claims, etc.) is amended as follows.
- (2) In subsections (2), (9) and (11)(a) omit “, 11”.
  - (3) Omit subsections (4) and (4A), and in subsection (5) the words from “and the reference in subsection (4)” to the end.
  - (4) In subsection (13), after paragraph (a) insert “, and ” and omit paragraph (c).
- 21 In section 43 of the Taxes Management Act 1970, for subsection (1) substitute—
- “(1) Subject to any provision of the Taxes Acts prescribing a longer or shorter period, no claim for relief in respect of income tax or capital gains tax may be made more than five years after the 31st January next following the year of assessment to which it relates.”.
- 22 (1) Section 43A of the Taxes Management Act 1970 (further assessments: claims etc.) is amended as follows.
- (2) In subsection (1) for paragraph (a) substitute—
- “(a) where by virtue of section 29 of this Act an assessment to income tax or capital gains tax is made on any person for a year of assessment, and”.
- (3) In subsections (2), (3), (4) and (5) for “chargeable period”, wherever occurring, substitute “ year of assessment ”.
- 23 In section 46(2) of the Taxes Management Act 1970 (determinations of Commissioner to be final), omit the words “and in particular save as provided by section 29 of this Act”.

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**Textual Amendments**

**F172** Sch. 19 para. 24 repealed (11.5.2001 with effect as mentioned in s. 88 and Sch. 29 of the amending Act) by 2001 c. 9, ss. 88, 110, Sch. 33 Pt. 2 (13) Note

<sup>F173</sup>25 .....

**Textual Amendments**

**F173** Sch. 19 para. 25 repealed (11.5.2001 with effect in accordance with s. 88 and Sch. 29 of the amending Act) by 2001 c. 9, ss. 88, 110, Sch. 33 Pt. 2(13) Note

<sup>F174</sup>26 .....

**Textual Amendments**

**F174** Sch. 19 para. 26 repealed (11.5.2001 with effect as mentioned in s. 88 and Sch. 29 of the amending Act) by 2001 c. 9, ss. 88, 110, Sch. 33 Pt. 2(13) Note

27 (1) Section 50 of the Taxes Management Act 1970 (procedure) is amended as follows.

<sup>F175</sup>(2) .....

<sup>F176</sup>(3) .....

(4) For subsection (9) substitute—

“(9) Where any amounts contained in a partnership statement are reduced under subsection (6) above or increased under subsection (7) above, an officer of the Board shall by notice to each of the relevant partners amend—

- (a) the partner’s self-assessment under section 9 of this Act, or
- (b) the partner’s company tax return,

so as to give effect to the reductions or increases of those amounts.”.

**Textual Amendments**

**F175** Sch. 19 para. 27(2) repealed (11.5.2001 with effect as mentioned in s. 88 and Sch. 29 of the amending Act) by 2001 c. 9, ss. 88, 110, Sch. 33 Pt. 2(13) Note

**F176** Sch. 19 para. 27(3) repealed (11.5.2001 with effect as mentioned in s. 88 and Sch. 29 of the amending Act) by 2001 c. 9, ss. 88, 110, sch. 33 Pt. 2(13) Note

28 In section 55(1) of the Taxes Management Act 1970 (recovery of tax not postponed), for paragraphs (a) and (b) substitute—

“(a) an amendment of a self-assessment under—

- (i) section 28A(2) or (4) of this Act, or
- (ii) paragraph 30 or 34(2) of Schedule 18 to the Finance Act 1998,

(b) an assessment to tax other than a self-assessment.”.

29 (1) In Part VA of the Taxes Management Act 1970 (payment of tax), before section 59A insert the heading “*Income tax and capital gains tax*”.

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(2) For section 59D of that Act substitute—

*“ Corporation tax*

**59D General rule as to when corporation tax is due and payable.**

- (1) Corporation tax for an accounting period is due and payable on the day following the expiry of nine months from the end of that period.
- (2) If the tax payable is then exceeded by the total of any relevant amounts previously paid (as stated in the relevant company tax return), the excess shall be repaid.
- (3) The tax payable means the amount computed in accordance with paragraph 8 of Schedule 18 to the Finance Act 1998.
- (4) Relevant amounts previously paid means any of the following, so far as relating to the accounting period in question—
  - (a) any amount of corporation tax paid by the company and not repaid;
  - (b) any corporation tax refund surrendered to the company by another group company;
  - (c) any amount by which the sums available for set off under Step 4 of the calculation in paragraph 8 of Schedule 18 to the Finance Act 1998 (amounts set off against overall tax liability) exceeds the amount against which they may be set off under that provision;
  - (d) any amount treated as corporation tax paid in respect of profits of the company under section 559 of the principal Act (deductions from payments to sub-contractors).
- (5) This section has effect subject to section 59E.

**59DA Claim for repayment in advance of liability being established.**

- (1) This section applies where a company has paid an amount of corporation tax for an accounting period and the circumstances of the company change, so that the company has grounds for believing that the amount paid exceeds its probable tax liability although that liability has not been finally established.
- (2) The company may, by notice given to an officer of the Board, claim repayment of the excess.

No such claim may be made before the date which under section 826 of the principal Act (interest on overpaid tax), subject to regulations under section 826A of that Act, is the material date in relation to that tax.
- (3) The notice must state—
  - (a) the amount which the company considers should be repaid, and
  - (b) its grounds for believing that the amount paid exceeds its probable tax liability.
- (4) If the company has appealed against an amendment of an assessment, or an assessment, relating to the tax liability in question, and the appeal has not been finally determined, it may apply to the Commissioners to whom the

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appeal stands referred for a determination of the amount which should be repaid to the company pending determination of the liability.

- (5) Any claim under subsection (2) or application under subsection (4) shall be heard and determined in the same way as an appeal.
- (6) If the company makes an application under section 55(3) or (4) (application to postpone payment pending determination of appeal), that application may be combined with an application under subsection (4) above.
- (7) If a company makes a claim or application under this section before it has delivered a company tax return for the period in question, any deductions under section 559 of the principal Act (deductions from payments to certain subcontractors) shall be disregarded in considering whether the amount paid by the company exceeds its probable tax liability.
- (8) This section has effect subject to section 59E.”

- 30 (1) Section 65 of the Taxes Management Act 1970 (recovery of small amounts of tax by civil proceedings in the magistrates’ court) is amended as follows.
  - (2) In subsection (1) for the words from the beginning to “payment or tax” substitute “Any amount due and payable by way of income tax, capital gains tax or corporation tax which does not exceed £2,000”.
  - (3) In subsection (3), omit the words from “for the recovery of” to the end of paragraph (b).
  - (4) In subsection (5) for “sums” substitute “sum”.

F17731 .....

**Textual Amendments**  
**F177** Sch. 19 para. 31 repealed (11.5.2001 with effect as mentioned in Sch. 33(14) Note 2 of the amending Act) by 2001 c. 9, ss. 88, 110, Sch. 33 Pt. 2(14)

- 32 In section 70(2)(a) of the Taxes Management Act 1970 (certificate of collector as evidence), after “Part II, VA or X of this Act” insert “ or under Schedule 18 to the Finance Act 1998 ”.
- 33 Section 94 of the Taxes Management Act 1970 (penalty for failure to make return for corporation tax) shall cease to have effect.
- 34 Section 96 of the Taxes Management Act 1970 (incorrect return or accounts for corporation tax) shall cease to have effect.
- 35 In section 97 of the Taxes Management Act 1970 (incorrect return or accounts: supplemental), in subsections (1) and (2) for “sections 95 and 96” substitute “section 95”.
- 36 In section 97AA(1) of the Taxes Management Act 1970 (penalty for failure to produce documents for purposes of enquiry), after “section 19A(2), (2A) or (3) of this Act” insert “ or paragraph 6(2) or (3A)(b) of Schedule 1A to this Act, ”.
- 37 In section 97A of the Taxes Management Act 1970 (two or more tax-geared penalties in respect of same tax), omit paragraph (b) and the word “or” preceding it.

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38 In section 100(6)(a) of the Taxes Management Act 1970 (determination of penalties), for “section 94(6) above” substitute “ paragraph 18(2) of Schedule 18 to the Finance Act 1998 ”.

39 For section 101 of the Taxes Management Act 1970 (evidence of profits for purposes of preceding provisions of Part X) substitute—

**“101 Evidence for purposes of proceedings relating to penalties.**

An assessment which can no longer be varied by any Commissioners on appeal or by order of any court is sufficient evidence, for the purposes of—

- (a) the preceding provisions of this Part, and
- (b) the provisions of Schedule 18 to the Finance Act 1998 relating to penalties,

that the amounts in respect of which tax is charged in the assessment arose or were received as stated in the assessment.”.

40 In section 103A of the Taxes Management Act 1970 (interest on penalties), after “this Part of this Act” insert “ , or Schedule 18 to the Finance Act 1998, ”.

41 In section 113(1B) of the Taxes Management Act 1970 (Revenue assessments to tax), after “section 29 of this Act” insert “ or paragraph 41 of Schedule 18 to the Finance Act 1998 ”.

42 (1) Schedule 1A to the Taxes Management Act 1970 (claims, etc. not included in returns) is amended as follows.

(2) In paragraph 1, for the definition of “profits” substitute—

““profits”—

- (a) in relation to income tax, means income,
- (b) in relation to capital gains tax, means chargeable gains, and
- (c) in relation to corporation tax, means profits as computed for the purposes of that tax;”.

(3) In paragraph 2(5)(c) after “section 12 of this Act” insert “ or paragraph 13 of Schedule 18 to the Finance Act 1998 ”.

(4) In paragraph 2A (keeping and preserving of records), in sub-paragraphs (3) and (5) (a) after “12B(4A) of this Act” insert “ or paragraph 22(3) of Schedule 18 to the Finance Act 1998 ”.

(5) In paragraph 5 (power to enquire into claims), in sub-paragraph (3)(b) for “section 9A(1), 11AB(1) or 12AC(1) of this Act” substitute “ section 9A(1) or 12AC(1) of this Act or paragraph 24 of Schedule 18 to the Finance Act 1998 ”.

(6) In paragraph 6 (power to call for documents for purposes of enquiries), for sub-paragraph (3) substitute—

“(3A) In complying with a notice under this paragraph copies of documents may be produced instead of originals, but—

- (a) the copies must be photographic or other facsimiles, and
- (b) the officer may by notice require the original to be produced for inspection.

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A notice under paragraph (b) must specify the time (which must not be less than 30 days) within which the company is to comply with it.

(3B) The officer may take copies of, or make extracts from, any document produced to him under this paragraph.

(3C) A notice under this paragraph does not oblige the claimant to produce documents or provide accounts or information relating to the conduct of any pending appeal by the claimant.”.

(7) After that paragraph insert—

*“ Appeal against notice to produce documents, etc*

6A (1) An appeal may be brought against a requirement imposed by a notice under paragraph 6 to produce documents or provide accounts or information.

(2) Notice of appeal must be given—

- (a) in writing,
- (b) within 30 days after the notice was given to the claimant,
- (c) to the officer of the Board by whom that notice was given.

(3) On an appeal under this paragraph the Commissioners—

- (a) shall set aside the notice so far as it requires the production of documents, or the provision of accounts or information, which appears to them not reasonably required for the purposes of the enquiry, and
- (b) shall confirm the notice so far as it requires the production of documents, or the provision of accounts or information, which appear to them are reasonably required for the purposes of the enquiry.

(4) A notice which is confirmed by the Commissioners (or so far as it is confirmed) has effect as if the period specified in it for complying was 30 days from the determination of the appeal.

(5) The decision of the Commissioners on an appeal under this paragraph is final and conclusive.”.

43 (1) Schedule 3A to the Taxes Management Act 1970 (electronic lodgement of tax returns) is amended as follows.

(2) In paragraph 1(4)(a), after “Part II of this Act” insert “ or Schedule 18 to the Finance Act 1998 ”.

(3) In paragraph 8(2)(a), after “Part II of this Act” insert “ or Schedule 18 to the Finance Act 1998 ”.

*Income and Corporation Taxes Act 1988 (c.1)*

44 (1) Section 246Q of the Taxes Act 1988 (repayment or set-off of ACT in respect of foreign income dividend) is amended as follows.

(2) In subsection (6) for the words from the beginning to “section 11 of the Management Act” substitute “ A company tax return made by the company for the relevant period ”.

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- (3) In subsection (7) for “a return under section 11 of the Management Act” substitute “a company tax return”.
- 45 (1) Section 246U of the Taxes Act 1988 (repayments treated as repayments of ACT in case of international headquarters company) is amended as follows.
- (2) In subsection (7), for paragraph (a) substitute—
- “(a) a company tax return made by the company for the accounting period, or”.
- (3) In subsection (8) for “a return under section 11 of the Management Act” substitute “a company tax return”.
- 46 For section 412 of the Taxes Act 1988 (group relief: claims and adjustments) substitute—
- “412 Claims and adjustments.**
- (1) Claims for group relief are dealt with in Part VIII of Schedule 18 to the Finance Act 1998.
- (2) Paragraph 76 of that Schedule provides for assessments or other adjustments where group relief has been given which is or has become excessive.”.
- 47 (1) Section 419 of the Taxes Act 1988 (tax on loans to participators, etc. by close company) is amended as follows.
- (2) In subsection (3), after “due and payable” insert “in accordance with section 59D of the Management Act”.
- (3) In subsection (4) omit “by discharge or repayment”.
- (4) After subsection (4A) insert—
- “(4B) Schedule 1A to the Taxes Management Act 1970 (claims and elections not included in return) applies to a claim for relief under subsection (4) above unless—
- (a) the claim is included (by amendment or otherwise) in the return for the period in which the loan or advance was made, and
- (b) the relief may be given at the time the claim is made.”.
- 48 (1) Section 488 of the Taxes Act 1988 (co-operative housing associations) is amended as follows.
- (2) In subsection (11A)—
- (a) in paragraph (a) for the words from the beginning to “amendment of a return” substitute “into a company tax return”, and
- (b) in the closing words, for “self-assessment” substitute “return”.
- (3) For subsection (12) substitute—
- “(12) A housing association making a claim under this section may be required—
- (a) under paragraph 3 of Schedule 18 to the Finance Act 1998, if the claim is included in a company tax return, and
- (b) under paragraph 2(5) of Schedule 1A to the Taxes Management Act 1970 if it is not so included,

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to deliver as part of the return or claim an authority, granted by all members of the association, for any relevant information contained in any return made by a member under the provisions of the Income Tax Acts to be used by an officer of the Board in such manner as he may think fit in connection with any enquiry relating to the association's claim.”.

- 49 In section 489 of the Taxes Act 1988 (self-build societies), in subsection (9A)—
- (a) in paragraph (a) for the words from the beginning to “amendment of a return” substitute “ into a company tax return ”, and
  - (b) in the closing words, for “self-assessment” substitute “ return ”.
- 50 (1) Schedule 13A to the Taxes Act 1988 (surrenders of advance corporation tax) is amended as follows.
- (2) In paragraph 5(1) for “a return under section 11 of the Management Act” substitute “ a company tax return ”.
  - (3) For paragraph 5(2) substitute—
    - “(2) The provisions of Part VII of Schedule 18 to the Finance Act 1998 (general provisions as to claims and elections) do not apply to the making of claims.”.
  - (4) In paragraph 14(1) omit the words from “(which correspond” to “Management Act)”.
  - (5) In paragraph 14(6) for “an amendment of a self-assessment under section 28A(4) of that Act” substitute “ an amendment of a company tax return under paragraph 34(2) of Schedule 18 to the Finance Act 1998 ”.
  - (6) In paragraph 14(8) omit the words from “against an amendment” to the end.

F178 51 .....

#### Textual Amendments

**F178** Sch. 19 para. 51 repealed (11.5.2001 with effect in accordance with Sch. 33 Pt. 2(12) of the amending Act) by 2001 c. 9, s. 110, Sch. 33 Pt. 2(12) Note

## SCHEDULE 20

Section 121.

### APPLICATION OF TAPER RELIEF

The Schedule inserted before Schedule 1 to the <sup>M86</sup>Taxation of Chargeable Gains Act 1992 is as follows:—

#### “SCHEDULE A1

### APPLICATION OF TAPER RELIEF

#### *Introductory*

- 1 (1) Section 2A shall be construed subject to and in accordance with this Schedule.



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- (2) The different provisions of this Schedule have effect for construing the other provisions of this Schedule, as well as for construing section 2A.

*Period for which an asset is held and relevant period of ownership*

- 2 (1) In relation to any gain on the disposal of a business or non-business asset, the period after 5th April 1998 for which the asset had been held at the time of its disposal is the period which—
- (a) begins with whichever is the later of 6th April 1998 and the time when the asset disposed of was acquired by the person making the disposal; and
  - (b) ends with the time of the disposal on which the gain accrued.
- (2) Where an asset is disposed of, its relevant period of ownership is whichever is the shorter of—
- (a) the period after 5th April 1998 for which the asset had been held at the time of its disposal; and
  - (b) the period of ten years ending with that time.
- (3) The following shall be disregarded for determining when a person is to be treated for the purposes of this paragraph as having acquired an asset, that is to say—
- (a) so much of section 73(1)(b) as treats the asset as acquired at a date before 6th April 1965; and
  - (b) sections 239(2)(b), 257(2)(b) and 259(2)(b).
- (4) Where the period after 5th April 1998 for which an asset had been held at the time of its disposal includes any period which, in accordance with any of paragraphs 10 to 12 below, is a period that does not count for the purposes of taper relief—
- (a) the qualifying holding period of the asset shall be treated for the purposes of section 2A as reduced by the length of the period that does not count or, as the case may be, of the aggregate of the periods that do not count; and
  - (b) the period that does not count or, as the case may be, every such period—
    - (i) shall be left out of account in computing for the purposes of subparagraph (2) above the period of ten years ending with the time of the asset's disposal; and
    - (ii) shall be assumed not to be comprised in the asset's relevant period of ownership.
- (5) Sub-paragraphs (1) to (3) above have effect subject to the provisions of paragraphs 13 to 19 below.

*Rules for determining whether a gain is a gain on the disposal of a business asset or non-business asset*

- 3 (1) Subject to the following provisions of this Schedule, a chargeable gain accruing to any person on the disposal of any asset is a gain on the disposal of a business asset if that asset was a business asset throughout its relevant period of ownership.
- (2) Where—
- (a) a chargeable gain accrues to any person on the disposal of any asset,
  - (b) that gain does not accrue on the disposal of an asset that was a business asset throughout its relevant period of ownership, and

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- (c) that asset has been a business asset throughout one or more periods comprising part of its relevant period of ownership,  
a part of that gain shall be taken to be a gain on the disposal of a business asset and, in accordance with sub-paragraph (4) below, the remainder shall be taken to be a gain on the disposal of a non-business asset.
- (3) Subject to the following provisions of this Schedule, where sub-paragraph (2) above applies, the part of the chargeable gain accruing on the disposal of the asset that shall be taken to be a gain on the disposal of a business asset is the part of it that bears the same proportion to the whole of the gain as is borne to the whole of its relevant period of ownership by the aggregate of the periods which—
- (a) are comprised in its relevant period of ownership, and
  - (b) are periods throughout which the asset is to be taken (after applying paragraphs 8 and 9 below) to have been a business asset.
- (4) So much of any chargeable gain accruing to any person on the disposal of any asset as is not a gain on the disposal of a business asset shall be taken to be a gain on the disposal of a non-business asset.
- (5) Where, by virtue of sub-paragraphs (2) to (4) above, a gain on the disposal of a business asset accrues on the same disposal as a gain on the disposal of a non-business asset—
- (a) the two gains shall be treated for the purposes of taper relief as separate gains accruing on separate disposals of separate assets; but
  - (b) the periods after 5th April 1998 for which each of the assets shall be taken to have been held at the time of their disposal shall be the same and shall be determined without reference to the length of the periods mentioned in sub-paragraph (3)(a) and (b) above.

*Conditions for shares to qualify as business assets*

- 4 (1) This paragraph applies, in the case of the disposal of any asset, for determining (subject to the following provisions of this Schedule) whether the asset was a business asset at a time before its disposal when it consisted of, or of an interest in, any shares in a company (“the relevant company”).
- (2) Where the disposal is made by an individual, the asset was a business asset at that time if at that time the relevant company was a qualifying company by reference to that individual.
- (3) Where the disposal is made by the trustees of a settlement, the asset was a business asset at that time if at that time the relevant company was a qualifying company by reference to the trustees of that settlement.
- (4) Where the disposal is made by an individual’s personal representatives, the asset was a business asset at that time if at that time—
- (a) the relevant company was a trading company or the holding company of a trading group; and
  - (b) the voting rights in that company were exercisable, as to not less than 25 per cent., by the deceased’s personal representatives.
- (5) Where the disposal is made by an individual who acquired the asset as legatee (as defined in section 64) and that time is not a time when the asset was a business asset by virtue of sub-paragraph (2) above, the asset shall be taken to have been a business asset at that time if at that time—

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- (a) it was held by the personal representatives of the deceased; and
- (b) the conditions in sub-paragraph (4)(a) and (b) above were satisfied.

*Conditions for other assets to qualify as business assets*

- 5 (1) This paragraph applies, in the case of the disposal of any asset, for determining (subject to the following provisions of this Schedule) whether the asset was a business asset at a time before its disposal when it was neither shares in a company nor an interest in shares in a company.
- (2) Where the disposal is made by an individual, the asset was a business asset at that time if at that time it was being used, wholly or partly, for purposes falling within one or more of the following paragraphs—
- (a) the purposes of a trade carried on at that time by that individual or by a partnership of which that individual was at that time a member;
  - (b) the purposes of any trade carried on by a company which at that time was a qualifying company by reference to that individual;
  - (c) the purposes of any trade carried on by a company which at that time was a member of a trading group the holding company of which was at that time a qualifying company by reference to that individual;
  - (d) the purposes of any qualifying office or employment to which that individual was at that time required to devote substantially the whole of his time;
  - (e) the purposes of any office or employment that does not fall within paragraph (d) above but was an office or employment with a trading company in relation to which that individual falls to be treated as having, at that time, been a full-time working officer or employee.
- (3) Where the disposal is made by the trustees of a settlement, the asset was a business asset at that time if at that time it was being used, wholly or partly, for purposes falling within one or more of the following paragraphs—
- (a) the purposes of a trade carried on by the trustees of the settlement;
  - (b) the purposes of a trade carried on at that time by an eligible beneficiary or by a partnership of which an eligible beneficiary was at that time a member;
  - (c) the purposes of any trade carried on by a company which at that time was a qualifying company by reference to the trustees of the settlement or an eligible beneficiary;
  - (d) the purposes of any trade carried on by a company which at that time was a member of a trading group the holding company of which was at that time a qualifying company by reference to the trustees of the settlement or an eligible beneficiary;
  - (e) the purposes of any qualifying office or employment to which an eligible beneficiary was at that time required to devote substantially the whole of his time;
  - (f) the purposes of any office or employment that does not fall within paragraph (e) above but was an office or employment with a trading company in relation to which an eligible beneficiary falls to be treated as having, at that time, been a full-time working officer or employee.
- (4) Where the disposal is made by an individual's personal representatives, the asset was a business asset at that time if at that time it was being used, wholly or partly, for purposes falling within one or more of the following paragraphs—

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- (a) the purposes of a trade carried on by the deceased's personal representatives;
  - (b) the purposes of any trade carried on by a company which at that time was a qualifying company by reference to the deceased's personal representatives;
  - (c) the purposes of any trade carried on by a company which at that time was a member of a trading group the holding company of which was at that time a qualifying company by reference to the deceased's personal representatives.
- (5) Where the disposal is made by an individual who acquired the asset as legatee (as defined in section 64) and that time is not a time when the asset was a business asset by virtue of sub-paragraph (2) above, the asset shall be taken to have been a business asset at that time if at that time it was—
- (a) being held by the personal representatives of the deceased, and
  - (b) being used, wholly or partly, for purposes falling within one or more of paragraphs (a) to (c) of sub-paragraph (4) above.

*Companies which are qualifying companies*

- 6 (1) The times when a company shall be taken to have been a qualifying company by reference to an individual, the trustees of a settlement or an individual's personal representatives are—
- (a) in the case of an individual, those set out in sub-paragraphs (2) and (3) below; and
  - (b) in the case of the trustees of a settlement, those set out in sub-paragraphs (2) and (4) below; and
  - (c) in the case of personal representatives, those set out in sub-paragraph (2) below.
- (2) A company was a qualifying company by reference to an individual, the trustees of a settlement or personal representatives at any time when both the following conditions were satisfied, that is to say—
- (a) the company was a trading company or the holding company of a trading group; and
  - (b) the voting rights in that company were exercisable, as to not less than 25 per cent., by that individual or, as the case may be, the trustees of the settlement or the personal representatives.
- (3) A company was also a qualifying company by reference to an individual at any time when all of the following conditions were satisfied, that is to say—
- (a) the company was a trading company or the holding company of a trading group;
  - (b) the voting rights in that company were exercisable, as to not less than 5 per cent., by that individual; and
  - (c) that individual was a full-time working officer or employee of that company or of a company which at the time had a relevant connection with that company.
- (4) A company was also a qualifying company by reference to the trustees of a settlement at any time when all the following conditions were satisfied, that is to say—
- (a) the company was a trading company or the holding company of a trading group;
  - (b) the voting rights in that company were exercisable, as to not less than 5 per cent., by the trustees of that settlement; and
  - (c) an eligible beneficiary was a full-time working officer or employee of that company or of a company which at the time had a relevant connection with that company.

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*Persons who are eligible beneficiaries*

- 7 (1) An eligible beneficiary, in relation to an asset comprised in a settlement and a time, is any individual having at that time a relevant interest in possession under the settlement in either—
- (a) the whole of the settled property; or
  - (b) a part of the settled property that is or includes that asset.
- (2) In this paragraph “relevant interest in possession”, in relation to property comprised in a settlement, means any interest in possession under that settlement other than—
- (a) a right under that settlement to receive an annuity; or
  - (b) a fixed-term entitlement.
- (3) In sub-paragraph (2) above “fixed-term entitlement”, in relation to property comprised in a settlement, means any interest under that settlement which is limited to a term that is fixed and is not a term at the end of which the person with that interest will become entitled to the property.

*Cases where there are non-qualifying beneficiaries*

- 8 (1) This paragraph applies in the case of a disposal of an asset by the trustees of a settlement where the asset’s relevant period of ownership is or includes a period (“a sharing period”) throughout which—
- (a) the asset was a business asset by reference to one or more eligible beneficiaries;
  - (b) the asset would not otherwise have been a business asset; and
  - (c) there is a non-qualifying part of the relevant income, or there would be if there were any relevant income for that period.
- (2) The period throughout which the asset disposed of is to be taken to have been a business asset shall be determined as if the relevant fraction of every sharing period were a period throughout which the asset was not a business asset.
- (3) In sub-paragraph (2) above “the relevant fraction”, in relation to any sharing period, means the fraction which represents the proportion of relevant income for that period which is, or (if there were such income) would be, a non-qualifying part of that income.
- (4) Where a sharing period is a period in which the proportion mentioned in sub-paragraph (3) above has been different at different times, this paragraph shall require a separate relevant fraction to be determined for, and applied to, each part of that period for which there is a different proportion.
- (5) For the purposes of this paragraph the non-qualifying part of any relevant income for any period is so much of that income for that period as is or, as the case may be, would be—
- (a) income to which no eligible beneficiary has any entitlement; or
  - (b) income to which a non-qualifying eligible beneficiary has an entitlement.
- (6) In sub-paragraph (5) above “non-qualifying eligible beneficiary”, in relation to a period, means an eligible beneficiary who is not a beneficiary by reference to whom (if he were the only beneficiary) the asset disposed of would be a business asset throughout that period.
- (7) In this paragraph “relevant income” means income from the part of the settled property comprising the asset disposed of.

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*Cases where an asset is used at the same time for different purposes*

- 9 (1) This paragraph applies in the case of a disposal by any person of an asset where the asset's relevant period of ownership is or includes a period ("a mixed-use period") throughout which the asset—
- (a) was a business asset by reference to its use for purposes mentioned in paragraph 5(2) to (5) above; but
  - (b) was, at the same time, being put to a non-qualifying use.
- (2) The period throughout which the asset disposed of is to be taken to have been a business asset shall be determined as if the relevant fraction of every mixed-use period were a period throughout which the asset was not a business asset.
- (3) In sub-paragraph (2) above "the relevant fraction", in relation to any mixed-use period, means the fraction which represents the proportion of the use of the asset during that period that was a non-qualifying use.
- (4) Where both this paragraph and paragraph 8 above apply in relation to the whole or any part of a period—
- (a) effect shall be given to that paragraph first; and
  - (b) further reductions by virtue of this paragraph in the period for which the asset disposed of is taken to have been a business asset shall be made in respect of only the relevant part of any non-qualifying use.
- (5) In sub-paragraph (4) above the reference to the relevant part of any non-qualifying use is a reference to the proportion of that use which is not a use to which a non-qualifying part of any relevant income is attributable.
- (6) Where a mixed-use period is a period in which—
- (a) the proportion mentioned in sub-paragraph (3) above has been different at different times, or
  - (b) different attributions have to be made for the purposes of sub-paragraphs (4) and (5) above for different parts of the period,
- this paragraph shall require a separate relevant fraction to be determined for, and applied to, each part of the period for which there is a different proportion or attribution.
- (7) In this paragraph—
- "non-qualifying use", in relation to an asset, means any use of the asset for purposes which are not purposes in respect of which the asset would fall to be treated as a business asset at the time of its use; and
- "non-qualifying part" and "relevant income" have the same meanings as in paragraph 8 above.

*Periods of limited exposure to fluctuations in value not to count*

- 10 (1) Where, in the case of any asset disposed of ("the relevant asset"), the period after 5th April 1998 for which that asset had been held at the time of its disposal is or includes a period during which—
- (a) the person making the disposal, or
  - (b) a relevant predecessor of his,
- had limited exposure to fluctuations in the value of the asset, the period during which that person or predecessor had that limited exposure shall not count for the purposes of taper relief.

*Status: Point in time view as at 06/04/2008.*

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- (2) The times when a person shall be taken for the purposes of this paragraph to have had such limited exposure in the case of the relevant asset shall be all the times while he held that asset when a transaction entered into at any time by him, or by a relevant predecessor of his, had the effect that he—
- (a) was not exposed, or not exposed to any substantial extent, to the risk of loss from fluctuations in the value of the relevant asset; and
  - (b) was not able to enjoy, or to enjoy to any substantial extent, any opportunities to benefit from such fluctuations.
- (3) The transactions referred to in sub-paragraph (2) above do not include—
- (a) any insurance policy which the person in question might reasonably have been expected to enter into and which is insurance against the loss of the relevant asset or against damage to it, or against both; or
  - (b) any transaction having effect in relation to fluctuations in the value of the relevant asset so far only as they are fluctuations resulting from fluctuations in the value of foreign currencies.
- (4) In this paragraph “relevant predecessor”—
- (a) in relation to a person disposing of an asset, means any person other than the person disposing of it who held that asset at a time falling in the period which is taken to be the whole period for which it had been held at the time of its disposal; and
  - (b) in relation to a relevant predecessor of a person disposing of an asset, means any other relevant predecessor of that person.
- (5) In sub-paragraph (4) above, the reference, in relation to an asset, to the whole period for which it had been held at the time of its disposal is a reference to the period that would be given for that asset by paragraph 2(1) above if, in paragraph (a), the words “whichever is the later of 6th April 1998 and” were omitted.

*Periods of share ownership not to count where there is a change of activity by the company*

- 11 (1) This paragraph applies where—
- (a) there is a disposal of an asset consisting of shares in a close company; and
  - (b) the period beginning with the relevant time and ending with the time of the disposal includes at least one relevant change of activity involving that company.
- (2) So much of the period after 5th April 1998 for which the asset had been held at the time of its disposal as falls before the time, or latest time, in that period when there was a relevant change of activity involving the close company shall not count for the purposes of taper relief.
- (3) Where—
- (a) a close company or any of its 51 per cent. subsidiaries has at any time begun to carry on a trade, and
  - (b) immediately before that time, neither that company nor any of its 51 per cent. subsidiaries was carrying on a trade,
- a relevant change of activity involving the close company shall be taken to have occurred at that time.
- (4) For the purposes of this paragraph where—

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- (a) at the time of the disposal of the shares, the close company was carrying on a business of holding investments, and
- (b) there has been any occasion falling within—
- (i) the period of twelve months ending with that time, or
  - (ii) the period of twelve months ending with any earlier time after the relevant time,
- when the close company was not carrying on that business or when the size of that business was small by comparison with its size at the end of that period, a relevant change of activity involving the close company shall be taken to have occurred immediately after the latest such occasion before the time of the disposal.
- (5) For the purposes of sub-paragraph (4) above the size of any business at any time shall be determined by assuming it to correspond to the aggregate of the amounts and values given by way of consideration for the assets held at that time for the purposes of the business.
- (6) In determining for the purposes of this paragraph whether a close company is at any time carrying on a business of holding investments, and in determining for those purposes the size at any time of such a business—
- (a) all the activities of a close company and of all its 51 per cent. subsidiaries shall be taken together as if they were all being carried on by the close company; and
  - (b) the activities that are included in a business of holding investments shall be taken not to include—
    - (i) holding shares in a 51 per cent. subsidiary of the company holding the shares;
    - (ii) making loans to an associated company or to a participator in the company making the loan or in an associated company; or
    - (iii) placing money on deposit.
- (7) In this paragraph—
- (a) references to a company's carrying on a trade, or to beginning to carry one on, do not include references to its carrying on or beginning to carry on a trade that is merely incidental to any non-trading activities carried on by that company or another company in the same group of companies; and
  - (b) references to a business of holding investments include references to a business of making investments.
- (8) For the purposes of this paragraph a company is to be treated as another's associated company at any time if at that time, or at another time within one year previously—
- (a) one of them has had control of the other; or
  - (b) both have been under the control of the same person or persons.
- (9) In this paragraph—
- '51 per cent. subsidiary', in relation to another company, means a company which, in accordance with section 170(7), is an effective 51 per cent. subsidiary of the other company for the purposes of sections 170 to 181; and
- 'participator', in relation to a company, has the meaning given by section 417(1) of the Taxes Act.
- (10) In this paragraph "the relevant time", in relation to the disposal of an asset consisting of shares in a company, means the beginning of the period after 5th April 1998 for which that asset had been held at the time of its disposal.



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*Periods of share ownership not to count in a case of value shifting*

- 12 (1) This paragraph applies (subject to sub-paragraph (4) below) where—
- (a) there is a disposal of an asset consisting of shares in a close company, and
  - (b) at least one relevant shift of value involving that asset has occurred between the relevant time and the time of the disposal.
- (2) So much of the period after 5th April 1998 for which the asset had been held at the time of its disposal as falls before the time, or latest time, in that period at which there was a relevant shift of value involving that asset shall not count for the purposes of taper relief.
- (3) For the purposes of this paragraph a relevant shift of value involving any asset shall be taken to have occurred whenever—
- (a) a person having control of a close company exercised his control of that company so that value passed into that asset out of a relevant holding; or
  - (b) effect was given to any other transaction by virtue of which value passed into that asset out of a relevant holding.
- (4) A relevant shift of value involving an asset shall be disregarded for the purposes of this paragraph if—
- (a) that shift of value is one in which the value passing into that asset out of the relevant holding is insignificant; or
  - (b) that shift of value took place at a time when the qualifying holding period of the relevant holding was at least as long as the qualifying holding period of that asset.
- (5) In sub-paragraphs (3) and (4) above the references to a relevant holding shall be construed, in relation to any case in which value has passed out of one asset into another asset consisting of shares in a company, as a reference to any holding by—
- (a) the person who, following the exercise of control or other transaction by virtue of which the value has passed, held the other asset, or
  - (b) a person connected with him,
- of any shares in that company or in a company under the control of the same person or persons as that company.
- (6) For the purposes of sub-paragraph (4)(b) above the reference to the qualifying holding period of a holding or other asset at the time when a shift of value takes place shall be taken to be what, in relation to a disposal at that time of that holding or other asset by the person then entitled to dispose of it, would be taken to have been its qualifying holding period for the purposes of section 2A.
- (7) In this paragraph references to shares in a company include references to rights over a company.
- (8) In this paragraph “the relevant time”, in relation to the disposal of an asset consisting of shares in a company, means the beginning of the period after 5th April 1998 for which that asset had been held at the time of its disposal.

*Rules for options*

- 13 (1) This paragraph applies where by virtue of section 144—
- (a) the grant of an option and the transaction entered into by the grantor in fulfilment of his obligations under the option, or

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- (b) the acquisition of an option and the transaction entered into by the person exercising the option,  
fall to be treated as one transaction.
- (2) The time of the disposal of any asset disposed of in pursuance of the transaction shall be the time of the following disposal—
- (a) if the option binds the grantor to sell, the disposal made in fulfilment of the grantor's obligations under the option;
- (b) if the option binds the grantor to buy, the disposal made to the grantor in consequence of the exercise of the option.
- (3) The time of the acquisition of any asset acquired in pursuance of the option, or in consequence of its exercise, shall be the time of the exercise of the option.
- (4) Any question whether the asset disposed of or acquired was a business asset at any time shall be determined by reference to the asset to which the option related, and not the option.

*Further rules for assets derived from other assets*

- 14 (1) This paragraph applies if, in a case where—
- (a) assets have merged,
- (b) an asset has divided or otherwise changed its nature, or
- (c) different rights or interests in or over any asset have been created or extinguished at different times,
- the value of any asset disposed of is derived (through one or more successive events falling within paragraphs (a) to (c) above but not otherwise) from one or more other assets acquired into the same ownership at a time before the acquisition of the asset disposed of.
- (2) The asset disposed of shall be deemed for the purposes of this Schedule to have been acquired at the earliest time at which any asset from which its value is derived was acquired into the same ownership.
- (3) Any determination of whether the asset disposed of was a business asset at a time when another asset from which its value is derived was in the ownership of the person making the disposal shall be made as if that other asset were the asset disposed of or, as the case may be, were comprised in it.

*Special rules for assets transferred between spouses*

- 15 (1) This paragraph applies where a person ("the transferring spouse") has disposed of any asset to another ("the transferee spouse") by a disposal falling within section 58(1).
- (2) Paragraph 2 above shall have effect in relation to any subsequent disposal of the asset as if the time when the transferee spouse acquired the asset were the time when the transferring spouse acquired it.
- (3) Where for the purposes of paragraph 2 above the transferring spouse would be treated—
- (a) in a case where there has been one or more previous disposals falling within section 58(1), by virtue of sub-paragraph (2) above, or by virtue of that sub-paragraph together with any other provision of this Schedule, or

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- (b) in a case where there has not been such a previous disposal, by virtue of such another provision,  
as having acquired the asset at a time other than the time when the transferring spouse did acquire it, the reference in that sub-paragraph to the time when the transferring spouse acquired it shall be read as a reference to the time when for the purposes of that paragraph the transferring spouse is treated as having acquired it.
- (4) Where there is a disposal by the transferee spouse, any question whether the asset was a business asset at a time before that disposal shall be determined as if—
- (a) in relation to times when the asset was held by the transferring spouse, references in paragraph 5(2) above to the individual by whom the disposal is made included references to the transferring spouse; and
- (b) the reference in paragraph 5(5) above to the acquisition of the asset as a legatee by the individual by whom the disposal is made included a reference to its acquisition as a legatee by the transferring spouse.
- (5) Where, in the case of any asset, there has been more than one transfer falling within section 58(1) during the period after 5th April 1998 for which the transferee spouse has held it at the time of that spouse's disposal of that asset, sub-paragraph (4) above shall have effect as if a reference, in relation to any time, to the transferring spouse were a reference to the individual who was the transferring spouse in relation to the next disposal falling within section 58(1) to have been made after that time.

*Special rules for postponed gains*

- 16 (1) Sub-paragraph (3) below applies where the whole or any part of any gain which—
- (a) would (but for any provision of this Act) have accrued on the disposal of any asset, or
- (b) would have accrued on any disposal assumed under any enactment to have been made at any time,
- falls by virtue of an enactment mentioned in sub-paragraph (2) below to be treated as accruing on or after 6th April 1998 at a time (whether or not the time of a subsequent disposal) which falls after the time of the actual or assumed disposal mentioned in paragraph (a) or (b) above ("the charged disposal").
- (2) Those enactments are—
- (a) section 10A,
- (b) section 116(10),
- (c) section 134,
- (d) section 154(2) or (4),
- (e) Schedule 5B or 5C, or
- (f) paragraph 27 of Schedule 15 to the <sup>M87</sup>Finance Act 1996 (qualifying indexed securities).
- (3) In relation to the gain or part of a gain that is treated as accruing after the time of the charged disposal—
- (a) references in this Schedule (except this sub-paragraph) to the disposal on which the gain or part accrues are references to the charged disposal; and
- (b) references in this Schedule to the asset disposed of by that disposal are references to the asset that was or would have been disposed of by the charged disposal;

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and, accordingly, the end of the period after 5th April 1998 for which that asset had been held at the time of the disposal on which that gain or part accrues shall be deemed to have been the time of the charged disposal.

- (4) In relation to any gain that is treated by virtue of—
- (a) subsection (1) of section 12, or
  - (b) subsection (2) of section 279,
- as accruing after the time of the disposal from which it accrues, references in this Schedule to the disposal on which the gain accrues, to the asset disposed of on that disposal and to the time of that disposal shall be construed disregarding that subsection.
- (5) It shall be immaterial for the purposes of this paragraph—
- (a) that the time of the charged disposal or, as the case may be, the time of the actual disposal from which the gain accrues was before 6th April 1998; and
  - (b) that the time at which the charged disposal is treated as accruing is postponed on more than one occasion under an enactment specified in sub-paragraph (2) above.

*Special rule for property settled by a company*

- 17 (1) No part of any chargeable gain accruing to the trustees of a settlement on the disposal of any asset shall be treated as a gain on the disposal of a business asset if—
- (a) the settlor is a company, and
  - (b) that company has an interest in the settlement at the time of the disposal.
- (2) Subject to the following provisions of this paragraph, a company which is a settlor in relation to any settlement shall be regarded as having an interest in a settlement if—
- (a) any property which may at any time be comprised in the settlement, or any derived property is, or will or may become, payable to or applicable for the benefit of that company or an associated company; or
  - (b) that company or an associated company enjoys a benefit deriving directly or indirectly from any property which is comprised in the settlement or any derived property.
- (3) This paragraph does not apply unless the settlor or an associated company is within the charge to corporation tax in respect of chargeable gains for the accounting period in which the chargeable gain accrues.
- (4) In this paragraph “derived property”, in relation to any property, means income from that property or any other property directly or indirectly representing proceeds of, or of income from, that property or income therefrom.
- (5) For the purposes of this paragraph a company is to be treated as another’s associated company at any time if at that time, or at another time within one year previously—
- (a) one of them has had control of the other; or
  - (b) both have been under the control of the same person or persons.
- (6) In this paragraph “settlor” has the meaning given by section 660G(1) and (2) of the Taxes Act.
- (7) This paragraph has effect subject to paragraph 20 below.

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*Special rules for assets acquired in the reconstruction of mutual businesses etc.*

18 (1) Where—

- (a) shares in a company have been issued under any arrangements for the issue of shares in that company in respect of the interests of the members of a mutual company; and
- (b) a person to whom shares were issued under those arrangements falls by virtue of subsection (3) of section 136 to be treated as having exchanged interests of his as a member of the mutual company for shares issued under those arrangements,

paragraph 2 above shall have effect (notwithstanding that section) as if the time of that person's acquisition of the shares were the time when they were issued to him.

(2) Where—

- (a) a registered friendly society has been incorporated under the <sup>M88</sup>Friendly Societies Act 1992, and
- (b) there has been a change under Schedule 4 to that Act as a result of which a member of the registered society, or of a branch of the registered society, has become a member of the incorporated society or of a branch of the incorporated society,

paragraph 2 above shall have effect (notwithstanding anything in section 217B) in relation to the interests and rights in the incorporated society, or the branch of the incorporated society, which that person had immediately after the change, as if the time of their acquisition by him were the time of the change.

(3) In this paragraph—

'the incorporated society', in relation to the incorporation of a registered friendly society, means the society after incorporation;

'insurance company' has the meaning given by section 96(1) of the <sup>M89</sup>Insurance Companies Act 1982;

'mutual company' means—

- (a) a mutual insurance company; or
- (b) a company of another description carrying on a business on a mutual basis;

'mutual insurance company' means any insurance company carrying on a business without having a share capital;

'the registered society', in relation to the incorporation of a registered friendly society, means the society before incorporation.

*Special rule for ancillary trust funds*

19 (1) Use of an asset as part of an ancillary trust fund of a member of Lloyd's—

- (a) shall not be regarded as a use in respect of which the asset is to be treated as a business asset at any time; but
- (b) shall be disregarded in any determination for the purposes of paragraph 9 above of whether it was being put to a non-qualifying use at the same time as it was being used for purposes mentioned in paragraph 5(2) to (5) above.

(2) In this section "ancillary trust fund" has the same meaning as in Chapter III of Part II of the <sup>M90</sup>Finance Act 1993.

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### *General rules for settlements*

- 20 (1) Where, in the case of any settlement, the settled property originates from more than one settlor, this Schedule shall have effect as if there were a separate and distinct settlement for the property originating from each settlor, and references in this Schedule to an eligible beneficiary shall be construed accordingly.
- (2) Subsections (1) to (5) of section 79 apply for the purposes of this paragraph as they apply for the purposes of that section.

### *General rule for apportionments under this Schedule*

- 21 Where any apportionment falls to be made for the purposes of this Schedule it shall be made—
- (a) on a just and reasonable basis; and
  - (b) on the assumption that an amount falling to be apportioned by reference to any period arose or accrued at the same rate throughout the period over which it falls to be treated as having arisen or accrued.

### *Interpretation of Schedule*

- 22 (1) In this Schedule—
- '51 per cent. subsidiary' (except in paragraph 11 above) has the meaning given by section 838 of the Taxes Act;
- 'commercial association of companies' means a company together with such of its associated companies (within the meaning of section 416 of the Taxes Act) as carry on businesses which are of such a nature that the businesses of the company and the associated companies, taken together, may be reasonably considered to make up a single composite undertaking;
- 'eligible beneficiary' shall be construed in accordance with paragraphs 7 and 20 above;
- 'full-time working officer or employee', in relation to any company, means an individual who—
- (a) is an officer or employee of that company or of that company and one or more other companies with which that company has a relevant connection; and
  - (b) is required in that capacity to devote substantially the whole of his time to the service of that company, or to the service of those companies taken together;
- 'group of companies' means a company which has one or more 51 per cent. subsidiaries, together with those subsidiaries;
- 'holding company' means a company whose business (disregarding any trade carried on by it) consists wholly or mainly of the holding of shares in one or more companies which are its 51 per cent. subsidiaries;
- 'office' and
- 'employment' have the same meanings as in the Income Tax Acts;
- 'qualifying office or employment', in relation to any time, means an office or employment with a person who was at that time carrying on a trade;
- 'qualifying company' shall be construed in accordance with paragraph 6 above;
- 'relevant period of ownership' shall be construed in accordance with paragraph 2 above;

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'shares', in relation to a company, includes any securities of that company;

'trade' means (subject to section 241(3)) anything which—

- (a) is a trade, profession or vocation, within the meaning of the Income Tax Acts; and
- (b) is conducted on a commercial basis and with a view to the realisation of profits;

'trading company' means a company which is either—

- (a) a company existing wholly for the purpose of carrying on one or more trades; or
- (b) a company that would fall within paragraph (a) above apart from any purposes capable of having no substantial effect on the extent of the company's activities;

'trading group' means a group of companies the activities of which (if all the activities of the companies in the group are taken together) do not, or not to any substantial extent, include activities carried on otherwise than in the course of, or for the purposes of, a trade; and

'transaction' includes any agreement, arrangement or understanding, whether or not legally enforceable, and a series of transactions.

- (2) For the purposes of this Schedule one company has a relevant connection with another company at any time when they are both members of the same group of companies or of the same commercial association of companies.
- (3) References in this Schedule to the acquisition of an asset that was provided, rather than acquired, by the person disposing of it are references to its provision.
- (4) References in this Schedule, in relation to a part disposal, to the asset disposed of are references to the asset of which there is a part disposal."

**Marginal Citations**

- M86** 1992 c. 12.
- M87** 1996 c. 8.
- M88** 1992 c. 40.
- M89** 1982 c. 50.
- M90** 1993 c. 34.

**Marginal Citations**

- M86** 1992 c. 12.
- M87** 1996 c. 8.
- M88** 1992 c. 40.
- M89** 1982 c. 50.
- M90** 1993 c. 34.

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## SCHEDULE 21

Section 121.

## AMENDMENTS IN CONNECTION WITH TAPER RELIEF

*Introductory*

- 1 The <sup>M91</sup>Taxation of Chargeable Gains Act 1992 shall be amended in accordance with the following provisions of this Schedule.

**Marginal Citations**

**M91** 1992 c. 12.

*Gains of trustees attributed to settlor*

- 2 In section 2 (persons and gains chargeable to capital gains tax), after subsection (3) there shall be inserted the following subsections—

“(4) Where any amount is treated by virtue of any of sections 77, 86, 87 and 89(2) (read, where applicable, with section 10A) as an amount of chargeable gains accruing to any person in any year of assessment—

- (a) that amount shall be disregarded for the purposes of subsection (2) above; and
- (b) the amount on which that person shall be charged to capital gains tax for that year (instead of being the amount given by that subsection) shall be the sum of the amounts specified in subsection (5) below.

(5) Those amounts are—

- (a) the amount which after—
  - (i) making any deductions for which subsection (2) provides, and
  - (ii) applying any reduction in respect of taper relief under section 2A,

is the amount given for the year of assessment by the application of that subsection in accordance with subsection (4)(a) above; and

- (b) every amount which is treated by virtue of sections 77, 86, 87 and 89(2) (read, where applicable, with section 10A) as an amount of chargeable gains accruing to the person in question in that year.”

*Annual exempt amount*

- 3 For subsection (5) of section 3 (definition of taxable amount) there shall be substituted the following subsections—

“(5) For the purposes of this section an individual’s taxable amount for any year of assessment is the amount which, after—

- (a) making every deduction for which section 2(2) provides,
- (b) applying any reduction in respect of taper relief under section 2A, and
- (c) adding any amounts falling to be added by virtue of section 2(5)(b),



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is (apart from this section) the amount for that year on which that individual is chargeable to capital gains tax in accordance with section 2.

(5A) Where, in the case of any individual, the amount of the adjusted net gains for any year of assessment is equal to or less than the exempt amount for that year, no deduction shall be made for that year in respect of—

- (a) any allowable losses carried forward from a previous year; or
- (b) any allowable losses carried back from a subsequent year in which the individual dies.

(5B) Where, in the case of any individual, the amount of the adjusted net gains for any year of assessment exceeds the exempt amount for the year, the deductions made for that year in respect of allowable losses falling within subsection (5A)(a) or (b) above shall not be greater than the excess.

(5C) In subsections (5A) and (5B) above the references, in relation to any individual's case, to the adjusted net gains for any year are references to the amount given in his case by—

- (a) taking the amount for that year from which the deductions for which section 2(2)(a) and (b) provides are to be made;
- (b) deducting only the amounts falling to be deducted in accordance with section 2(2)(a); and
- (c) in a year in which any amount falls to be brought into account by virtue of section 2(5)(b), adding whichever is the smaller of the exempt amount for that year and the amount falling to be so brought into account.”

#### *Gains attributed to members of non-resident companies*

4 In section 13 (gains attributed to members of non-resident companies), after subsection (10) there shall be inserted the following subsection—

“(10A) A gain which is treated as accruing to any person by virtue of this section shall not be eligible for taper relief.”

#### *Carry back of losses on death*

5 In section 62 (general provisions about death), the following subsections shall be inserted after subsection (2)—

“(2A) Amounts deductible from chargeable gains for any year in accordance with subsection (2) above shall not be so deductible from any such gains so far as they are gains that are brought into account for that year by virtue of section 2(5)(b).

(2B) Where deductions under subsection (2) above fall to be made from the chargeable gains for any year, the provisions of this Act relating to taper relief shall have effect as if those deductions were deductions under section 2(2)(a) and (b) and, accordingly, as if—

- (a) those deductions were to be made (before the application of the relief) in computing for that year the excess (if any) mentioned in section 2A(1); and

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- (b) for the purpose of determining the gains represented in that excess, the gains for that year from which those deductions are treated as made were to be ascertained in accordance with section 2A(6).”

*Gains attributed to settlors and beneficiaries*

6 <sup>F179</sup>(1) .....

<sup>F179</sup>(2) .....

- (3) In section 87 (attribution of gains to beneficiaries), after subsection (6) there shall be inserted the following subsection—

“(6A) Without prejudice to so much of this section as requires section 2A to be applied in the computation of the amount of the trust gains for any year of assessment, chargeable gains that are treated as accruing to beneficiaries under this section shall not be eligible for taper relief.”

- (4) In section 89(3) (application of provisions of section 87 in the cases of gains treated as accruing under section 89(2)), after “Subsections (5)” there shall be inserted “ , (6A) ”.

**Textual Amendments**

**F179** Sch. 21 para. 6(1)(2) repealed (24.7.2002 with effect as mentioned in Sch. 40 Pt. 3(4) Note of the amending Act) by 2002 c. 23, s. 141, Sch. 40 Pt. 3(4) Note

*Gains on assets deriving from reorganisation of body carrying on a mutual business etc.*

- 7 In Chapter IV of Part VI (special cases), before section 215 there shall be inserted the following section—

*“ Re-organisations of mutual businesses*

**214C Gains not eligible for taper relief.**

- (1) A gain shall not be eligible for taper relief if—
- (a) it is a gain accruing on a disposal in connection with any relevant re-organisation; or
  - (b) it is a gain accruing on anything which, in a case in which capital sums are received under or in connection with a relevant re-organisation, falls under section 22 to be treated as a disposal.
- (2) In this section “a relevant re-organisation” means—
- (a) any scheme of reconstruction or amalgamation applying to a mutual company;
  - (b) the transfer of the whole of a building society’s business to a company in accordance with section 97 and the other applicable provisions of the <sup>M92</sup>Building Societies Act 1986; or
  - (c) the incorporation of a registered friendly society under the <sup>M93</sup>Friendly Societies Act 1992.

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(3) In this section—

'insurance company' has the meaning given by section 96(1) of the <sup>M94</sup>Insurance Companies Act 1982;

'mutual company' means—

- (a) a mutual insurance company; or
- (b) a company of another description carrying on a business on a mutual basis;

'mutual insurance company' means an insurance company carrying on a business without having a share capital; and

'scheme of reconstruction or amalgamation' has the same meaning as in section 136."

**Marginal Citations**

**M92** 1986 c. 53.

**M93** 1992 c. 40.

**M94** 1982 c. 50.

*Commercial letting of furnished holiday dwellings*

- 8 In section 241(3) (provisions for the purposes of which letting of furnished holiday dwellings is to be treated as a trade), for "Schedule 6" there shall be substituted "Schedule A1 and Schedule 6".

*Delayed remittances in respect of foreign assets*

- 9 In section 279(2)(a) (deductions in respect of unremitted gains), after "deducted" there shall be inserted " (before the application of any taper relief) ".

SCHEDULE 22

Section 131.

TRANSITIONAL PROVISION AND CONSEQUENTIAL AMENDMENTS FOR SECTION 131

*Introductory*

- 1 The <sup>M95</sup>Taxation of Chargeable Gains Act 1992 shall be amended as follows.

**Marginal Citations**

**M95** 1992 c. 12.

*Transitional for settlements created before 17th March 1998*

- 2 (1) In the words at the end of sub-paragraph (1) of paragraph 2 of Schedule 5 (which specifies the provisions to which that sub-paragraph is subject), after "(4) to (6)" there shall be inserted " and paragraph 2A ".

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(2) After that paragraph there shall be inserted the following paragraph—

*“ Settlements created before 17th March 1998*

- 2A (1) In determining for the purposes of section 86(1)(d) whether the settlor has an interest at any time during any year of assessment in a settlement created before 17th March 1998, paragraphs (da) and (db) of paragraph 2(3) above, and the reference to those paragraphs in paragraph 2(3)(e), shall be disregarded unless—
- (a) that year is a year in which one of the four conditions set out in the following provisions of this paragraph becomes fulfilled as regards the settlement; or
  - (b) one of those conditions became fulfilled as regards that settlement in any previous year of assessment ending on or after 5th April 1998.
- (2) The first condition is (subject to sub-paragraph (3) below) that on or after 17th March 1998 property or income is provided directly or indirectly for the purposes of the settlement—
- (a) otherwise than under a transaction entered into at arm's length, and
  - (b) otherwise than in pursuance of a liability incurred by any person before that date.
- (3) For the purposes of the first condition, where the settlement's expenses relating to administration and taxation for a year of assessment exceed its income for the year, property or income provided towards meeting those expenses shall be ignored if the value of the property or income so provided does not exceed the difference between the amount of those expenses and the amount of the settlement's income for the year.
- (4) The second condition is that—
- (a) the trustees become on or after 17th March 1998 neither resident nor ordinarily resident in the United Kingdom, or
  - (b) the trustees, while continuing to be resident and ordinarily resident in the United Kingdom, become on or after 17th March 1998 trustees who fall to be regarded for the purposes of any double taxation relief arrangements as resident in a territory outside the United Kingdom.
- (5) The third condition is that on or after 17th March 1998 the terms of the settlement are varied so that any person falling within sub-paragraph (7) below becomes for the first time a person who will or might benefit from the settlement.
- (6) The fourth condition is that—
- (a) on or after 17th March 1998 a person falling within sub-paragraph (7) below enjoys a benefit from the settlement for the first time, and
  - (b) the person concerned is not one who (looking only at the terms of the settlement immediately before 17th March 1998) would be capable of enjoying a benefit from the settlement on or after that date.
- (7) Each of the following persons falls within this sub-paragraph—
- (a) any grandchild of the settlor or of the settlor's spouse;

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- (b) the spouse of any such grandchild;
  - (c) a company controlled by a person or persons falling within paragraph (a) or (b) above;
  - (d) a company controlled by any such person or persons together with any person or persons (not so falling) each of whom is for the purposes of paragraph 2(1) above a defined person in relation to the settlement;
  - (e) a company associated with a company falling within paragraph (c) or (d) above.
- (8) For the purposes of sub-paragraph (7) above the question whether a company is controlled by a person or persons shall be construed in accordance with section 416 of the Taxes Act; but in deciding that question for those purposes no rights or powers of (or attributed to) an associate or associates of a person shall be attributed to him under section 416(6) if he is not a participator in the company.
- (9) For the purposes of sub-paragraph (7) above the question whether one company is associated with another shall be construed in accordance with section 416 of the Taxes Act; but where in deciding that question for those purposes it falls to be decided whether a company is controlled by a person or persons, no rights or powers of (or attributed to) an associate or associates of a person shall be attributed to him under section 416(6) if he is not a participator in the company.
- (10) In this paragraph—  
    'child' includes a step-child;  
    'grandchild' means a child of a child;  
    'participator' has the meaning given by section 417(1) of the Taxes Act.”
- (3) In construing section 86(1)(e) as regards any year of assessment and in relation to a settlement which—  
    (a) was created before 17th March 1998, and  
    (b) is a settlement in which the settlor has an interest during that year by virtue only of the fulfilment for the purposes of the paragraph inserted by sub-paragraph (2) above of one of the conditions set out in that paragraph,  
no account shall be taken of disposals made before the relevant day (whether for the purpose of arriving at gains or for the purpose of arriving at losses).
- (4) In sub-paragraph (3) above “the relevant day” means—  
    (a) for the year 1997-98, 17th March 1998; and  
    (b) for any other year of assessment, the 6th April which is the first day of that year.

*Consequential amendments of paragraphs 4 and 5 of Schedule 5 to the 1992 Act*

- 3 (1) In paragraphs 4(1)(a) and 5(1)(a) of Schedule 5 (disapplication of section 86 in certain cases where beneficiaries die), for “(d)” there shall be substituted “ (db) ”.
- (2) In paragraph 4(4) of that Schedule (disapplication of section 86 in certain cases where a beneficiary ceases to be married)—  
    (a) in paragraph (b), for “or (d)” there shall be substituted “ , (d) or (db) ”; and

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(b) for “or child” there shall be substituted “, child or grandchild”.

*Consequential amendment of paragraph 9 of Schedule 5 to the 1992 Act*

- 4 (1) In sub-paragraph (7) of paragraph 9 of Schedule 5 (persons listed for the purpose of the conditions the fulfilment of which makes a pre-19th March 1991 settlement a qualifying settlement)—
- (a) after paragraph (d) there shall be inserted the following paragraphs—
- “(da) any grandchild of a settlor or of a settlor’s spouse;  
 (db) the spouse of any such grandchild;”and
- (b) in paragraph (e), for “(d)” there shall be substituted “(db)”.
- (2) For sub-paragraph (11) of that paragraph there shall be substituted the following sub-paragraph—
- “(11) In this paragraph—  
 ‘child’ includes a step-child;  
 ‘grandchild’ means a child of a child;  
 ‘participator’ has the meaning given by section 417(1) of the Taxes Act.”
- (3) Sub-paragraph (1) above shall be disregarded for the purpose of determining whether either of the conditions set out in sub-paragraphs (5) and (6) of that paragraph became fulfilled at any time before 17th March 1998.

*Consequential amendment of Schedule 5A*

- 5 (1) In paragraph 2(1) of Schedule 5A (returns in relation to dealings involving settlements created before 19th March 1991), in paragraph (a) for “19th March 1991” there shall be substituted “17th March 1998”.
- (2) This paragraph has effect in relation to transfers on or after 17th March 1998.

SCHEDULE 23

Section 132.

TRANSITIONAL PROVISION IN CONNECTION WITH SECTION 132

*Pre-6th April 1999 gains and losses of settlements that become qualifying*

- 1 (1) This paragraph applies to a settlement in the case of any person who is a settlor in relation to that settlement if that settlement—
- (a) is one created before 19th March 1991;  
 (b) is not a qualifying settlement in the year 1998-99; and  
 (c) is a qualifying settlement in the year 1999-00 without having been a protected settlement in relation to that settlor immediately after the beginning of 6th April 1999.
- (2) Subject to sub-paragraph (3) below, section 86 of the 1992 Act (attribution of gains to settlor of non-resident or dual resident trusts) shall have effect in relation to any settlement to which this paragraph applies—

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- (a) as if any relevant gains or relevant losses accruing to the trustees of the settlement on or after 17th March 1998 and before 6th April 1999 were gains or losses accruing to those trustees on 6th April 1999; and
  - (b) where it is not the case, as if the trustees fulfilled the condition as to residence in the year 1999-00.
- (3) Where (apart from sub-paragraph (2)(b) above) the trustees of a settlement to which this paragraph applies do not fulfil the condition as to residence in the year 1999-00, section 86 of the 1992 Act shall have effect (without prejudice to any charge imposed otherwise than by virtue of that section) as if the only gains and losses accruing to the trustees of that settlement in that year were those which are treated as accruing to those trustees on 6th April 1999 by virtue of sub-paragraph (2)(a) above.
- (4) The gains and losses that are relevant gains or relevant losses for the purposes of this paragraph are those which (apart from this paragraph) accrue to the trustees of a settlement to which this paragraph applies in any year of assessment in which those trustees fulfil the condition as to residence.

*Pre-6th April 1999 gains and losses where there is a transfer to another settlement*

- 2 (1) This paragraph applies, subject to sub-paragraph (5) below, to any chargeable gain or loss accruing on the disposal of any asset by the trustees of a settlement ("the transferor settlement") if—
- (a) that settlement was created before 19th March 1991;
  - (b) the disposal on which the gain or loss accrues is one made—
    - (i) on or after 17th March 1998 and before 6th April 1999; and
    - (ii) in a year of assessment in which the trustees of the transferor settlement fulfil the condition as to residence but the settlement is not a qualifying settlement;
  - (c) a person who is a settlor in relation to the transferor settlement ("the chargeable settlor")—
    - (i) is domiciled in the United Kingdom at some time in the year 1999-00 and in the year of assessment in which the disposal is made;
    - (ii) is either resident in the United Kingdom during any part of each of those years or ordinarily resident in the United Kingdom during each of those years; and
    - (iii) is alive at the end of the year 1999-00;
  - (d) the asset disposed of is property originating from the chargeable settlor;
  - (e) the property comprised in another settlement ("the transferee settlement") at any time after the disposal and before 6th April 1999 is or includes (whether in consequence of the disposal or otherwise) the asset disposed of or any relevant property;
  - (f) the transferor settlement has a relevant connection with the transferee settlement; and
  - (g) the gain or loss in question is not one treated under paragraph 1 above as accruing on 6th April 1999 to the trustees of the transferor settlement.
- (2) If, in the case of the chargeable settlor, section 86 of the 1992 Act applies (apart from this paragraph) for the year 1999-00 in relation to the transferee settlement, that section shall apply for that year in relation to that settlement as if any chargeable gain or loss to which this paragraph applies—

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- (a) were a gain or loss accruing on 6th April 1999 to the trustees of the transferee settlement; and
  - (b) so accrued on the disposal by those trustees of any asset that was property originating from the chargeable settlor.
- (3) Where sub-paragraph (2) above does not apply, section 86 of the 1992 Act shall have effect in relation to the chargeable settlor as if—
- (a) in the year 1999-00 the conditions specified in paragraphs (a) to (d) and (f) of subsection (1) of that section were fulfilled in his case in relation to the transferee settlement;
  - (b) any gain or loss to which this paragraph applies—
    - (i) were a gain or loss accruing on 6th April 1999 to the trustees of the transferee settlement; and
    - (ii) so accrued on the disposal by them of an asset that was property originating from the chargeable settlor;
 and
  - (c) any chargeable gains and losses accruing to the trustees of the transferee settlement which are not gains or losses to which this paragraph applies were to be disregarded for the purposes of that section.
- (4) Where (but for this sub-paragraph) the same gain or loss would fall to be treated by virtue of sub-paragraph (2) or (3) above as a gain or loss accruing to the trustees of more than one settlement—
- (a) that gain or loss shall be apportioned between those settlements in such manner as may be just and reasonable; and
  - (b) only such part of the gain or loss as on that apportionment is attributable to a particular settlement shall be treated in accordance with that sub-paragraph as accruing to that settlement.
- (5) This paragraph does not apply to any chargeable gain or loss accruing on any disposal if, for the year of assessment in which that disposal is made, section 86 of the 1992 Act would, on the relevant assumption, have been prevented by virtue of paragraph 3, 4 or 5 of Schedule 5 to that Act—
- (a) from applying in the case of the chargeable settlor in relation to the transferor settlement; or
  - (b) from applying in his case in relation to the transferee settlement.
- (6) The relevant assumption for the purposes of sub-paragraph (5) above is that section 86 of the 1992 Act would have applied in the case of the chargeable settlor apart from paragraphs 3 to 5 of Schedule 5 to that Act.
- (7) In this paragraph “relevant property”, in relation to any disposal made by the trustees of the transferor settlement, means any property (not being the asset disposed of) which—
- (a) is or represents property or income originating from the chargeable settlor;
  - (b) has been comprised in, or has arisen to, the transferor settlement at any time after the time of that disposal; and
  - (c) is property or income of the trustees of the transferee settlement acquired or otherwise deriving, directly or indirectly, from the trustees of the transferor settlement.



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- (8) For the purposes of this paragraph the transferor settlement has, in relation to a disposal by its trustees, a relevant connection with the transferee settlement if—
- (a) immediately before the time of the disposal, the beneficiaries of the transferor settlement are or include persons who are defined persons in relation to that settlement at that time;
  - (b) the transferor settlement is not a protected settlement at that time in relation to the chargeable settlor;
  - (c) at the beginning of 6th April 1999, the beneficiaries of the transferee settlement are or include persons who—
    - (i) have attained the age of eighteen; and
    - (ii) have been defined persons in relation to the transferor settlement;and
  - (d) the property comprised in the transferee settlement in respect of which some or all of the persons mentioned in paragraph (c) above are beneficiaries of that settlement at the beginning of 6th April 1999 is or includes anything which, in relation to either that settlement or the transferor settlement, is property or income originating from the chargeable settlor.
- (9) For the purposes of this paragraph a person is a defined person in relation to a settlement at a time if he would fall at that time to be treated, by reference to the chargeable settlor, as a defined person in relation to that settlement for the purposes of paragraph 2 of Schedule 5 to the 1992 Act.
- (10) Sub-paragraph (3)(c) above is without prejudice to any charge imposed otherwise than by virtue of this paragraph.

*Pre-6th April 1999 gains and losses where there is a transfer to a foreign institution*

- 3 (1) This paragraph applies, subject to sub-paragraphs (4) and (6) below, to a chargeable gain or loss accruing on the disposal of any asset by the trustees of a settlement (“the transferor settlement”) if—
- (a) that settlement was created before 19th March 1991;
  - (b) the disposal on which the gain or loss accrues is one made—
    - (i) on or after 17th March 1998 and before 6th April 1999; and
    - (ii) in a year of assessment in which the trustees of the transferor settlement fulfil the condition as to residence but the settlement is not a qualifying settlement;
  - (c) a person who is a settlor in relation to the transferor settlement (“the chargeable settlor”)—
    - (i) is domiciled in the United Kingdom at some time in the year 1999-00 and in the year of assessment in which the disposal is made;
    - (ii) is either resident in the United Kingdom during any part of each of those years or ordinarily resident in the United Kingdom during each of those years; and
    - (iii) is alive at the end of the year 1999-00;
  - (d) the asset disposed of is property originating from the chargeable settlor;
  - (e) the property comprised in a foreign institution (“the transferee institution”) at any time after the disposal and before 6th April 1999 is or includes (whether in consequence of the disposal or otherwise) the asset disposed of or any relevant property;

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- (f) the transferor settlement has a relevant connection with the transferee institution; and
  - (g) the gain or loss in question is neither—
    - (i) a gain or loss treated under paragraph 1 above as accruing on 6th April 1999 to the trustees of any settlement; nor
    - (ii) a gain or loss to which paragraph 2 above applies.
- (2) If, in the case of the chargeable settlor, section 86 of the 1992 Act applies (apart from this paragraph) for the year 1999-00 in relation to the transferor settlement, that section shall apply for that year in relation to that settlement as if any chargeable gain or loss to which this paragraph applies—
- (a) were a gain or loss accruing on 6th April 1999 to the trustees of the transferor settlement; and
  - (b) so accrued on the disposal by them of an asset that was property originating from the chargeable settlor.
- (3) Where sub-paragraph (2) above does not apply, section 86 of the 1992 Act shall have effect in relation to the chargeable settlor as if—
- (a) (where it is not the case) the transferor settlement existed in the year 1999-00;
  - (b) that settlement were a settlement in relation to which all the conditions specified in paragraphs (a) to (d) and (f) of subsection (1) of that section were fulfilled in the case of the chargeable settlor in that year;
  - (c) any gain or loss to which this paragraph applies—
    - (i) were a gain or loss accruing on 6th April 1999 to the trustees of the transferor settlement; and
    - (ii) so accrued on the disposal by them of an asset that was property originating from the chargeable settlor;
- and
- (d) any chargeable gains and losses which are not gains or losses to which this paragraph applies were to be disregarded for the purposes of that section.
- (4) This paragraph does not apply to any chargeable gain or loss accruing on any disposal if, for the year of assessment in which that disposal is made, section 86 of the 1992 Act would, on the relevant assumption, have been prevented by virtue of paragraph 3, 4 of 5 of Schedule 5 to that Act from applying in the case of the chargeable settlor in relation to the transferor settlement.
- (5) The relevant assumption for the purposes of sub-paragraph (4) above is that section 86 of the 1992 Act would have applied in the case of the chargeable settlor apart from paragraphs 3 to 5 of Schedule 5 to that Act.
- (6) This paragraph does not apply to any chargeable gain or loss accruing on any disposal if the chargeable settlor stands in such a relationship to the foreign institution that if—
- (a) that institution were a settlement,
  - (b) property of the institution were property comprised in the settlement, and
  - (c) income arising to the institution were income arising under the settlement,
- paragraph 4 or 5 of Schedule 5 to the 1992 Act would (assuming that nothing else did) prevent section 86 of that Act from applying in the case of the chargeable settlor in relation to that settlement for the year of assessment in which that disposal is made.
- (7) In this paragraph “relevant property”, in relation to any disposal made by the trustees of the transferor settlement, means any property which—

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- (a) is or represents property or income originating from the chargeable settlor;
  - (b) has been comprised in, or has arisen to, the transferor settlement at any time after the time of that disposal; and
  - (c) is property or income of the transferee institution acquired or otherwise deriving, directly or indirectly, from the trustees of the transferor settlement.
- (8) For the purposes of this paragraph the transferor settlement has, in relation to a disposal by its trustees, a relevant connection with the transferee institution if—
- (a) immediately before the time of the disposal, the beneficiaries of the transferor settlement are or include persons who are defined persons in relation to that settlement at that time;
  - (b) the transferor settlement is not a protected settlement at that time in relation to the chargeable settlor; and
  - (c) the transferee institution is—
    - (i) one in which a relevant defined person is a participator at the beginning of 6th April 1999;
    - (ii) one which is under the control of a company in which, or two or more companies in any of which, a relevant defined person is a participator at that time; or
    - (iii) one whose relevant property or relevant income includes property or income in which a relevant defined person has an interest at that time.
- (9) For the purposes of this paragraph a person is a relevant defined person at any time if he—
- (a) has attained the age of eighteen; and
  - (b) has been, by reference to the chargeable settlor, a defined person in relation to the transferor settlement.
- (10) For the purposes of this paragraph a person has an interest in any property or income of a foreign institution at any time if—
- (a) there are any circumstances whatever in which that property or income is or will or may become applicable for his benefit or payable to him;
  - (b) there are any circumstances whatever in which income which is or may arise from that property or income is or will or may become applicable for his benefit or payable to him;
  - (c) he enjoys a benefit directly or indirectly from that property or income or from any income arising from that property or income.
- (11) For the purposes of this paragraph a person is a defined person in relation to a settlement at a time if he would fall at that time to be treated, by reference to the chargeable settlor, as a defined person in relation to that settlement for the purposes of paragraph 2 of Schedule 5 to the 1992 Act.
- (12) In this paragraph—
- “foreign institution” means any company or other institution resident outside the United Kingdom;
  - “participator” has the meaning given (for the purposes of Part XI of the Taxes Act 1988 (close companies)) by section 417(1) of that Act;
  - “relevant income”, in relation to a foreign institution, means any income of that institution which, if that institution were a settlement, would be

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treated for the purposes of Schedule 5 to the 1992 Act as originating from the chargeable settlor;

“relevant property”, in relation to a foreign institution, means any property of that institution which, if that institution were a settlement, would be treated for the purposes of Schedule 5 to the 1992 Act as originating from the chargeable settlor.

- (13) Sub-paragraph (3)(d) above is without prejudice to any charge imposed otherwise than by virtue of this paragraph.

*Rule to prevent a double charge*

- 4 (1) This paragraph applies, in the case of a person who is a settlor in relation to any settlement (“the relevant settlement”), to so much (if any) of the amount falling in his case within section 86(1)(e) of the 1992 Act for the year 1999-00 as (apart from this paragraph) would be treated by virtue only of the preceding provisions of this Schedule, as gains accruing to him in that year.
- (2) Where there is an excess of the relevant chargeable amounts for the transitional period over the amount of the section 87 pool on 17th March 1998, only so much (if any) of the amount to which this paragraph applies as exceeds that excess shall fall in accordance with this Schedule to be, or (as the case may be) to be included in, the amount treated as accruing to the settlor in the year 1999-00.
- (3) In sub-paragraph (2) above, the reference to the relevant chargeable amounts for the transitional period is (subject to sub-paragraph (5) below) a reference to the aggregate of the amounts on which beneficiaries of the relevant settlement are charged to tax under section 87 or 89(2) of the 1992 Act for any year of assessment ending after 17th March 1998 and before 6th April 1999 in respect of capital payments received by them.
- (4) In sub-paragraph (2) above, the reference to the section 87 pool on 17th March 1998 is (subject to sub-paragraph (5) below) a reference to the amount (if any) which, in accordance with subsection (2) of section 87 of the 1992 Act, would have fallen in relation to the relevant settlement to be carried forward from the year 1997-98 to be included in the amount of the trust gains for the year 1998-99 if—
- (a) the year 1997-98 had ended with 16th March 1998; and
  - (b) the year 1998-99 had begun with 17th March 1998.
- (5) Where the property comprised in the relevant settlement has at any time included property not originating from the settlor, only so much (if any) of any capital payment or of any amount that would have been carried forward in accordance with section 87(2) of the 1992 Act as, on a just and reasonable apportionment, is properly referable to property originating from the settlor shall be taken into account for the purposes of sub-paragraphs (3) and (4) above.
- (6) Where any reduction falls to be made by virtue of sub-paragraph (2) above in the amount to be attributed in accordance with this Schedule to any settlor for the year 1999-00, the reduction to be treated as made for that year in accordance with section 87(3) of the 1992 Act in the case of the settlement in question shall not be made until—
- (a) the reduction (if any) falling to be made by virtue of that sub-paragraph has been made in the case of every settlor to whom any amount is so attributed; and

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- (b) effect has been given to any reduction required to be made under paragraph 5(1) below.
- (7) In this paragraph “the transitional period” means the period beginning with 17th March 1998 and ending with 5th April 1999.
- 5 (1) Where in the case of any settlement there is (after the making of any reduction or reductions in accordance with paragraph 4(2) above) any amount or amounts falling in accordance with this Schedule to be attributed for the year 1999-00 to settlors of the settlement, the amount or (as the case may be) aggregate amount falling in accordance with this Schedule to be so attributed shall be applied in reducing the amount which (after any reductions in accordance with section 86A(6A) of that Act) is carried forward to that year in accordance with section 87(2) of that Act.
- (2) Where an amount or aggregate amount has been applied, in accordance with sub-paragraph (1) above, in reducing the amount which in the case of any settlement is carried forward to the year 1999-00 in accordance with section 87(2) of the 1992 Act, that amount (or, as the case may be, so much of it as does not exceed the amount which it is applied in reducing) shall be deducted from the amount used for that year in the case of that settlement for making the reduction under section 87(3) of that Act.

#### *Interpretation of Schedule*

- 6 (1) In this Schedule—
- “the 1992 Act” means the <sup>M96</sup>Taxation of Chargeable Gains Act 1992;
- “qualifying settlement”, in relation to any year of assessment, means a settlement that is a qualifying settlement in that year for the purposes of section 86 of and Schedule 5 to the 1992 Act;
- “settlor”, in relation to a settlement, has the same meaning as in Schedule 5 to the 1992 Act.
- (2) In this Schedule “protected settlement”, in relation to any time and any settlor, means (subject to sub-paragraph (3) below)—
- (a) a settlement that is a protected settlement at that time, within the meaning given by sub-paragraph (10A) of paragraph 9 of Schedule 5 to the 1992 Act, or
- (b) a settlement that would be such a settlement at that time if that settlor were the only settlor of the settlement.
- (3) For the purposes of construing, in accordance with sub-paragraph (2) above, the references in paragraphs 2(8) and 3(8) above to a protected settlement, paragraph 9(10A)(a) of Schedule 5 to the 1992 Act shall be deemed to have effect with the omission of the words “or who were under that age at the end of the immediately preceding year of assessment”.
- (4) References in this Schedule to the condition as to residence are references to the condition set out in section 86(2) of the 1992 Act.
- (5) For the purposes of this Schedule a person is a beneficiary of a settlement if—
- (a) there are any circumstances whatever in which property which is or may become comprised in the settlement is or will or may become applicable for his benefit or payable to him;

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- (b) there are any circumstances whatever in which income which arises or may arise from property comprised in the settlement is or will or may become applicable for his benefit or payable to him;
- (c) he enjoys a benefit directly or indirectly from any property comprised in the settlement or any income arising from any such property;
- and references in this paragraph to the property comprised in the settlement in respect of which a person is a beneficiary shall be construed accordingly.
- (6) For the purposes of this paragraph, paragraph 8 of Schedule 5 to the 1992 Act shall apply for determining if property is property originating from any person as it applies for the purposes of that Schedule.
- (7) Expressions used in this Schedule and in the 1992 Act have the same meanings in this Schedule as in that Act.

**Marginal Citations**

**M96** 1992 c. 12.

<sup>F180</sup>SCHEDULE 24

Section 137.

**Textual Amendments**

**F180** Sch. 24 repealed (with effect in accordance with Sch. 26 Pt. 3(9) Note 1 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 26 Pt. 3\(9\)](#)

SCHEDULE 25

Section 142.

PROPERTY OF HISTORIC INTEREST ETC

*Meaning of “the 1984 Act”*

- 1 In this Schedule “the 1984 Act” means the <sup>M97</sup>Inheritance Tax Act 1984.

**Marginal Citations**

**M97** 1984 c. 51.

*Claims for designation*

- 2 (1) In section 30 of the 1984 Act (conditionally exempt transfers), after subsection (3B) there shall be inserted the following subsection—

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“(3BA) A claim under subsection (1) above must be made no more than two years after the date of the transfer of value to which it relates or, in the case of a claim with respect to a potentially exempt transfer, the date of the death, or (in either case) within such longer period as the Board may allow.”

(2) This paragraph has effect in relation to any transfer of value or death on or after 17th March 1998.

3 (1) In section 78 of the 1984 Act (conditionally exempt occasions), after subsection (1) there shall be inserted the following subsection—

“(1A) A claim under subsection (1) above must be made no more than two years after the date of the transfer or other event in question or within such longer period as the Board may allow.”

(2) This paragraph has effect in relation to transfers of property made, and other events occurring, on or after 17th March 1998.

#### *Property capable of designation*

4 (1) In section 31 of the 1984 Act, in subsection (1) (property capable of designation under that section), for paragraph (a) there shall be substituted the following paragraphs—

“(a) any relevant object which appears to the Board to be pre-eminent for its national, scientific, historic or artistic interest;

(aa) any collection or group of relevant objects which, taken as a whole, appears to the Board to be pre-eminent for its national, scientific, historic or artistic interest;”.

(2) In subsections (2) and (3) of that section, for “(1)(a)”, wherever occurring, there shall be substituted “(1)(a) or (aa) ”.

(3) For subsection (5) of that section, there shall be substituted the following subsection—

“(5) In this section—

‘national interest’ includes interest within any part of the United Kingdom; and

‘relevant object’ means—

(a) a picture, print, book, manuscript, work of art or scientific object, or

(b) anything not falling within paragraph (a) above that does not yield income;

and in determining under subsection (1)(a) or (aa) above whether an object or a collection or group of objects is pre-eminent, regard shall be had to any significant association of the object, collection or group with a particular place.”

(4) This paragraph has effect in relation to the making of any designation on a claim made on or after the day on which this Act is passed.

#### *Access to designated property*

5 (1) In section 31 of the 1984 Act (designation of property and requisite undertakings), after subsection (4F) there shall be inserted the following subsection—

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“(4FA) For the purposes of this section, the steps agreed for securing reasonable access to the public must ensure that the access that is secured is not confined to access only where a prior appointment has been made.”

- (2) This paragraph has effect in relation to the giving of any undertaking on or after the day on which this Act is passed.

*Publication of information about designated property*

- 6 (1) In section 31 of the 1984 Act (designation of property and requisite undertakings), after the subsection (4FA) of that section inserted by paragraph 5 above there shall be inserted the following subsection—

“(4FB) Subject to subsection (3) above, where the steps that may be set out in any undertaking include steps for securing reasonable access to the public to any property, the steps that may be agreed and set out in that undertaking may also include steps involving the publication of—

- (a) the terms of any undertaking given or to be given for any of the purposes of this Act with respect to the property; or
- (b) any other information relating to the property which (apart from this subsection) would fall to be treated as confidential;

and references in this Act to an undertaking for access to any property shall be construed as including references to so much of any undertaking as provides for the taking of steps involving any such publication.”

- (2) This paragraph has effect in relation to the giving of any undertaking on or after the day on which this Act is passed.

*Undertakings on death, disposal of property, etc.*

- 7 (1) In section 32 of the 1984 Act (chargeable events in relation to conditionally exempt transfers), in subsection (2), for “subsection (5)(b)” there shall be substituted “subsection (5AA)”.

- (2) In subsection (5) of that section, for paragraph (b) there shall be substituted the following paragraph—

“(b) the condition specified in subsection (5AA) below is satisfied with respect to the property.”

- (3) After that subsection there shall be inserted the following subsection—

“(5AA) The condition referred to in subsection (5)(b) above is satisfied if—

- (a) the requisite undertaking described in section 31 above is given with respect to the property by such person as the Board think appropriate in the circumstances of the case, or
- (b) (where the property is an area of land within section 31(1)(d) above) the requisite undertakings described in that section are given with respect to the property by such person or persons as the Board think appropriate in the circumstances of the case.”

- (4) In section 32A of the 1984 Act (chargeable events in relation to associated properties), in subsection (6), for the words from “unless” to “case; and” there shall be substituted—



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“unless—

- (a) the requisite undertaking described in section 31 above is given with respect to the property (or part) not disposed of by such person as the Board think appropriate in the circumstances of the case, or
- (b) (where any of the property or part not disposed of is an area of land within section 31(1)(d) above) the requisite undertakings described in that section are given with respect to that property (or that part) by such person or persons as the Board think appropriate in the circumstances of the case;

and ”.

- (5) In subsection (8) of that section, for paragraph (b) there shall be substituted the following paragraph—

“(b) the condition specified in subsection (8A) below is satisfied with respect to the property (or part) concerned.”

- (6) After that subsection there shall be inserted the following subsection—

“(8A) The condition referred to in subsection (8)(b) above is satisfied if—

- (a) the requisite undertaking described in section 31 above is given with respect to the property (or part) by such person as the Board think appropriate in the circumstances of the case, or
- (b) (where any of the property or part is an area of land within section 31(1)(d) above) the requisite undertakings described in that section are given with respect to the property (or part) by such person or persons as the Board think appropriate in the circumstances of the case.”

- (7) For subsection (9) of that section there shall be substituted the following subsection—

“(9) If the whole or part of any property is disposed of by sale and—

- (a) the requisite undertaking described in section 31 above is given with respect to the property (or part) by such person as the Board think appropriate in the circumstances of the case, or
- (b) (where any of the property or part is an area of land within section 31(1)(d) above) the requisite undertakings described in that section are given with respect to the property (or part) by such person or persons as the Board think appropriate in the circumstances of the case,

the disposal is a chargeable event only with respect to the whole or part actually disposed of (if it is a chargeable event with respect to such whole or part apart from this subsection).”

- (8) In Schedule 5 to the 1984 Act, for paragraph 5 (undertaking capable of preventing disposal from being chargeable in cases where death occurred before 7th April 1976) there shall be substituted the following paragraph—

“5 (1) The further undertaking referred to in paragraph 1 above is the requisite undertaking described in section 31(2) of this Act given with respect to the object in question by such person as the Board think appropriate in the circumstances of the case.

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- (2) Subsection (3) of section 31 of this Act shall apply in relation to documents which are designated as objects to which section 31 of the <sup>M98</sup>Finance Act 1975 applies as that subsection applies in relation to documents designated under section 31(1)(a) of this Act.
- (3) The further undertaking referred to in paragraph 3 above is—
- (a) the requisite undertaking described in subsection (4) of section 31 of this Act given with respect to the property in question by such person as the Board think appropriate in the circumstances of the case, or
  - (b) (where applicable) the requisite undertakings described in subsections (4) and (4A) of that section given with respect to the property in question by such person or persons as the Board think appropriate in the circumstances of the case.”
- (9) This paragraph has effect in relation to the giving of any undertaking on or after the day on which this Act is passed.

#### Marginal Citations

**M98** 1975 c. 7.

#### *Variation of undertakings*

- 8 (1) After section 35 of the 1984 Act there shall be inserted the following section—

#### “35A Variation of undertakings.

- (1) An undertaking given under section 30, 32 or 32A above or paragraph 5 of Schedule 5 to this Act may be varied from time to time by agreement between the Board and the person bound by the undertaking.
- (2) Where a Special Commissioner is satisfied that—
  - (a) the Board have made a proposal for the variation of such an undertaking to the person bound by the undertaking,
  - (b) that person has failed to agree to the proposed variation within six months after the date on which the proposal was made, and
  - (c) it is just and reasonable, in all the circumstances, to require the proposed variation to be made,
 the Commissioner may direct that the undertaking is to have effect from a date specified by him as if the proposed variation had been agreed to by the person bound by the undertaking.
- (3) The date specified by the Special Commissioner must not be less than sixty days after the date of his direction.
- (4) A direction under this section shall not take effect if, before the date specified by the Special Commissioner, a variation different from that to which the direction relates is agreed between the Board and the person bound by the undertaking.”

- (2) After section 79 of the 1984 Act there shall be inserted the following section—

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**“79A Variation of undertakings.**

- (1) An undertaking given under section 78 or 79 above may be varied from time to time by agreement between the Board and the person bound by the undertaking.
  - (2) Where a Special Commissioner is satisfied that—
    - (a) the Board have made a proposal for the variation of such an undertaking to the person bound by the undertaking,
    - (b) that person has failed to agree to the proposed variation within six months after the date on which the proposal was made, and
    - (c) it is just and reasonable, in all the circumstances, to require the proposed variation to be made,the Commissioner may direct that the undertaking is to have effect from a date specified by him as if the proposed variation had been agreed to by the person bound by the undertaking.
  - (3) The date specified by the Special Commissioner must not be less than sixty days after the date of his direction.
  - (4) A direction under this section shall not take effect if, before the date specified by the Special Commissioner, a variation different from that to which the direction relates is agreed between the Board and the person bound by the undertaking.”
- (3) In Schedule 4 to the 1984 Act (maintenance funds for historic buildings), in paragraph 3, after sub-paragraph (3) there shall be inserted the following sub-paragraph—
- “(3A) Section 35A of this Act shall apply in relation to an undertaking given under sub-paragraph (3) above as it applies in relation to an undertaking given under section 30 of this Act.”
- (4) Subject to paragraph 10 below, this paragraph has effect in relation to undertakings given on or after the day on which this Act is passed.
- 9 (1) In section 258 of the <sup>M99</sup>Taxation of Chargeable Gains Act 1992 (disposal of works of art), after subsection (8) there shall be inserted the following subsection—
- “(8A) Section 35A of the 1984 Act (variation of undertakings) shall have effect in relation to an undertaking given under this section as it has effect in relation to an undertaking given under section 30 of that Act.”
- (2) Subject to paragraph 10 below, this paragraph has effect in relation to undertakings given on or after the day on which this Act is passed.

**Marginal Citations**  
M99 1992 c. 12.

- 10 (1) Section 35A of the 1984 Act applies in relation to a relevant undertaking given with respect to any property before the day on which this Act is passed except in a case where there has been a chargeable event with respect to that property at any time after the giving of the undertaking but before that day.

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- (2) In its application to such a relevant undertaking, section 35A of the 1984 Act applies with the modifications set out in sub-paragraphs (3) and (4) below.
- (3) The first modification is the substitution, for paragraph (a) of subsection (2), of the following paragraph—
- “(a) the Board have made a proposal to the person bound by such an undertaking for the undertaking to be varied so as to include (where it does not already do so) an extended access requirement or a publication requirement (or both those requirements).”
- (4) The second modification is the insertion, after subsection (4), of the following subsections—
- “(5) For the purposes of subsection (2)(a) above—
- (a) an extended access requirement is a requirement for the taking of steps ensuring that the access to the public that is secured is not confined to access only where a prior appointment has been made; and
- (b) a publication requirement is a requirement for the taking of steps involving the publication of any matter mentioned in paragraph (a) or (b) of section 31(4FB) above.
- (6) In determining for the purposes of subsection (2)(a) above whether an undertaking already includes an extended access requirement, there shall be disregarded so much of the undertaking as includes provision for the property with respect to which the undertaking was given to be made available temporarily for the purposes of special exhibitions.”
- (5) In this paragraph “relevant undertaking” means any of the following—
- (a) an undertaking given under section 30, 32, 32A, 78 or 79 of the 1984 Act;
- (b) an undertaking given under paragraph 3(3) of Schedule 4 to the 1984 Act or paragraph 5(2) of Schedule 5 to that Act;
- (c) an undertaking given under section 76, 78, 81 or 82 of the <sup>M100</sup>Finance Act 1976;
- (d) an undertaking given under section 34(2) of the <sup>M101</sup>Finance Act 1975;
- (e) an undertaking given under section 258 of the <sup>M102</sup>Taxation of Chargeable Gains Act 1992.
- (6) In this paragraph “chargeable event”, in relation to any property means—
- (a) an event which under section 32 or 32A of the 1984 Act is a chargeable event with respect to that property; or
- (b) an event which under either of those sections would be such an event if (where it is not the case) the undertaking in question had been given under section 30 of that Act.

#### **Marginal Citations**

**M100** 1976 c. 40.

**M101** 1975 c. 7.

**M102** 1992 c. 12.

*Status: Point in time view as at 06/04/2008.*

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## SCHEDULE 26

Section 160.

### NATIONAL LOANS

#### Commencement Information

**I19** Sch. 26 has effect in accordance with Sch. 26 para. 3.

#### *Amendment of National Loans Act 1968 (c.13)*

- 1 (1) The National Loans Act 1968 shall be amended as follows.
- (2) After section 20 there shall be inserted—

*“ The Debt Management Account*

#### **20A The Debt Management Account.**

Schedule 5A to this Act (the Debt Management Account) shall have effect.”

- (3) After Schedule 5 there shall be inserted—

“SCHEDULE  
5A

#### THE DEBT MANAGEMENT ACCOUNT

##### *The account*

- 1 (1) The Treasury shall establish an account to be known as the Debt Management Account.
- (2) The Treasury shall operate the Debt Management Account with the objects of—
  - (a) securing over time that sums are available to meet any daily shortfalls in the National Loans Fund and that any daily surpluses in that Fund are used to the best advantage;
  - (b) facilitating the raising of money under section 12 of this Act;
  - (c) promoting the liquidity, stability and efficiency of the market in securities issued under section 12 of this Act and the market in Treasury bills issued under the <sup>M103</sup>Treasury Bills Act 1877;
  - (d) providing a facility by which public bodies may exercise their powers to acquire and transfer such securities and bills;
  - (e) securing the general management of debt so far as it takes the form of such securities and bills.

##### *General powers*

- 2 (1) For the purposes of exercising their functions with regard to the Debt Management Account the Treasury may—

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- (a) exercise the powers conferred by the following provisions of this Schedule;
  - (b) generally manage the Account in the way the Treasury consider the most efficient.
- (2) Any sums held by the Treasury for the purposes of the Debt Management Account may be held in sterling or in any other currency or medium of exchange, whether national or international; and sums may be changed into any currency or medium.
- (3) The Treasury may exercise any power with regard to the Debt Management Account with a view to promoting one or more of the objects mentioned in paragraph 1(2) above, and it is immaterial if a particular object is not promoted or is not promoted as fully as it might be.

#### *Financial instruments*

- 3 (1) For the purposes of exercising their functions with regard to the Debt Management Account the Treasury may—
- (a) acquire (and arrange to acquire) and hold securities issued under section 12 of this Act, Treasury bills issued under the <sup>M104</sup>Treasury Bills Act 1877, and other financial instruments (by whatever person issued);
  - (b) transfer (and arrange to transfer) such securities, bills and other instruments.
- (2) Acquisitions under sub-paragraph (1)(a) above may be made on issue or otherwise.
- (3) Acquisitions, transfers and arrangements under sub-paragraph (1)(a) and (b) above may be made on such terms as the Treasury think fit.

#### *Borrowing*

- 4 (1) If the Treasury consider it expedient to raise money for the purpose of exercising their functions with regard to the Debt Management Account they may raise it in such manner and on such terms as they think fit, and money so raised shall be paid into the Account.
- (2) For the purpose of raising money under this paragraph the Treasury may—
- (a) create and issue such securities as they think fit;
  - (b) create and issue them at such rates of interest and subject to such conditions as to repayment, redemption and other matters as they think fit.
- (3) The power to raise money under this paragraph extends to raising money either within or outside the United Kingdom and either in sterling or in any other currency or medium of exchange, whether national or international.
- (4) The power to raise money under this paragraph extends to raising money by the issue of Treasury bills under the <sup>M105</sup>Treasury Bills Act 1877.

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- (5) The following shall be charged on and paid out of the Debt Management Account with recourse to the National Loans Fund and then to the Consolidated Fund—
    - (a) the principal of and interest on any money borrowed under this paragraph (whether by the issue of securities or otherwise);
    - (b) any other sums to be paid by the Treasury in accordance with the terms on which they borrow under this paragraph.
  - (6) Section 5 of the <sup>M106</sup>Treasury Bills Act 1877 (principal of and interest on Treasury bills) shall not apply in the case of Treasury bills issued by virtue of this paragraph.
  - (7) Any expenses incurred in connection with the raising of money under this paragraph (including expenses in connection with the issue, repayment or redemption of securities or Treasury bills) shall be charged on and paid out of the National Loans Fund with recourse to the Consolidated Fund.
- 5 Section 14 of this Act shall have effect for the purposes of paragraph 4 above as if—
- (a) the references in subsections (1) and (2) to section 12 were references to paragraph 4;
  - (b) the references in subsections (8) and (9) to the National Loans Fund were references to the Debt Management Account.

#### *Lending*

- 6 (1) The Treasury may—
  - (a) lend sums from the Debt Management Account for the purpose of exercising their functions with regard to the Account;
  - (b) lend from the Debt Management Account sums not immediately needed for any other purpose.
- (2) The power to lend under this paragraph includes power to lend to the National Loans Fund; and sums lent to the Fund and for the time being outstanding shall be a liability of the Fund to the Debt Management Account.
- (3) Loans under this paragraph may be made at such times and on such terms as the Treasury think fit.

#### *Borrowing and lending: general*

- 7 The powers under paragraphs 4 to 6 above may be exercised by means (or partly by means) of automatic devices programmed to respond to events as they arise.

#### *Cap on borrowing*

- 8 (1) The Treasury shall secure that the position at the end of any given day is such that the total of relevant debts does not exceed the total of relevant deposits.
- (2) A relevant debt is the principal outstanding of any money raised under paragraphs 4 and 5, but excluding money raised from the National Loans Fund.

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- (3) A relevant deposit is the principal outstanding of any sum standing to the credit of the Debt Management Account in the National Loans Fund or at the Bank of England.
- (4) For the purposes of this paragraph a debt or deposit not designated in sterling must be expressed in sterling, and the exchange rate or rates used to calculate the sterling equivalent of debts and deposits must be such as the Treasury consider prudent.

#### *National Loans Fund*

- 9 (1) If securities issued under section 12 of this Act or Treasury bills are acquired on issue under paragraph 3(1)(a) above the Treasury shall pay from the Debt Management Account into the National Loans Fund a sum of such amount as the Treasury may determine to be appropriate.
- (2) A payment under this paragraph—
  - (a) may be made before, at or after issue;
  - (b) may be made in instalments, any of which may be paid before, at or after issue.
- 10 (1) The Treasury may lend to the Debt Management Account from the National Loans Fund such sums as they think fit, at such times and on such terms as they think fit; and section 5 of this Act shall not apply in the case of such a loan.
- (2) The Treasury may repay from the Debt Management Account to the National Loans Fund sums lent under this paragraph.
- (3) Sums lent under this paragraph and for the time being outstanding shall be a liability of the Debt Management Account to the National Loans Fund.
- 11 (1) Any excess for the time being of the liabilities of the Debt Management Account over its assets shall be a liability of the National Loans Fund to the Account.
- (2) Any excess for the time being of the assets of the Debt Management Account over its liabilities shall be a liability of the Account to the National Loans Fund.
- (3) The Treasury may pay from the Debt Management Account to the National Loans Fund an amount representing all or any of any excess mentioned in subparagraph (2) above, and if they do the liability there mentioned shall be extinguished or reduced accordingly.
- 12 The Treasury shall exercise their powers under paragraphs 10 and 11 above so as to secure that the external liabilities of the Debt Management Account at any given time can be met; and the external liabilities of the Account are its liabilities other than those in favour of the National Loans Fund.

#### *Interest*

- 13 (1) The Treasury shall from time to time pay out of the National Loans Fund into the Debt Management Account sums (if any) which the Treasury consider



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appropriate to compensate the Account in respect of payments of interest made from the Account.

- (2) Payments to be made out of the National Loans Fund under subparagraph (1) above shall be treated for the purposes of section 15 of this Act as charges on that Fund for the service of national debt.
- (3) The Treasury may from time to time pay out of the Debt Management Account into the National Loans Fund sums (if any) which the Treasury consider appropriate in respect of interest received or earned by the Account.

#### *Redemption*

- 14 (1) Any securities issued by or on behalf of the Treasury and for the time being held by the Treasury for the purposes of the Debt Management Account may be redeemed by the Treasury before maturity at market prices determined in such manner as the Treasury think fit.
- (2) Any expenses incurred by the Treasury in connection with the redemption of securities under this paragraph shall be paid out of the National Loans Fund.

#### *Accounts*

- 15 (1) For each financial year in which the Debt Management Account operates the Treasury shall prepare in such form as they may prescribe an account relating to the transactions, assets and liabilities of the Account.
- (2) The Treasury shall send the account to the Comptroller and Auditor General not later than the end of November following the end of the financial year to which it relates.
- (3) The Comptroller and Auditor General shall examine, certify and report on the account and lay a copy of it, together with his report, before each House of Parliament.”

#### **Modifications etc. (not altering text)**

C47 Sch. 5A modified (25.10.1999) by S.I. 1999/2908, art. 7(1)(2)

#### **Marginal Citations**

M103 1877 c. 2.

M104 1877 c. 2.

M105 1877 c. 2.

M106 1877 c. 2.

#### *Amendment of Finance Act 1993 (c.34)*

- 2 Section 211 of the Finance Act 1993 (National Debt Commissioners: securities) shall cease to have effect.

#### *Commencement*

- 3 (1) The amendments made by this Schedule shall have effect in accordance with provision made by the Treasury by an order (or orders) made by statutory instrument.

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (2) Different provision may be made—
  - (a) for different amendments;
  - (b) for different purposes of the same amendment.
- (3) In particular, provision may be made for the Debt Management Account to begin operating at different times with regard to different objects (as set out in paragraph 1(2) of Schedule 5A to the <sup>M107</sup>National Loans Act 1968).
- (4) Any order may include such supplementary, incidental, consequential, transitional or saving provisions as appear to the Treasury to be necessary or expedient.
- (5) In particular, any order may—
  - (a) provide that any liability of the National Debt Commissioners to the National Loans Fund arising for the purposes of accountancy practice by virtue of section 211 of the <sup>M108</sup>Finance Act 1993 shall be treated as discharged in circumstances prescribed by the order;
  - (b) confer power to acquire, hold or transfer securities issued under section 12 of the <sup>M109</sup>National Loans Act 1968 or Treasury bills issued under the <sup>M110</sup>Treasury Bills Act 1877;
  - (c) impose on the National Debt Commissioners a duty to transfer securities issued under section 12 of the <sup>M111</sup>National Loans Act 1968 at such price as the Treasury may determine;
  - (d) confer power to advance sums from the National Loans Fund.

#### **Subordinate Legislation Made**

**P3** Sch. 26 para. 3 power fully exercised (25.10.1999): 15.11.1999 appointed by S.I. 1999/2908, art. 2(2) (with arts. 5-7)

#### **Marginal Citations**

**M107** 1968 c. 13.

**M108** 1993 c. 34.

**M109** 1968 c. 13.

**M110** 1877 c. 2.

**M111** 1968 c. 13.

*Status: Point in time view as at 06/04/2008.*

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## SCHEDULE 27

### REPEALS

#### PART I

##### EXCISE DUTIES

###### (1)

###### DRAWBACK OF DUTY ON BEER

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1979 c. 4.	The Alcoholic Liquor Duties Act 1979.	Section 42.
1991 c. 31.	The Finance Act 1991.	In Schedule 2, paragraph 9.
1993 c. 34.	The Finance Act 1993.	In section 4(2), paragraphs (c) and (d).

These repeals have effect in accordance with section 5(2) of this Act.

###### (2)

###### HYDROCARBON OIL DUTY

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1979 c. 5.	The Hydrocarbon Oil Duties Act 1979.	In section 6(1)(b), the words from “and delivered” to “above”.

This repeal has effect in accordance with section 6(3) of this Act.

###### (3)

###### VEHICLE EXCISE DUTY: RATES WHERE POLLUTION REDUCED

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1994 c. 22.	The Vehicle Excise and Registration Act 1994.	In Schedule 1, paragraphs 6(3A), 7(4), (5) and (6), 9(5) and 11(5).
1995 c. 4.	The Finance Act 1995.	In Schedule 4, paragraph 12.

These repeals have effect in accordance with paragraph 17(1) of Schedule 1 to this Act.

*Status: Point in time view as at 06/04/2008.*

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## (4)

## VEHICLE EXCISE AND REGISTRATION: NIL LICENCES

Chapter	Short title	Extent of repeal
1994 c. 22.	The Vehicle Excise and Registration Act 1994.	In section 22(2A)(a), the word “and” immediately before paragraph (b).

## (5)

## ASSESSMENTS FOR EXCISE DUTY PURPOSES

Chapter	Short title	Extent of repeal
1992 c. 48.	The Finance (No. 2) Act 1992.	In section 2(3), paragraph (b) and the word “and” immediately preceding it.
1994 c. 9.	The Finance Act 1994.	At the end of section 12A(3) (b) the word “or”.

These repeals have effect in accordance with an order made under paragraph 12 of Schedule 2 to this Act.

## PART II

## VALUE ADDED TAX

Chapter	Short title	Extent of repeal
1994 c. 23.	The Value Added Tax Act 1994.	In section 36(1)(a), the words “for a consideration in money”.

This repeal has effect in accordance with section 23(7) of this Act.

## PART III

## INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

## (1)

## RELIEF FOR QUALIFYING MAINTENANCE PAYMENTS

Chapter	Short title	Extent of repeal
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*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 347B(5A), the words after paragraph (b).
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This repeal has effect for the year 1999-00 and subsequent years of assessment.

(2)

ADVANCE CORPORATION TAX

Chapter	Short title	Extent of repeal
1968 c. 2.	The Provisional Collection of Taxes Act 1968.	In section 1(1), the words “(including advance corporation tax)”.
1970 c. 9.	The Taxes Management Act 1970.	Section 10(4).  Insection 87, in subsection (1), the words “13 or”, in subsection (2), paragraph (a), in subsection (6), the words “13 or” and, in subsection (7), the words “advance corporation tax and”.  Section 87A(4), (4B) and (7).  Section 94(8).  In section 98, in the second column of the Table, the words “Schedule 13;” and “Schedule 13A, paragraphs 11, 12 and 13;”.
1988 c. 1.	The Income and Corporation Taxes Act 1988.	Section 14(1) and (3) to (5).  Insection 75(2), the words “group income”.  Insection 116(2), paragraph (d).  Sections 238 to 241.  Sections 245, 245A, 245B and 246.  In section 247— (a) subsections (1), (2) and (3), (b) in subsection (5), the words “and shall not apply to a dividend” onwards,

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*Status: Point in time view as at 06/04/2008.*

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(c) in subsection (6), paragraph (a) and the words “advance corporation tax ought to have been paid or”, “as the case may be”, “paying or”, “receiving or” and “the advance corporation tax had been duly paid or”,  
(d) in subsection (7), the words “paying or” and “receiving or”, and  
(e) in subsection (10), the words “dividends or”, and “and references to “group income” shall be construed accordingly”.

In section 248, in subsections (2) and (3), the words “dividends or other”.

In section 252(1), paragraph (a).

In section 253, in subsection (1), paragraph (b) and the words “and to Schedule 13”, subsection (2) and, in subsection (3)(a), the words “advance corporation tax or”.

Section 255.

Section 434(3), (6) and (8).

Section 434C.

In section 490(1), the words “(including group income)”.

Sections 497 to 499.

Section 703(4) to (6).

In section 704, in paragraph A, sub-paragraph (d).

Section 705(6) to (8).

Section 797(4) and (5).

In section 802(2)(a), the words “and group income”.

In section 813(6), paragraph (b).

Section 826(2A), (7), (7AA) and (7CA).

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

		<p>In section 832(1), the definitions of “franked payment”, “group income”, “the rate of advance corporation tax” and “surplus of franked investment income”.</p> <p>Schedules 13 and 13A.</p> <p>In Schedule 24, in paragraph 6, sub-paragraph (1)(a) and, in sub-paragraph (2), the words “dividends or”, and paragraph 7.</p> <p>In Schedule 26, paragraph 2.</p> <p>In Schedule 29, paragraphs 10(4)(c) and (7).</p>
1989 c. 26.	The Finance Act 1989.	<p>Section 97.</p> <p>Section 98.</p> <p>Section 99(2).</p> <p>Section 149(3)(c).</p>
1990 c. 29.	The Finance Act 1990.	<p>Section 45(6).</p>
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	<p>In Schedule 10, paragraph 14(15).</p>
1993 c. 34.	The Finance Act 1993.	<p>Section 78.</p> <p>Section 81.</p> <p>In Schedule 6, paragraphs 12 and 16.</p> <p>In Schedule 14, paragraphs 4(1) and 10(1), (3), (5) and (6).</p>
1994 c. 9.	The Finance Act 1994.	<p>In Schedule 16, paragraphs 2, 3(1) to (4), (11) and (13) and 20(3).</p>
1995 c. 4.	The Finance Act 1995.	<p>In Schedule 8, paragraphs 18, 19(3) and 22.</p> <p>In Schedule 24, paragraphs 9 and 12(1), (2), (4) and (5).</p>
1996 c. 8.	The Finance Act 1996.	<p>Section 139.</p> <p>In Schedule 14, paragraphs 1(2) and 48(2).</p> <p>In Schedule 23, paragraphs 1 to 3, 5 and 7 to 9.</p>

*Status: Point in time view as at 06/04/2008.*

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1997 c. 58.	The Finance (No. 2) Act 1997.	Schedule 25. Section 50(2).  In Schedule 3, paragraph 3(3), (4), (6) and (7).  In Schedule 4, paragraphs 8, 9, 18 and 23.
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These repeals have effect in accordance with Schedule 3 to this Act.

### (3)

#### INTEREST ON GILT-EDGED SECURITIES

Chapter	Short title	Extent of repeal
1970 c. 9.	The Taxes Management Act 1970.	In the Table in section 98, in the entry in the second column relating to the Taxes Act 1988, the words “regulations under section 51B;”.
1988 c. 1.	The Income and Corporation Taxes Act 1988.	Section 51B.  In Schedule 19AB, in paragraph 3(1C) (as inserted by Schedule 34 to the Finance Act 1996), paragraph (c) and the word “or” immediately preceding it.
1995 c. 4.	The Finance Act 1995.	Section 78.
1996 c. 8.	The Finance Act 1996.	In Schedule 6, paragraph 4.
1997 c. 58.	The Finance (No. 2) Act 1997.	In section 37— (a) subsection (6); and (b) in subsection (11), the word “51B”.

These repeals have effect in accordance with section 37(3) of this Act.

### (4)

#### RENTS AND OTHER RECEIPTS FROM LAND

Chapter	Short title	Extent of repeal
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*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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1970 c. 9.	The Taxes Management Act 1970.	<p>In section 42(7), the reference to section 579(4) of the Taxes Act 1988.</p> <p>In the second column of the Table in section 98, the reference to section 41(2) of the Taxes Act 1988.</p>
1988 c. 1.	The Income and Corporation Taxes Act 1988.	<p>Section 15(2).</p> <p>In section 24— (a) in subsection (6), paragraph (c) and the word “and” preceding it; (b) subsection (7).</p> <p>Section 25.</p> <p>In section 26— (a) in subsection (1)(a), the words “at a full rent (not being a tenant’s repairing lease)”; (b) subsection (2)(a).</p> <p>Sections 28 and 29.</p> <p>Section 31.</p> <p>Section 33.</p> <p>Sections 33A and 33B.</p> <p>Section 40(5).</p> <p>Section 41.</p> <p>Section 42A(8).</p> <p>Section 65(2A) and (2B).</p> <p>In section 82(6), the words from “and shall be treated” to the end.</p> <p>Section 87(10).</p> <p>In section 96(11), the words from “or to any profits” to the end.</p> <p>Section 401(1B).</p> <p>Section 404(6)(c).</p> <p>Section 434E(3).</p> <p>Section 488(3).</p> <p>Section 494(4) and (5).</p>

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*Status: Point in time view as at 06/04/2008.*

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		In section 577(1) and (9), the words "Schedule A or".
		In section 577A(1) and (1A), the words "Schedule A or".
		Section 579(4).
		Section 588(4A).
		Section 589A(9A).
		Schedule 1.
1990 c. 1.	The Capital Allowances Act 1990.	Section 15(2), (2A) and (3).
		Section 15A.
		Section 28A(2).
		In section 29—
		(a) in subsection (1), the words "Subject to subsection (1A) below,";
		(b) subsection (1A).
		In section 53(1)(b), the words "or for leasing otherwise than in the course of a trade".
		Section 61(6).
		Section 67(2), (3) and (3A).
		In section 73—
		(a) subsection (1A); and
		(b) in subsection (2), the words "and section 67(3)".
		In section 159(1A), the words from "or to any such activities" to the end.
		In Schedule 1, paragraph 8(3).
1990 c. 29.	The Finance Act 1990.	In Schedule 14, paragraph 2(a) and (b).
1991 c. 31.	The Finance Act 1991.	In Schedule 15, paragraphs 13 and 26.
1992 c. 48.	The Finance (No. 2) Act 1992.	Sections 57 and 58.
1995 c. 4.	The Finance Act 1995.	Section 39.
		Section 41.
		In Schedule 6, paragraphs 1, 4 to 7, 9 to 16, 20 to 25, 29, 30, 32 and 34 to 37.

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

1996 c. 8.	The Finance Act 1996.	In Schedule 14, paragraph 32(4). In Schedule 20, paragraph 30. In Schedule 39, in paragraph 1— (a) sub-paragraph (2); (b) in sub-paragraph (4), the words from the beginning to “passed, and”.
1997 c. 16.	The Finance Act 1997.	In Schedule 12, paragraphs 3(6), 6(9)(b), 8, 13(7) and 20(b). In Schedule 15, paragraphs 2(2), 5(1) and (2) and 6.
1997 c. 58.	The Finance (No. 2) Act 1997.	In Schedule 7, paragraph 3.

These repeals have effect in accordance with section 38(2) and (3) of this Act.

(5)

LAND MANAGED AS ONE ESTATE ETC.

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1988 c. 1.	The Income and Corporation Taxes Act 1988.	Sections 26 and 27.
1998 c. 36.	The Finance Act 1998.	In Schedule 5, paragraphs 6 and 7.

These repeals have effect in accordance with section 39 of this Act.

(6)

COMPUTATION OF PROFITS OF TRADE, PROFESSION OR VOCATION

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In the heading to Chapter VI of Part IV, the words “AND CHANGE OF BASIS OF COMPUTATION”. In the sidenote to section 104, the words “or change of basis”. Section 104(4), (5) and (7).

*Status: Point in time view as at 06/04/2008.*

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Section 105(4).

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These repeals apply to a change of accounting basis taking effect on or after 6th April 1999.

(7)

CONSTRUCTION WORKERS SUPPLIED BY AGENCIES

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 134, subsection (5) (c) and the word "or" immediately preceding it.
1995 c. 4.	The Finance Act 1995.	In Schedule 27, paragraph 1(1).

These repeals have effect in accordance with section 55(3) of this Act.

(8)

SUB-CONTRACTORS IN THE CONSTRUCTION INDUSTRY

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 566(2)(c), the words "by inspectors".

(9)

PAYMENTS AND OTHER BENEFITS IN CONNECTION WITH TERMINATION OF EMPLOYMENT ETC.

Chapter	Short title	Extent of repeal
1970 c. 9.	The Taxes Management Act 1970.	Section 35.
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In the second column of the Table in section 98, the entry relating to section 148(7) of the Taxes Act 1988.
1988 c. 39.	The Finance Act 1988.	Section 74.
1990 c. 1.	The Capital Allowances Act 1990.	In Schedule 1, paragraph 8(39).
1996 c. 8.	The Finance Act 1996.	In Schedule 21, paragraph 24.

*Status: Point in time view as at 06/04/2008.*

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These repeals apply where section 58 of this Act applies.

(10)

TRAVELLING EXPENSES

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 158— (a) in subsection (6), the words “Subject to subsection (7) below,”; (b) subsection (7). Section 198A.
1997 c. 16.	The Finance Act 1997.	Section 62(1) to (3).

These repeals have effect for the year 1998-99 and subsequent years of assessment.

(11)

FOREIGN EARNINGS DEDUCTION

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 19(1), in Case I of Schedule E, the words from “and to section 193(1)” to the end. Section 193(1). In Schedule 12, paragraphs 3(2A) and 7.
1988 c. 39.	The Finance Act 1988.	Section 67.
1991 c. 31.	The Finance Act 1991.	Section 45.

These repeals have effect in relation to emoluments in relation to which subsections (1) to (4) of section 63 have effect: see subsections (5) and (6) of that section.

(12)

PAYE: APPLICATION TO NON-CASH BENEFITS

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 203H, subsection (2).

*Status: Point in time view as at 06/04/2008.*

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In section 203K, subsections (1) to (3).

1. The repeal of section 203H(2) of the Taxes Act 1988 has effect in accordance with section 68(4)(b) of this Act.

2. The repeal of section 203K(1) to (3) of that Act has effect in relation to assets provided and non-cash vouchers received at any time on or after 6th April 1998 and in relation to any use of a credit-token on or after that date.

### (13)

#### THE ENTERPRISE INVESTMENT SCHEME AND VENTURE CAPITAL TRUSTS

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 842AA(14), the word "preferential", in the second place where it occurs.  In Schedule 15B, in paragraph 6(1), the word "preferential", in the second place where it occurs.  In Schedule 28B, in paragraph 5(5), the word "and" at the end of the definition of "associate".
1994 c. 9.	The Finance Act 1994.	In Schedule 15, paragraph 25(d).

1. The repeals in section 842AA of, and Schedule 15B to, the Taxes Act 1988 have effect in accordance with section 73 of this Act.

2. The repeal in the Finance Act 1994 has effect in accordance with section 71(5) of this Act.

### (14)

#### OTHER CHANGES TO EIS ETC.

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 289(7), the word "preferential", in the second place where it occurs.  Section 290A.  In section 291(2), the words "and sections 291A and 291B".

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*Status: Point in time view as at 06/04/2008.*

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		<p>In section 291A(5), the words “and the reference to a trade previously carried on includes part of such a trade”.</p> <p>In section 293, in subsection (6), the words “it is shown that”, and subsection (7).</p> <p>In section 297(1), the words “Subject to section 298(7) below”.</p> <p>In section 299, subsections (7) and (8)(a).</p> <p>In section 306(3A), the words “but section 289B(5) shall not apply for the purposes of this subsection”.</p> <p>In section 310(2), the words “or payment”.</p> <p>In section 312, in subsection (1), the definition of “new consideration”, in subsection (1A), the words “(disregarding section 289B(5))” and, in subsection (1B)(c), the words “dealt in on the Unlisted Securities Market or”.</p>
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	<p>In section 150, in subsection (8), the word “eligible” and, in subsection (8A)(a), the word “preferential”, in the second place where it occurs.</p> <p>In section 150A, in subsections (1) and (2), the word “eligible” and, in subsection (8A)(a), the word “preferential”, in the second place where it occurs.</p> <p>In section 150B(1), the word “eligible”.</p> <p>In Schedule 5B, paragraph 3(2).</p>

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*Status: Point in time view as at 06/04/2008.*

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1. The repeals in sections 293(6) and 310(2) of the Taxes Act 1988 and in section 150(8) of the Taxation of Chargeable Gains Act 1992 have effect in relation to events occurring on or after 6th April 1998.
2. The repeal of section 299(7) of the Taxes Act 1988, and the repeals in sections 150A(1) and (2) and 150B(1) of the Taxation of Chargeable Gains Act 1992, have effect in relation to disposals made on or after that date.
3. The repeals in sections 150(8A) and 150A(8A) of the Taxation of Chargeable Gains Act 1992 have effect in relation to new shares (within the meaning of the provision in question) issued on or after that date.
4. The other repeals have effect in relation to shares issued on or after that date.

## (15)

### INDIVIDUAL SAVINGS ACCOUNTS

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 333(3)(b), the words “and minimum periods for which investments are to be held”.
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	In section 151— (a) in subsection (2), the words “(personal equity plans)”; and (b) in subsection (2A), the words “personal equity plans:”.

## (16)

### RELIEF FOR LOSSES ON UNLISTED SHARES IN TRADING COMPANIES

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 576(5), in the definition of “trading group”, the words “or not resident in the United Kingdom”.

The above repeal has effect in relation to shares issued on or after 6th April 1998.

## (17)

### CARRY FORWARD OF NON-TRADING DEFICIT ON LOAN RELATIONSHIPS

Chapter	Short title	Extent of repeal
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*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 797(3B)(b), the words “or in accordance with subsection (3) of that section”.  In section 797A(5), paragraph (c) and the word “and” preceding it.  In Schedule 28A— (a) in paragraph 6(db), the words “(dc) or”; (b) paragraph 11(2)(a); (c) in paragraph 13(1)(eb), the words “(ec) or”.
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These repeals have effect in accordance with section 82(3) of this Act.

(18)

CAPITAL ALLOWANCES

Chapter	Short title	Extent of repeal
1990 c. 1.	The Capital Allowances Act 1990.	Section 76(3).
1997 c. 58.	The Finance (No. 2) Act 1997.	Section 42(6) and (7).

1. The repeal of section 76(3) of the Capital Allowances Act 1990 has effect in relation to every chargeable period ending on or after 12th May 1998.

2. The repeal of section 42(6) and (7) of the Finance (No. 2) Act 1997 has effect in accordance with section 84(3) of this Act.

(19)

LIFE POLICIES, LIFE ANNUITIES AND CAPITAL REDEMPTION POLICIES

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 547, in subsection (1)(a), the words from “(including” to “1964)” and subsection (3).

These repeals have effect in accordance with Schedule 14 to this Act.

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

## (20)

## RETIREMENT BENEFIT SCHEMES

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 591C(3), the words “in his capacity as such”.

## (21)

## PERSONAL PENSION SCHEMES

**Commencement Information**

**I20** Sch. 27 Pt. III(21) wholly in force; Sch. 27 Pt. III(21) in force for specified purposes at Royal Assent, see s. 96(4); Sch. 27 Pt. III(21) in force insofar as not already in force at 1.10.2000 by S.I. 2000/2319, art. 2

Chapter	Short title	Extent of repeal
1970 c. 9.	The Taxes Management Act 1970.	In section 98, in the Table, the entry relating to section 652 of the Taxes Act 1988.
1988 c. 1.	The Income and Corporation Taxes Act 1988.	Section 652.

Subsection (4) of section 96 of this Act applies in relation to these repeals as it applies in relation to subsections (2) and (3)(b) of that section.

## (22)

## ACCRUED INCOME

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 717— (a) in subsection (1), the words “or (4)”; (b) subsections (4) and (5).

## (23)

## DEALERS IN SECURITIES ETC

Chapter	Short title	Extent of repeal
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*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

1988 c. 1.	The Income and Corporation Taxes Act 1988.	Section 470(1) and (3).  Section 471. Section 472. In section 473(2), the words after paragraph (b).
1989 c. 26.	The Finance Act 1989.	Section 80.
1996 c. 8.	The Finance Act 1996.	In Schedule 21, paragraphs 12 and 13.

1. The repeal of section 471 of the Taxes Act 1988, the words after paragraph (b) in section 473(2) of that Act and paragraph 12 of Schedule 21 to the Finance Act 1996 has effect in accordance with section 101(3) of this Act.

2. The repeal of section 472 of the Taxes Act 1988 and paragraph 13 of Schedule 21 to the Finance Act 1996 has effect in accordance with section 101(4) of this Act.

(24)

DISTRIBUTIONS AND MANUFACTURED DIVIDENDS: MISCELLANEOUS AMENDMENTS

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 737D(2), the words "manufactured dividend".  In Schedule 23A— (a) in paragraph 2, in sub-paragraph (3), paragraph (a), sub-paragraphs (4) and (5) and, in sub-paragraph (6), paragraph (b) and the word "and" immediately preceding it; (b) in paragraph 2A, in sub-paragraph (1), the words "together with an amount equal to the notional ACT" and sub-paragraph (3).

These repeals have effect in accordance with section 102 of this Act.

(25)

TRANSFER PRICING ETC

Chapter	Short title	Extent of repeal
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*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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1970 c. 9.	The Taxes Management Act 1970.	In the Table in section 98— (a) in the first column, the entry relating to section 772(1) and (3) of the Taxes Act 1988; and (b) in the second column, the entry relating to section 772(6) of that Act.
1990 c. 1.	The Capital Allowances Act 1990.	In Schedule 1, paragraph 8(32).
1990 c. 29.	The Finance Act 1990.	In Schedule 14, paragraph 12.

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These repeals have effect in accordance with section 108(5) of this Act.

## (26)

### DIRECTIONS BY THE BOARD

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1993 c. 34.	The Finance Act 1993	In section 135(1), paragraph (d), and the word “and” immediately preceding that paragraph.  In section 136— (a) paragraph (d) of subsection (1) and the word “and” immediately preceding that paragraph; and (b) in each of subsections (5) and (9), the words after paragraph (b).  In section 136A, in each of subsections (3) and (7), the words after paragraph (b).  In section 137(1), paragraph (d), and the word “and” immediately preceding that paragraph.
1994 c. 9.	The Finance Act 1994.	In section 167(2), paragraph (b), and the word “and” immediately preceding that paragraph.

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These repeals have effect in accordance with section 109(4) of this Act.

*Status: Point in time view as at 06/04/2008.*

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(27)

CONTROLLED FOREIGN COMPANIES

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1988 c. 1.	The Income and Corporation Taxes Act 1988.	<p>In section 747(1), the words “the Board have reason to believe that” and “and the Board so direct,”.</p> <p>Section 748(2).</p> <p>In section 751(1)(b), the words “not being the subject of an earlier direction under section 747(1)”.</p> <p>Section 753.</p> <p>Section 754(4).</p> <p>Section 755.</p> <p>In Schedule 24, paragraph 4(2A), in paragraph 9, in sub-paragraph (1) the words “Subject to sub-paragraph (2) below” and sub-paragraphs (2), (5) and (6) and paragraphs 11 and 11A(3) and (6).</p> <p>In Schedule 26, in paragraph 1, in sub-paragraph (1), paragraph (c) and the word “and” immediately preceding it, and the words “or, as the case may be, of the excess of it referred to in paragraph (c) above” and sub-paragraphs (4) and (6).</p>
1996 c. 8.	The Finance Act 1996.	<p>In Schedule 36, in paragraph 3, sub-paragraph (6)(b) and the word “and” immediately preceding it and sub-paragraph (7).</p>

These repeals have effect in accordance with paragraph 37 of Schedule 17 to this Act.

*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

## (28)

## COMPANY TAX RETURNS ETC.

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1970 c. 9.	The Taxes Management Act 1970.	<p>Section 10.</p> <p>Section 11.</p> <p>Sections 11AA to 11AE.</p> <p>In section 12(2), the words “or section 11”.</p> <p>In section 12B(1), the words “, 11”.</p> <p>In section 19A(1), the words “, 11AB(1)”.</p> <p>In section 28A—</p> <p>(a) in subsection (1), the words “or 11AB(1)”;</p> <p>(b) in subsection (7B), paragraph (b) and the word “and” preceding it;</p> <p>(c) subsection (7C).</p> <p>Sections 28AA and 28AB.</p> <p>Sections 28D, 28E and 28F.</p> <p>In section 29—</p> <p>(a) in subsection (3)(b), the words “in the case of a return under section 8 or 8A,”;</p> <p>(b) subsection (10).</p> <p>In section 30—</p> <p>(a) in subsection (2)(a), the words “or 825”;</p> <p>(b) subsection (2A);</p> <p>(c) in subsection (3), the words “or corporation tax”;</p> <p>(d) subsections (3A) and (4A).</p> <p>Section 33(5)(c).</p> <p>In section 33A(1), the words “under section 9 or 11AA of this Act”.</p> <p>Sections 41A, 41B and 41C.</p> <p>In section 42—</p> <p>(a) in subsections (2), (9) and (11)(a), the words “, 11”;</p>

*Status: Point in time view as at 06/04/2008.*

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		(b) subsections (4) and (4A); (c) in subsection (5), the words from “and the reference in subsection (4)” to the end; (d) subsection (13)(c).  In section 46(2), the words “and in particular save as provided by section 29 of this Act”.  In section 65(3), the words from “for the recovery of” to the end of paragraph (b).  Section 94.  Section 96.  In section 97A, paragraph (b) and the word “or” preceding it.
1987 c. 51.	The Finance (No.2) Act 1987.	Sections 82 and 83.  Section 88.
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 7— (a) in subsection (2), the words “by an assessment made”; (b) subsections (5) to (7).  In section 11(3), the words “by an assessment made”.  In section 419(4), the words “by discharge or repayment”.  In Schedule 13A— (a) in paragraph 14(1), the words from “(which correspond” to “Management Act”; (b) in paragraph 14(8), the words from “against an amendment” to the end.  Schedule 17A.  In Schedule 29, in paragraph 10— (a) in sub-paragraph (3), the words “and (3A)”; and (b) sub-paragraph (7).
1988 c. 39.	The Finance Act 1988.	Section 121.

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1990 c. 1.	The Capital Allowances Act 1990.	Section 145A.  Schedule A1.
1990 c. 29.	The Finance Act 1990.	Section 91. Section 95. Section 98(3). Section 100. Section 102. Schedules 15 and 16.
1993 c. 34.	The Finance Act 1993.	In Schedule 14, paragraphs 1, 2 and 6.
1994 c. 9.	The Finance Act 1994.	Sections 181 to 183. Section 195. Section 197. In Schedule 19, paragraphs 8(1), 10, 14 to 16, 17(3) and 19.
1995 c. 4.	The Finance Act 1995.	Section 104(5). Section 107(5) and (6).
1996 c. 8.	The Finance Act 1996.	Section 121(5). Section 170. In Schedule 19, in paragraph 2, the words "11AB(1),". In Schedule 20, paragraph 28(5). In Schedule 24, paragraphs 2 to 4, 6, 7, 8(2) and 13. In Schedule 34, paragraph 1(8).
1997 c. 58.	The Finance (No.2) Act 1997.	In Schedule 4, paragraph 3.
1998 c. 36.	The Finance Act 1998.	In Schedule 3, paragraph 5. In Schedule 5, paragraph 33.

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These repeals have effect in relation to accounting periods ending on or after the self-assessment appointed day within the meaning of section 117 of this Act.



*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

**(29)**

CHARGEABLE GAINS: APPLICABLE RATE

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	In section 4(1), the words “and section 5”. Section 5.
1993 c. 34.	The Finance Act 1993.	In Schedule 6, paragraph 23.

These repeals have effect in accordance with section 120(2) of this Act.

**(30)**

CHARGEABLE GAINS: OFFSHORE SETTLEMENTS

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	In section 87(1), the words from “if the settlor” to the end of the subsection. In section 88(1), paragraph (c) and the word “and” immediately preceding it. In Schedule 5, paragraph 9(2) and (8).

1. The repeals in sections 87 and 88 of the Taxation of Chargeable Gains Act 1992 have effect in accordance with section 130 of this Act.

2. The repeal of paragraph 9(2) of Schedule 5 to that Act has effect in accordance with section 132(2) of this Act.

3. The repeal of paragraph 9(8) of that Schedule has effect in accordance with section 131(4) of this Act.

**(31)**

RETIREMENT RELIEF

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	Sections 163 and 164. In section 165, in subsection (3), paragraphs (a) and (b) and, in

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		subsection (6), the words “and (in appropriate cases) Schedule 6”.
		In section 241(3), the words “and Schedule 6”.
		In section 260(5), the words from “or, if part of the gain” to the end.
		Schedule 6.
		In Schedule 7, paragraph 8.
1993 c. 34.	The Finance Act 1993.	In Schedule 7, paragraphs 1(2) and 2.
1994 c. 9.	The Finance Act 1994.	Section 92.
1996 c. 8.	The Finance Act 1996.	Section 176.
		In Schedule 20, paragraph 66.
		In Schedule 21, paragraph 44.
		In Schedule 39, paragraph 7.

The above repeals have effect in relation to disposals in the year 2003-04 and subsequent years of assessment.

### (32)

#### ABOLITION OF CERTAIN CGT RELIEFS

Chapter	Short title	Extent of repeal
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	In Part V, Chapter IA.  Sections 254 and 255.

1. The repeal of Chapter IA of Part V of the Taxation of Chargeable Gains Act 1992 has effect in relation to acquisitions made on or after 6th April 1998.

2. The other repeals have effect in relation to loans made on or after 17th March 1998.

### PART IV

#### INHERITANCE TAX

Chapter	Short title	Extent of repeal
1984 c. 51.	The Inheritance Tax Act 1984.	Section 26.  In section 76—

*Status: Point in time view as at 06/04/2008.*

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		(a) paragraph (d) of subsection (1) and the word “or” immediately preceding it; and (b) subsection (2).
1986 c. 41.	The Finance Act 1986.	Section 102(5)(g).
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	Section 258(1).  Section 260(2)(b)(ii).

1. The repeal of section 26 of the Inheritance Tax Act 1984 has effect in accordance with section 143(1) of this Act and the repeals in section 76 of that Act have effect in accordance with section 143(5) of this Act.

2. The other repeals have effect in relation to any disposal on or after 17th March 1998.

## PART V

### OTHER TAXES

#### (1)

##### INSURANCE PREMIUM TAX

Chapter	Short title	Extent of repeal
1994 c. 9.	The Finance Act 1994.	In section 52A(9), the definition of “tour operator” and “travel agent”.

This repeal has effect in accordance with section 147 of this Act.

#### (2)

##### STAMP DUTY

Chapter	Short title	Extent of repeal
1920 c. 67.	The Government of Ireland Act 1920.	Section 29.

#### (3)

##### ABOLITION OF GAS LEVY

Chapter	Short title	Extent of repeal
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*Status: Point in time view as at 06/04/2008.*

*Changes to legislation: Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

1981 c. 3.	The Gas Levy Act 1981.	The whole Act.
1986 c. 44.	The Gas Act 1986.	In section 60— (a) in subsection (1), paragraph (b) and the word “and” immediately preceding it; and (b) subsection (4).  Schedule 6.
1990 c. 29.	The Finance Act 1990.	Section 123.
1992 c. 48.	The Finance (No. 2) Act 1992.	Section 78.
1993 c. 34.	The Finance Act 1993.	Section 209.
1995 c. 45.	The Gas Act 1995.	In Schedule 5, in paragraph 11, sub-paragraph (b) and the word “and” immediately preceding it.

1. Subject to note 2 below, these repeals do not have effect in relation to gas levy for the year 1997-98 or any previous year.

2. The repeal of section 209(3) of the Finance Act 1993 does not affect any case in which the cessation of liability to gas levy was before the end of the year 1997-98.

#### (4)

##### DUMPING AND SUBSIDIES

<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1969 c. 16.	The Customs Duties (Dumping and Subsidies) Act 1969.	The whole Act.
1978 c. 42.	The Finance Act 1978.	In section 6, subsections (5), (6), (7) and (9).  Schedule 1.  In Schedule 12, paragraph 26.
1979 c. 2.	The Customs and Excise Management Act 1979.	In paragraph 12 of Schedule 4, in Part I of the Table, the entries for the Customs Duties (Dumping and Subsidies) Act 1969.

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*Status: Point in time view as at 06/04/2008.*

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## PART VI

### MISCELLANEOUS

#### (1)

#### TREASURY BILLS

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<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1992 c. 48.	The Finance (No. 2) Act 1992.	Section 79.

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This repeal has effect in accordance with section 159 of this Act.

#### (2)

#### SECURITIES

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<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1993 c. 34.	The Finance Act 1993.	Section 211.

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This repeal has effect in accordance with an order made under paragraph 3 of Schedule 26 to this Act.

**Status:**

Point in time view as at 06/04/2008.

**Changes to legislation:**

Finance Act 1998 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.