# Finance Act 2001

## 2001 CHAPTER 9

### PART 4

### OTHER TAXES

*Stamp duty and stamp duty reserve tax*

**92 Stamp duty: exemption for land in disadvantaged areas**

(1) [F1No *ad valorem* stamp duty shall be chargeable on —]

(a) a conveyance or transfer of an estate or interest in land, or

(b) a lease of land,

if the land is situated in a disadvantaged area.

(2) Where stamp duty would be chargeable on an instrument but for subsection (1), that subsection shall have effect in relation to the instrument only if the instrument is certified to the Commissioners as being an instrument on which stamp duty is by virtue of that subsection not chargeable.

(3) No instrument which is certified as mentioned in subsection (2) shall be taken to be duly stamped unless—

(a) it is stamped in accordance with section 12 of the Stamp Act 1891 (c. 39) with a particular stamp denoting that it is not chargeable with any duty or that it is duly stamped, or

(b) it is stamped with the duty to which it would have been liable but for this section.

(4) For the purposes of this section and Schedule 30 to this Act, a disadvantaged area is an area designated as such by regulations made by the Treasury; and any such regulations may—

(a) designate specified areas as disadvantaged areas, or

(b) provide for areas of a description specified in the regulations to be designated as disadvantaged areas.

(5) If regulations under subsection (4) so provide, the designation of an area as a disadvantaged area shall have effect for such period as may be specified by or determined in accordance with the regulations.

(6) Schedule 30 to this Act (which makes further provision about land in disadvantaged areas) shall have effect.

[F2(6A) This section and Schedule 30 to this Act have effect subject to section 92A.]

(7) This section and Schedule 30 to this Act shall be construed as one with the Stamp Act 1891.

(8) The provisions of this section and Schedule 30 to this Act shall have effect in relation to instruments executed on or after such date as may be specified by order made by the Treasury.

(9) Regulations under subsection (4)—

(a) may make different provision for different cases, and

(b) may contain such incidental, supplementary, consequential or transitional provision as appears to the Treasury to be necessary or expedient.

(10) The power to make regulations under subsection (4) shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.

(11) The power to make an order under subsection (8) shall be exercisable by statutory instrument.

**Subordinate Legislation Made**

**P1** S. 92(8) power fully exercised: 30.11.2001 is the date specified by S.I. 2001/3748, **art. 2**

**Textual Amendments**

**F1** Words in S. 92(1) substituted (24.7.2002) by 2002 c. 23, **s. 110(1)**

**F2** S. 92(6A) inserted (24.7.2002) by 2002 c. 23, **s. 110(2)**

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

**C1** S. 92(1) excluded (28.11.2001) by S.I. 2001/3746, **reg. 4(1)(a)**
S. 92(1) restricted (28.11.2001) by S.I. 2001/3746, **reg. 5**

### [F3 92A Restriction of exemption in the case of residential property etc

(1) Regulations may provide for an exemption conferred by section 92 or by Schedule 30 to this Act not to apply in cases specified by reference to either or both of the following—

(a) whether the land in question is residential property;

(b) the amount or value of the consideration.

(2) Regulations may contain provision corresponding to or modifying that made by Schedule 30 to this Act in the case of—

(a) a building or land only part of which falls within subsection (1)(a) or (b) of section 92B (meaning of “residential property”), or

(b) an interest in or right over land that subsists only partly as mentioned in subsection (1)(c) of that section.

(3) Where by virtue of regulations under this section the availability of an exemption depends on the land in question not being, or not being entirely, residential property, the certification under section 92(2) must include a statement that the land is not residential property or, as the case may be, that it is not residential property to the extent stated.

(4) Where by virtue of regulations under this section the availability of an exemption depends on the amount or value of the consideration not exceeding a specified amount, the instrument in question must be certified at that amount (or at a lower amount).

The reference here to an instrument being certified at an amount shall be construed in accordance with paragraph 6 of Schedule 13 to the Finance Act 1999 (as if the reference were contained in paragraph 4 of that Schedule).

(5) The power to make regulations under this section is exercisable by the Treasury.

(6) Regulations under this section—

(a) may make different provision for different cases, and

(b) may contain such incidental, supplementary, consequential or transitional provision as appears to the Treasury to be necessary or expedient.

(7) Regulations under this section must be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.**]**

**Textual Amendments**

**F3** S. 92A inserted (24.7.2002) by 2002 c. 23, **s. 110(3)**

## [[F4]92B Meaning of "residential property"

(1) In section 92A "residential property" means—

(a) a building that is used or suitable for use as a dwelling, or is in the process of being constructed or adapted for such use;

(b) land that is or forms part of the garden or grounds of a building within paragraph (a) (including any building or structure on such land);

(c) an interest in or right over land that subsists for the benefit of a building within paragraph (a) or of land within paragraph (b).

(2) For the purposes of subsection (1) use of a building as—

(a) residential accommodation for school pupils,

(b) residential accommodation for students, other than accommodation falling within subsection (3)(b),

(c) residential accommodation for members of any of the armed forces, or

(d) an institution that is the sole or main residence of at least 90% of its residents and does not fall within any of paragraphs (a) to (f) of subsection (3),

is use of a building as a dwelling.

(3) For the purposes of subsection (1) use of a building as—

(a) a home or other institution providing residential accommodation for children,

(b) a hall of residence for students in further or higher education,

(c) a home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder,

(d) a hospital or hospice,

(e) a prison or similar establishment, or

(f) a hotel or inn or similar establishment,

is not use of a building as a dwelling.

(4) Where a building is used in a manner specified in subsection (3), no account shall be taken for the purposes of subsection (1)(a) of its suitability for any other use.

(5) Where a building that is not in use is suitable for at least one of the uses specified in subsection (2) and at least one of those specified in subsection (3)—

(a) if there is one such use for which it is most suitable, or if the uses for which it is most suitable are all specified in the same subsection, no account shall be taken for the purposes of subsection (1)(a) of its suitability for any other use;

(b) otherwise, the building shall be treated for those purposes as suitable for use as a dwelling.

(6) Regulations under section 92A may provide that, where there is a single contract for the conveyance, transfer or lease of land comprising or including six or more separate dwellings, none of that land counts as residential property for the purposes of the regulations.

(7) The Treasury may by order amend this section so as to change or clarify the cases where use of a building is, or is not, use of a building as a dwelling for the purposes of subsection (1).

(8) An order under subsection (7) may contain such incidental, supplementary, consequential or transitional provision as appears to the Treasury to be necessary or expedient.

(9) An order under subsection (7) must be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.

(10) In this section “building” includes part of a building.**]**

**Textual Amendments**

**F4** S. 92B inserted (24.7.2002) by 2002 c. 23, **s. 110(3)**

### 93 SDRT: unit trust schemes and individual pension accounts

(1) Schedule 19 to the Finance Act 1999 (c. 16) (which abolishes charges to stamp duty, and introduces a charge to stamp duty reserve tax, in relation to units under a unit trust scheme) is amended as follows.

(2) In paragraph 2(4) (charge to be subject to exclusions provided in paragraphs 6 and 7) after “6” insert “ , 6A ”.

(3) In paragraph 4 (proportionate reduction of tax by reference to units issued) at the end insert—

"(6) If a certificate is given in accordance with paragraph 6A(1)(c) in respect of a period which includes the relevant two-week period in the case of the unit in question in sub-paragraph (1), there shall be left out of account in applying this paragraph in relation to that unit—

(a) any issue of a unit which is to be held within an individual pension account, and

(b) any surrender of a unit which, immediately before the surrender, was held within an individual pension account.

(7) "Individual pension account" has the same meaning in sub-paragraph (6) as it has in paragraph 6A."

(4) After paragraph 6 insert—

6A "**Exclusion of charge in case of individual pension accounts**

(1) There is no charge to tax under this Part of this Schedule on the surrender of the unit if—

(a) immediately before the surrender, the unit is held within an individual pension account,

(b) not all the units under the unit trust scheme are so held at that time, and

(c) a certificate pursuant to sub-paragraph (2) is contained in, or provided with, the relevant monthly tax return.

(2) The certificate must be given by the persons making the relevant monthly tax return and must state—

(a) that at all times in the period to which the return relates the trustees or managers were able to identify which of the units under the scheme were held within individual pension accounts, and

(b) that at no time in that period have the trustees or managers imposed any charge on, or recovered any amount from, an IPA unit holder which included an amount directly or indirectly attributable to tax payable by the trustees under this Part of this Schedule.

(3) In sub-paragraph (2), "IPA unit holder" means—

(a) a person acquiring, or who has acquired, a unit under the unit trust scheme, where the unit is to be held within an individual pension account,

(b) a person holding a unit under the scheme, where the unit is held within an individual pension account, or

(c) a person surrendering, or who has surrendered, a unit under the scheme, where immediately before the surrender the unit is or was held within an individual pension account.

(4) In this paragraph—

"individual pension account" has the same meaning as in regulations under section 638A of the Taxes Act 1988 (as at 6th April 2001, see regulation 4 of the Personal Pension Schemes (Restriction

on Discretion to Approve) (Permitted Investments) Regulations 2001 (S.I. 2001/117)) ;

"the relevant monthly tax return", in the case of any surrender, means the notice required by regulations under section 98 of the Finance Act 1986 (c. 41) to be given by the managers (or, failing that, the trustees) under the unit trust scheme to the Commissioners of Inland Revenue containing among other things details of all surrenders in the relevant two-week period;

"the relevant two-week period" has the meaning given by paragraph 4(2)."

(5) The amendment made by subsection (3) has effect where the relevant two-week period mentioned in paragraph 4(1) of Schedule 19 to the Finance Act 1999 (c. 16) ends after 6th April 2001.

(6) The other amendments made by this section have effect in relation to surrenders made or effected on or after 6th April 2001.

## 94 SDRT: open-ended investment companies and individual pension accounts

(1) Where there are two or more classes of shares in an open-ended investment company and the company's instrument of incorporation—

(a) provides that shares of one or more of those classes ("the IPA classes") may only be held within an individual pension account, and

(b) does not make such provision in relation to shares of at least one other class,

there is no charge to stamp duty reserve tax under Part 2 of Schedule 19 to the Finance Act 1999 (c. 16) on the surrender of a share of any of the IPA classes.

(2) References in this section to provisions of Schedule 19 to the Finance Act 1999 (c. 16) are references to those provisions as they have effect in relation to open-ended investment companies by virtue of regulations from time to time in force under section 152 of the Finance Act 1995 (c. 4)(as at 6th April 2001, see regulations 3 to 4B of the 1997 Regulations as amended by regulations 4 and 5 of the 1999 (No.2) Regulations).

(3) In this section—

"individual pension account" has the same meaning as it has in regulations from time to time in force under section 638A of the Taxes Act 1988 (as at 6th April 2001, see regulation 4 of the 2001 Regulations);

"open-ended investment company" has the meaning given by paragraph 14(2) of Schedule 19 to the Finance Act 1999 (c. 16);

"surrender", in relation to a share in an open-ended investment company, has the same meaning as it has in Part 2 of Schedule 19 to the Finance Act 1999.

(4) For the purposes of subsections (2) and (3)—

"the 1997 Regulations" are the Stamp Duty and Stamp Duty Reserve Tax (Open-ended Investment Companies) Regulations 1997 (S.I. 1997/ 1156) ;

"the 1999 (No.2) Regulations" are the Stamp Duty and Stamp Duty Reserve Tax (Open-ended Investment Companies) (Amendment No.2) Regulations 1999 (S.I. 1999/3261);

"the 2001 Regulations" are the Personal Pension Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 (S.I. 2001/117).

(5) This section has effect in relation to surrenders made or effected on or after 6th April 2001.

### [F5 95 Exemptions in relation to approved share incentive plans

(1) This section forms part of the SIP code (see section 488 of the Income Tax (Earnings and Pensions) Act 2003 (approved share incentive plans)).

(2) Accordingly, expressions used in this section and contained in the index at the end of Schedule 2 to that Act (approved share incentive plans) have the meaning indicated by that index.

(3) Where, under an approved share incentive plan, partnership shares or dividend shares are transferred by the trustees to an employee—
 (a) no ad valorem stamp duty is chargeable on any instrument by which the transfer is made, and
 (b) no stamp duty reserve tax is chargeable on any agreement by the trustees to make the transfer.

(4) But subsection (3) does not apply to—
 (a) any instrument executed (within the meaning of the Stamp Act 1891) before 6th April 2003, or
 (b) any agreement to transfer shares made before that date.**]**

**Textual Amendments**

**F5** S. 95 substituted (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. 6 para. 257** (with Sch. 7)

*Value added tax*

### 96 VAT: children's car seats

(1) In paragraph 1 of Schedule A1 to the Value Added Tax Act 1994 (c. 23) (supplies benefiting from 5% reduced rate), after sub-paragraph (4) insert—

"(5) The supplies falling within this paragraph also include supplies of children's car seats."

(2) After paragraph 6 of that Schedule insert—

"**Interpretation of paragraph 1(5)**

7 (1) Paragraph 1(5) above is interpreted in accordance with the provisions of this paragraph.

(2) The following are "children's car seats"—
 (a) a safety seat;

(b) the combination of a safety seat and a related wheeled framework;
(c) a booster seat;
(d) a booster cushion.

(3) In this paragraph "safety seat" means a seat—
(a) designed to be sat in by a child in a road vehicle,
(b) designed so that, when in use in a road vehicle, it can be restrained—
(i) by a seat belt fitted in the vehicle, or
(ii) by belts, or anchorages, that form part of the seat being attached to the vehicle, or
(iii) in either of those ways, and
(c) incorporating an integral harness, or integral impact shield, for restraining a child seated in it.

(4) For the purposes of this paragraph, a wheeled framework is "related" to a safety seat if the framework and the seat are each designed so that—
(a) when the seat is not in use in a road vehicle it can be attached to the framework, and
(b) when the seat is so attached, the combination of the seat and the framework can be used as a child's pushchair.

(5) In this paragraph "booster seat" means a seat designed—
(a) to be sat in by a child in a road vehicle, and
(b) so that, when in use in a road vehicle, it and a child seated in it can be restrained by a seat belt fitted in the vehicle.

(6) In this paragraph "booster cushion" means a cushion designed—
(a) to be sat on by a child in a road vehicle, and
(b) so that a child seated on it can be restrained by a seat belt fitted in the vehicle.

(7) In this paragraph "child" means a person aged under 14 years.".

(3) The amendments made by this section have effect in relation to supplies made after the day on which this Act is passed.

### 97 VAT: residential conversions and renovations

(1) In paragraph 1 of Schedule A1 to the Value Added Tax Act 1994 (c. 23) (supplies benefiting from 5% reduced rate), after sub-paragraph (5) (which is inserted by section 96 of this Act) insert—

"(6) The supplies falling within this paragraph also include—
(a) the supply, in the course of a qualifying conversion, of qualifying services related to the conversion;
(b) the supply of building materials if—
(i) the materials are supplied by a person who, in the course of a qualifying conversion, is supplying qualifying services related to the conversion, and
(ii) those services include the incorporation of the materials in the building concerned or its immediate site.

**Status:** *Point in time view as at 06/04/2007.*
**Changes to legislation:** *There are currently no known outstanding effects for the Finance Act 2001, Part 4. (See end of Document for details)*

(7) The supplies falling within this paragraph also include—

(a) the supply, in the course of the renovation or alteration of a single household dwelling, of qualifying services related to the renovation or alteration;

(b) the supply of building materials if—

(i) the materials are supplied by a person who, in the course of the renovation or alteration of a single household dwelling, is supplying qualifying services related to the renovation or alteration, and

(ii) those services include the incorporation of the materials in the dwelling concerned or its immediate site.

(8) Sub-paragraph (9) below applies where a supply of services is only in part a supply to which sub-paragraph (6)(a) or (7)(a) above applies.

(9) The supply, to the extent that it is one to which paragraph (a) of sub-paragraph (6) or (7) above applies, is to be taken to be a supply to which that paragraph applies; and an apportionment may be made to determine that extent."

(2) After paragraph 7 of that Schedule (which also is inserted by section 96 of this Act) insert—

"**Interpretation of paragraph 1(6): introductory**

8 (1) Paragraph 1(6) above is interpreted in accordance with paragraphs 9 to 17 and 22 below.

(2) In paragraphs 10 to 14 below, "single household dwelling" means a dwelling—

(a) that is designed for occupation by a single household, and

(b) in relation to which the conditions set out in sub-paragraph (4) below are satisfied.

(3) In paragraphs 10 to 14 below "multiple occupancy dwelling" means a dwelling—

(a) that is designed for occupation by persons not forming a single household, and

(b) in relation to which the conditions set out in sub-paragraph (4) below are satisfied.

(4) The conditions are—

(a) that the dwelling consists of self-contained living accommodation,

(b) that there is no provision for direct internal access from the dwelling to any other dwelling or part of a dwelling,

(c) that the separate use of the dwelling is not prohibited by the terms of any covenant, statutory planning consent or similar provision, and

(d) that the separate disposal of the dwelling is not prohibited by any such terms.

**Status:** Point in time view as at 06/04/2007.
**Changes to legislation:** There are currently no known outstanding effects for the Finance Act 2001, Part 4. (See end of Document for details)

(5) For the purposes of this paragraph, a dwelling "is designed" for occupation of a particular kind if it is so designed—

(a) as a result of having been originally constructed for occupation of that kind and not having been subsequently adapted for occupation of any other kind, or

(b) as a result of adaptation.

### Interpretation of paragraph 1(6): meaning of "qualifying conversion"

9 (1) A "qualifying conversion" means—

(a) a changed number of dwellings conversion (see paragraph 10 below);

(b) house in multiple occupation conversion (see paragraph 11 below); or

(c) a special residential conversion (see paragraph 12 below).

(2) Sub-paragraph (1) above is subject to paragraphs 14 and 15 below.

### Interpretation of paragraph 1(6): meaning of "changed number of dwellings conversion"

10 (1) A "changed number of dwellings conversion" is—

(a) a conversion of premises consisting of a building where the conditions specified in this paragraph are satisfied, or

(b) a conversion of premises consisting of a part of a building where those conditions are satisfied.

(2) The first condition is that after the conversion the premises being converted contain a number of single household dwellings that is—

(a) different from the number (if any) that the premises contain before the conversion, and

(b) greater than, or equal to, one.

(3) The second condition is that there is no part of the premises being converted that is a part that after the conversion contains the same number of single household dwellings (whether zero, one or two or more) as before the conversion.

### Interpretation of paragraph 1(6): meaning of "house in multiple occupation conversion"

11 (1) A "house in multiple occupation conversion" is—

(a) a conversion of premises consisting of a building where the condition specified in sub-paragraph (2) below is satisfied, or

(b) a conversion of premises consisting of a part of a building where that condition is satisfied.

(2) The condition is that—

(a) before the conversion the premises being converted contain only a single household dwelling or two or more such dwellings,

(b) after the conversion those premises contain only a multiple occupancy dwelling or two or more such dwellings, and
(c) the use to which those premises are intended to be put after the conversion is not to any extent use for a qualifying residential purpose (see paragraph 17 below).

**Interpretation of paragraph 1(6): meaning of "special residential conversion"**

12 (1) A "special residential conversion" is a conversion of premises consisting of—
(a) a building or two or more buildings,
(b) a part of a building or two or more parts of buildings, or
(c) a combination of—
(i) a building or two or more buildings, and
(ii) a part of a building or two or more parts of buildings,
where the conditions specified in this paragraph are satisfied.

(2) The first condition is that, before the conversion, the premises being converted contain only—
(a) a dwelling or two or more dwellings, or
(b) a dwelling, or two or more dwellings, and—
(i) an ancillary outbuilding occupied together with the dwelling or one or more of the dwellings, or
(ii) two or more ancillary outbuildings each occupied together with the dwelling or one or more of the dwellings.

(3) In sub-paragraph (2) above "dwelling" means single household dwelling or multiple occupancy dwelling.

(4) The second condition is that where before the conversion the premises being converted contain a multiple occupancy dwelling or two or more such dwellings, the use to which that dwelling, or any of those dwellings, was last put before the conversion was not to any extent use for a qualifying residential purpose (see paragraph 17 below).

(5) The third condition is that the premises being converted must be intended to be used after the conversion solely for a qualifying residential purpose.

(6) The fourth condition is that, where the qualifying residential purpose is an institutional purpose, the premises being converted must be intended to form after the conversion the entirety of an institution used for that purpose.

(7) In sub-paragraph (6) above "institutional purpose" means a purpose within paragraph 17(a) to (c), (f) or (g) below.

**Special residential conversions: reduced rate only for supplies made to intended user of converted accommodation**

13 (1) This paragraph applies where the qualifying conversion concerned is a special residential conversion.

(2) Paragraph 1(6)(a) or (b) above does not apply to a supply unless—
- (a) it is made to a person who intends to use the premises being converted for the qualifying residential purpose, and
- (b) before it is made, the person to whom it is made has given to the person making it a certificate that satisfies the requirements in sub-paragraph (3) below.

(3) Those requirements are that the certificate—
- (a) is in such form as may be specified in a notice published by the Commissioners, and
- (b) states that the conversion is a special residential conversion.

(4) In sub-paragraph (2)(a) above "the qualifying residential purpose" means the purpose within paragraph 17 below for which the premises being converted are intended to be used after the conversion.

**Interpretation of paragraph 1(6): "qualifying conversion" includes related garage works**

14 (1) A qualifying conversion includes any garage works related to the—
- (a) changed number of dwellings conversion,
- (b) house in multiple occupation conversion, or
- (c) special residential conversion,

concerned.

(2) In this paragraph "garage works" means—
- (a) the construction of a garage, or
- (b) a conversion of a non-residential building, or of a non-residential part of a building, that results in a garage.

(3) For the purposes of sub-paragraph (1) above, garage works are "related" to a conversion if—
- (a) they are carried out at the same time as the conversion, and
- (b) the resulting garage is intended to be occupied with—
  - (i) where the conversion concerned is a changed number of dwellings conversion, a single household dwelling that will after the conversion be contained in the building, or part of a building, being converted,
  - (ii) where the conversion concerned is a house in multiple occupation conversion, a multiple occupancy dwelling that will after the conversion be contained in the building, or part of a building, being converted, or
  - (iii) where the conversion concerned is a special residential conversion, the institution or other accommodation resulting from the conversion.

(4) In sub-paragraph (2) above "non-residential" means neither designed, nor adapted, for use—
- (a) as a dwelling or two or more dwellings, or
- (b) for a qualifying residential purpose (see paragraph 17 below).

### Interpretation of paragraph 1(6): conversion not "qualifying" if planning consent and building control approval not obtained

15 (1) A conversion is not a qualifying conversion if any statutory planning consent needed for the conversion has not been granted.

(2) A conversion is not a qualifying conversion if any statutory building control approval needed for the conversion has not been granted.

### Interpretation of paragraph 1(6): meaning of "supply of qualifying services"

16 (1) In the case of a conversion of a building, "supply of qualifying services" means a supply of services that consists in—

(a) the carrying out of works to the fabric of the building, or

(b) the carrying out of works within the immediate site of the building that are in connection with—

(i) the means of providing water, power, heat or access to the building,

(ii) the means of providing drainage or security for the building, or

(iii) the provision of means of waste disposal for the building.

(2) In the case of a conversion of part of a building, "supply of qualifying services" means a supply of services that consists in—

(a) the carrying out of works to the fabric of the part, or

(b) the carrying out of works to the fabric of the building, or within the immediate site of the building, that are in connection with—

(i) the means of providing water, power, heat or access to the part,

(ii) the means of providing drainage or security for the part, or

(iii) the provision of means of waste disposal for the part.

(3) In this paragraph—

(a) references to the carrying out of works to the fabric of a building do not include the incorporation, or installation as fittings, in the building of any goods that are not building materials (see paragraph 22 below);

(b) references to the carrying out of works to the fabric of a part of a building do not include the incorporation, or installation as fittings, in the part of any goods that are not building materials.

### Interpretation of paragraphs 11 to 14: meaning of "qualifying residential purpose"

17 For the purposes of paragraphs 11 to 14 above, "use for a qualifying residential purpose" means use as—

(a) a home or other institution providing residential accommodation for children,

(b) a home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder,
(c) a hospice,
(d) residential accommodation for students or school pupils,
(e) residential accommodation for members of any of the armed forces,
(f) a monastery, nunnery or similar establishment, or
(g) an institution which is the sole or main residence of at least 90 per cent. of its residents,

except use as a hospital, prison or similar institution or an hotel, inn or similar establishment.

### Interpretation of paragraph 1(7): introductory

18 (1) Paragraph 1(7) above is interpreted in accordance with this paragraph and paragraphs 19 to 22 below.

(2) For the purposes of paragraph 1(7) above (and paragraphs 19 to 21 below) —

"alteration" includes extension;

"single household dwelling" has the meaning given by paragraph 8(2), (4) and (5) above.

### Paragraph 1(7) only applies where dwelling has been empty for at least 3 years

19 (1) Paragraph 1(7) above does not apply to a supply unless either of the empty home conditions is satisfied.

(2) The first "empty home condition" is that the dwelling concerned has not been lived in during the period of 3 years ending with the commencement of the relevant works.

(3) The second "empty home condition" is that—
(a) the dwelling was not lived in during a period of at least 3 years;
(b) the person, or one of the persons, whose beginning to live in the dwelling brought that period to an end was a person who (whether alone or jointly with another or others) acquired the dwelling at a time—
(i) no later than the end of that period, and
(ii) when the dwelling had been not lived in for at least 3 years;
(c) no works by way of renovation or alteration were carried out to the dwelling during the period of 3 years ending with the acquisition;
(d) the supply is made to a person who is—
(i) the person, or one of the persons, whose beginning to live in the property brought to an end the period mentioned in paragraph (a) above, and

(ii) the person, or one of the persons, who acquired the dwelling as mentioned in paragraph (b) above; and

(e) the relevant works are carried out during the period of one year beginning with the day of the acquisition.

(4) In this paragraph "the relevant works" means—

(a) where the supply is of the description set out in paragraph 1(7)(a) above, the works that constitute the services supplied;

(b) where the supply is of the description set out in paragraph 1(7)(b) above, the works by which the materials concerned are incorporated in the dwelling concerned or its immediate site.

(5) In sub-paragraph (3) above, references to a person acquiring a dwelling are to that person having a major interest in the dwelling granted, or assigned, to him for a consideration.

**Paragraph 1(7) only applies if planning consent and building control approval obtained**

20 (1) Paragraph 1(7) above does not apply to a supply unless any statutory planning consent needed for the renovation or alteration has been granted.

(2) Paragraph 1(7) above does not apply to a supply unless any statutory building control approval needed for the renovation or alteration has been granted.

**Interpretation of paragraph 1(7): meaning of "supply of qualifying services"**

21 (1) "Supply of qualifying services" means a supply of services that consists in—

(a) the carrying out of works to the fabric of the dwelling, or

(b) the carrying out of works within the immediate site of the dwelling that are in connection with—

(i) the means of providing water, power, heat or access to the dwelling,

(ii) the means of providing drainage or security for the dwelling, or

(iii) the provision of means of waste disposal for the dwelling.

(2) In sub-paragraph (1)(a) above, the reference to the carrying out of works to the fabric of the dwelling does not include the incorporation, or installation as fittings, in the dwelling of any goods that are not building materials (see paragraph 22 below).

**Interpretation of paragraph 1(6) and (7): meaning of "building materials"**

22 "Building materials" has the meaning given by Notes (22) and (23) of Group 5 to Schedule 8 (zero-rating of construction and conversion of buildings).".

(3) The amendments made by this section have effect in relation to supplies made after the day on which this Act is passed.

## 98 VAT: museums and galleries

(1) The Value Added Tax Act 1994 (c. 23) is amended as follows.

(2) After section 33 insert—

### "33A Refunds of VAT to museums and galleries

(1) Subsections (2) to (5) below apply where—

(a) VAT is chargeable on—

(i) the supply of goods or services to a body to which this section applies,

(ii) the acquisition of any goods by such a body from another member State, or

(iii) the importation of any goods by such a body from a place outside the member States,

(b) the supply, acquisition or importation is attributable to the provision by the body of free rights of admission to a relevant museum or gallery, and

(c) the supply is made, or the acquisition or importation takes place, on or after 1st April 2001.

(2) The Commissioners shall, on a claim made by the body in such form and manner as the Commissioners may determine, refund to the body the amount of VAT so chargeable.

(3) The claim must be made before the end of the claim period.

(4) Subject to subsection (5) below, "the claim period" is the period of 3 years beginning with the day on which the supply is made or the acquisition or importation takes place.

(5) If the Commissioners so determine, the claim period is such shorter period beginning with that day as the Commissioners may determine.

(6) Subsection (7) below applies where goods or services supplied to, or acquired or imported by, a body to which this section applies that are attributable to free admissions cannot conveniently be distinguished from goods or services supplied to, or acquired or imported by, the body that are not attributable to free admissions.

(7) The amount to be refunded on a claim by the body under this section shall be such amount as remains after deducting from the VAT related to the claim such proportion of that VAT as appears to the Commissioners to be attributable otherwise than to free admissions.

(8) For the purposes of subsections (6) and (7) above—

(a) goods or services are, and VAT is, attributable to free admissions if they are, or it is, attributable to the provision by the body of free rights of admission to a relevant museum or gallery;

(b) the VAT related to a claim is the whole of the VAT chargeable on—

(i) the supplies to the body, and

(ii) the acquisitions and importations by the body,

to which the claim relates.

(9) The Treasury may by order—

(a) specify a body as being a body to which this section applies;

(b) when specifying a body under paragraph (a), specify any museum or gallery that, for the purposes of this section, is a "relevant" museum or gallery in relation to the body;

(c) specify an additional museum or gallery as being, for the purposes of this section, a "relevant" museum or gallery in relation to a body to which this section applies;

(d) when specifying a museum or gallery under paragraph (b) or (c), provide that this section shall have effect in the case of the museum or gallery as if in subsection (1)(c) there were substituted for 1st April 2001 a later date specified in the order.

(10) References in this section to VAT do not include any VAT which, by virtue of any order under section 25(7), is excluded from credit under that section."

(3) In section 63 (penalties for misdeclarations etc.), after subsection (9) insert—

"(9A) This section shall have effect in relation to a body which is registered and to which section 33A applies as if—

(a) any reference to a VAT credit included a reference to a refund under that section, and

(b) any reference to credit for input tax included a reference to VAT chargeable on supplies, acquisitions or importations which were attributable to the provision by the body of free rights of admission to a museum or gallery that in relation to the body was a relevant museum or gallery for the purposes of section 33A."

(4) Section 79 (repayment supplements) is amended in accordance with subsections (5) to (7).

(5) In subsection (1) (entitlement to supplement), after paragraph (b) insert—

", or

(c) a body which is registered and to which section 33A applies is entitled to a refund under that section,".

(6) In subsection (5) (how supplement to be treated), after paragraph (b) insert—

", and

(c) a supplement paid to any body under subsection (1)(c) shall be treated as an amount due to it by way of refund under section 33A."

(7) In subsection (6)(b) (meaning of "requisite return or claim"), after "section 33" insert " or (as the case may be) the Commissioners' determination under, and the provisions of, section 33A. ".

(8) In section 90(3) (VAT not to be refunded if it is repayable under the Provisional Collection of Taxes Act 1968 (c. 2)), after "section 33," insert " 33A, ".

(9) In Note (9) of Group 14 of Schedule 9 (no entitlement to both exemption and refund), after "33," insert " 33A, ".

(10) Subject to subsection (11), this section comes into force on 1st September 2001.

(11) For the purpose only of the exercise of the power to make orders under the section 33A(9) inserted by this section, this section comes into force on the day on which this Act is passed.

**Commencement Information**

**I1** S. 98 wholly in force; s. 98 in force at Royal Assent for specified purposes, otherwise in force at 01.09.2001, see s. 98(10)

## 99 VAT: re-enactment of reduced-rate provisions

(1) For the purpose of re-enacting the provisions of the Value Added Tax Act 1994 (c. 23) that provide for VAT on certain supplies, acquisitions and importations to be charged at a reduced rate of 5 per cent., that Act is amended as follows.

(2) In section 2(1) (VAT to be charged at the rate of 17.5 per cent.), after "Subject to the following provisions of this section" insert " and to the provisions of section 29A ".

(3) Section 2(1A) to (1C) and Schedule A1 (which are superseded by the new section 29A and Schedule 7A) shall cease to have effect.

(4) In Part 2 (reliefs, exemptions and repayments), after the heading "*Reliefs etc. generally available*" insert—

"29A **Reduced rate**

(1) VAT charged on—

(a) any supply that is of a description for the time being specified in Schedule 7A, or

(b) any equivalent acquisition or importation,

shall be charged at the rate of 5 per cent.

(2) The reference in subsection (1) above to an equivalent acquisition or importation, in relation to any supply that is of a description for the time being specified in Schedule 7A, is a reference (as the case may be) to—

(a) any acquisition from another member State of goods the supply of which would be such a supply; or

(b) any importation from a place outside the member States of any such goods.

(3) The Treasury may by order vary Schedule 7A by adding to or deleting from it any description of supply or by varying any description of supply for the time being specified in it.

(4) The power to vary Schedule 7A conferred by subsection (3) above may be exercised so as to describe a supply of goods or services by reference to matters unrelated to the characteristics of the goods or services themselves.

In the case of a supply of goods, those matters include, in particular, the use that has been made of the goods.".

(5) After Schedule 7 insert the Schedule 7A set out in Part 1 of Schedule 31 to this Act.

(6) The consequential amendments in Part 2 of Schedule 31 to this Act have effect.

(7) The following provisions have effect in relation to supplies made, and acquisitions and importations taking place, on or after 1st November 2001—

(a) subsections (2) and (5),

(b) subsection (3) so far as providing for section 2(1A) and (1B), and Schedule A1, to cease to have effect, and

(c) subsection (4) so far as inserting subsections (1) and (2) of the new section 29A.

(8) Subsection (3), so far as providing for section 2(1C) to cease to have effect, comes into force on 1st November 2001.

(9) Subsection (6)—

(a) so far as relating to the amendments made by paragraphs 2 and 6(2) of Schedule 31 to this Act, has effect in relation to orders under section 2(2) of the Value Added Tax Act 1994 (c. 23) that make changes only in the rate of VAT that is in force at times on or after 1st November 2001;

(b) so far as relating to the amendment made by paragraph 3 of Schedule 31 to this Act, has effect in relation to supplies made, or to be made, on or after 1st November 2001.

**Commencement Information**

**I2** S. 99 wholly in force at 01.11.2001; s. 99 in force at Royal Assent except that s. 99(3) is in force at 01.11.2001 for specified purposes, see s. 99(8)

## 100 VAT representatives

(1) In section 48 of the Value Added Tax Act 1994 (VAT representatives), in subsection (1) (directions requiring appointment of representative), for paragraph (b) substitute—

"(b) is not established, and does not have any fixed establishment, in the United Kingdom;

(ba) is established in a country or territory in respect of which it appears to the Commissioners that the condition specified in subsection (1A) below is satisfied; and".

(2) After that subsection insert—

"(1A) The condition mentioned in subsection (1)(ba) above is that—

(a) the country or territory is neither a member State nor a part of a member State, and

(b) there is no provision for mutual assistance between the United Kingdom and the country or territory similar in scope to the assistance provided for between the United Kingdom and each other member State by the mutual assistance provisions.

(1B) In subsection (1A) above "the mutual assistance provisions" means—

(a) section 11 of the Finance Act 1977 (c. 36) (recovery of duty due etc. in other member States),

(b) section 77 of the Finance Act 1978 (c. 42) (disclosure of tax information to tax authorities in other member States), and

(c) Council Regulation (EEC) No. 218/92 of 27th January 1992 on administrative cooperation in the field of indirect taxation (VAT).".

(3) For subsection (2) of that section (power of taxable person to appoint representative) substitute—

"(2) With the agreement of the Commissioners, a person—

(a) who has not been required under subsection (1) above to appoint another person to act on his behalf in relation to VAT, and

(b) in relation to whom the conditions specified in paragraphs (a), (b) and (c) of that subsection are satisfied,

may appoint another person to act on his behalf in relation to VAT.

(2A) In this Act "VAT representative" means a person appointed under subsection (1) or (2) above."

(4) The amendments made by this section come into force on 31st December 2001.

*Petroleum revenue tax*

## 101 PRT: unrelievable field losses

(1) In section 6 of the Oil Taxation Act 1975 (c. 22) (allowance of unrelievable loss from abandoned field), for subsections (1) and (1A) substitute—

"(1) In the case of a participator in an oil field, an allowable unrelievable field loss is the unrelievable portion of an allowable loss falling within subsection (1B) below.

(1A) Subsection (1) above is subject to subsections (5) to (9) below and Schedule 8 to this Act.

(1B) An allowable loss falls within this subsection if—

(a) the loss accrued in any chargeable period from another field ("the abandoned field"),

(b) the person to whom the loss accrued is—

(i) the participator, or

(ii) if the participator is a company, a company associated with the participator in respect of the loss (see subsection (3) below),

(c) the loss accrued to that person as a participator in the abandoned field, and

(d) the winning of oil from the abandoned field has permanently ceased.

(1C) The "unrelievable portion" of an allowable loss falling within subsection (1B) above is so much of that loss as cannot under the provisions of section 7 of this Act be relieved against assessable profits accruing from the abandoned field to the person to whom the loss accrued.

(1D) Subsection (1C) above is subject to Schedule 32 to the Finance Act 2001 (determination of unrelievable portion where Parts 2 and 3 of Schedule 17 to the Finance Act 1980 did not apply to transfer of interest in abandoned field).".

(2) In subsection (2) of that section, for "subsection (1) above" substitute " subsection (1B) above ".

(3) In section 113(2) of the Finance Act 1984 (c. 43)—
 (a) for the words from "which, in the case" to "in subsection (1)" substitute " falling within subsection (1B) "; and
 (b) for "from that other field" substitute " from the abandoned field ".

(4) Schedule 32 to this Act has effect.

(5) The provisions of this section shall be deemed to have come into force on 7th March 2001.

### 102 PRT: allowable decommissioning expenditure

(1) In section 3 of the Oil Taxation Act 1975 (c. 22) (allowable expenditure), for subsections (1C) and (1D) (apportionment of decommissioning expenditure) substitute—

"(1C) In any case where—
 (a) any expenditure incurred by a participator in a taxable field would, apart from this subsection, be allowable for the field under subsection (1)(i) or (j) above, and
 (b) the qualifying asset that is relevant to the incurring of that expenditure has at some time been used otherwise than in connection with the field,

only the relevant portion of the expenditure is allowable for the field under subsection (1)(i) or (j) above.

(1D) In subsection (1C) above "the relevant portion" of the expenditure is the portion of the expenditure that it is just and reasonable to apportion to use of the asset that is use in connection with the field.

(1E) Subsections (1C) and (1D) above have effect subject to the transitional provisions in section 102(5) to (11) of the Finance Act 2001.".

(2) In subsection (6) of that section, for "subsection (1C) or subsection (1D)" substitute " subsections (1C) and (1D) ".

(3) In section 10(2) of that Act (which, in particular, provides that although excluded oil is not oil for the purposes of section 3 of that Act it is oil for the purposes of section 3(1D)), for "subsection (1D)" substitute " subsections (1C) and (1D) ".

(4) The amendments made by subsections (1) to (3) apply to expenditure incurred on or after 7th March 2001.

(5) Subsections (6) to (8) apply where—
 (a) on or after 7th March 2001 a participator in a taxable field ("the transitional participator") incurs expenditure that falls to be apportioned under the new provision,

**Status:** *Point in time view as at 06/04/2007.*
**Changes to legislation:** *There are currently no known outstanding effects for the Finance Act 2001, Part 4. (See end of Document for details)*

(b) the transitional participator was a participator in the field both immediately before, and at the beginning of, 7th March 2001,

(c) the qualifying asset that is relevant to the incurring of the expenditure was, at both of the times mentioned in paragraph (b), a qualifying asset in relation to the transitional participator and the field, and

(d) at a time before 7th March 2001—

(i) a person was a participator in two or more oil fields, and

(ii) the asset was a qualifying asset in relation to that person and each of at least two of those fields.

(6) If there would be no apportionment of the expenditure under the old provision, for the purpose of applying the new provision to the expenditure "the relevant portion" of the expenditure is the taxable field portion.

(7) If the expenditure would be apportioned between two or more oil fields under the old provision, for the purpose of applying the new provision to the expenditure "the relevant portion" of the expenditure is the portion of the taxable field portion which it is just and reasonable to apportion to use of the asset in connection with the field.

(8) In carrying out that apportionment of the taxable field portion, ignore use of the asset in connection with an oil field that is not one of the oil fields between which the expenditure would be apportioned under the old provision.

(9) In subsections (6) to (8) "the taxable field portion" means the portion of the expenditure that it is just and reasonable to apportion to use of the asset in connection with a taxable field.

(10) In subsections (5) to (8)—

"the new provision" means section 3(1C) of the Oil Taxation Act 1975 (c. 22) as substituted by subsection (1);

"the old provision" means section 3(1C) of that Act as it would have effect apart from the amendments made by subsections (1) to (3);

"qualifying asset" has the same meaning as it has for the purposes of the Oil Taxation Act 1983 (c. 56) (see section 8 of that Act).

(11) Subsections (5) to (10) shall be construed as one with Part 1 of the Oil Taxation Act 1975.

## 103 PRT: expenditure in certain gas-producing fields

(1) In section 10 of the Oil Taxation Act 1975 (modifications of Part 1 in connection with gas sold to the British Gas Corporation under contracts made before end of June 1975), for subsection (3) (modified apportionment rule for expenditure allowable under section 3(1)(a), (b), (c), (hh), (i) or (j)) substitute—

"(3) Subsections (3A) to (3H) below apply where, in the case of any taxable field, the oil—

(a) won and saved from the field, or

(b) expected to be won and saved from the field,

includes oil falling within subsection (1)(a) above.

(3A) Any expenditure allowable under section 3 of this Act for the field by virtue of any of paragraphs (a) to (c) of section 3(1) of this Act shall be a proportion of what it would otherwise have been.

(3B) The proportion mentioned in subsection (3A) above is that which, according to estimates submitted to the Secretary of State after the end of June 1975 and approved by him as reasonable, the field's original reserves of oil exclusive of oil falling within subsection (1)(a) above bear to the field's original reserves of oil inclusive of oil so falling.

(3C) Until estimates have been submitted and approved for the purpose of subsection (3B) above, the expenditure allowable for the field under section 3 of this Act by virtue of section 3(1)(a), (b) or (c) of this Act shall be deemed to be nil.

(3D) Any expenditure allowable under section 3 of this Act for the field by virtue of section 3(1)(hh) of this Act shall be a portion of what it would otherwise have been.

(3E) That portion is determined in accordance with the following rules—

(1) Identify the abandonment guarantee (within the meaning given by section 104 of the Finance Act 1991 (c. 31)) on the obtaining of which the expenditure was incurred.

(2) Identify the liabilities covered by the guarantee.

(3) Identify which of those liabilities relate to qualifying assets.

(4) Identify the portion of the expenditure that it is just and reasonable to apportion to the liabilities identified under rule 3.

(5) Identify the qualifying assets to which the liabilities identified under rule 3 relate.

(6) Identify the use of those qualifying assets that has been (or is expected to be) non-excluded use.

(7) Assume that expenditure is incurred on the provision of those qualifying assets and identify the proportion of the hypothetical expenditure that it would be just and reasonable to apportion to the use of those assets identified under rule 6.

(8) The portion mentioned in subsection (3D) above is then determined by multiplying—

(i) the portion identified under rule 4, by

(ii) the proportion (expressed as a fraction) identified under rule 7.

(3F) Any expenditure allowable under section 3 of this Act for the field by virtue of section 3(1)(i) or (j) of this Act shall be a portion of what it would otherwise have been.

(3G) That portion is determined in accordance with the following rules—

(1) Identify the qualifying asset that is relevant to the incurring of the expenditure.

(2) Identify the use of that qualifying asset that has been non-excluded use.

(3) Assume that expenditure is incurred on the provision of that qualifying asset and identify the proportion of the hypothetical

expenditure that it would be just and reasonable to apportion to the use of that asset identified under rule 2.

(4) The portion mentioned in subsection (3F) above is then determined by multiplying—

(i) the expenditure, by

(ii) the proportion (expressed as a fraction) identified under rule 3.

(3H) In subsections (3E) and (3G) above—

"non-excluded use" means—

(a) use in connection with the winning and saving of oil, other than excluded oil, from the field, or

(b) use giving rise to receipts that, for the purposes of the Oil Taxation Act 1983 (c. 56), are tariff receipts attributable to a participator in the field;

"qualifying asset" has the same meaning as it has for the purposes of the Oil Taxation Act 1983 (see section 8 of that Act).".

(2) The amendments made by this section apply to expenditure incurred on or after 7th March 2001.

*Landfill tax*

### 104 Landfill tax: rate

(1) In section 42 of the Finance Act 1996 (c. 8) (amount of landfill tax), in subsections (1)(a) and (2) for "£11" substitute " £12 ".

(2) This section has effect in relation to taxable disposals made, or treated as made, on or after 1st April 2001.

*Climate change levy*

### 105 Climate change levy

(1) Schedule 6 to the Finance Act 2000 (c. 17) (climate change levy) is amended as follows.

(2) After paragraph 11 insert—

11A "**Exemption: Northern Ireland gas supplies**

A supply of gas is exempt from the levy if—

(a) the supply is made by a gas utility, and

(b) the person to whom the supply is made intends to cause the gas to be burned in Northern Ireland.".

(3) In paragraph 14(2) (exemption for supplies to electricity producers does not apply to supplies to exempt unlicensed electricity suppliers, no matter what the electricity they produce is used for), at the end insert—

“, and

(c) uses the electricity produced otherwise than in exemption-retaining ways.”.

(4) For paragraph 14(3)(c) (uses of electricity produced by an auto-generator that cause auto-generator to lose benefit of exemption for supplies to electricity producers), substitute—

“(c) uses the electricity produced otherwise than in exemption-retaining ways.”.

(5) In paragraph 14, after sub-paragraph (3) insert—

“(3A) For the purposes of this paragraph, electricity is used in an “exemption-retaining” way if it is used—

(a) in making supplies that are excluded under paragraphs 8 to 10 or exempt under any of paragraphs 11, 12 and 18, or

(b) in any of the ways mentioned in sub-paragraphs (i) to (iv) of paragraph 13(b).”.

(6) In paragraph 15(1)(a) (exemption for supplies to combined heat and power stations), for “the commodity is to be used by that person” there is substituted “ that person intends to cause the commodity to be used ”.

(7) The amendments made by this section have effect in relation to supplies made on or after 1st April 2001.

*Inheritance tax*

## 106 Transfers within group etc

(1) Section 97 of the Inheritance Tax Act 1984 (c. 51) (transfers within group etc.) is amended as follows.

(2) In subsection (1) (minority participators in close company to be excluded from apportionment under section 94) for paragraph (a) (disposals to which section 171(1) of the Taxation of Chargeable Gains Act 1992 (c. 12) applies which are also transfers of value) substitute—

“(a) there is—

(i) a disposal of an asset by the transferor company, which is a disposal to which section 171(1) of the 1992 Act applies, or

(ii) by virtue of an election under section 171A(2) of that Act, a deemed transfer by the transferor company to another member of the group,

(aa) the disposal is also, or the deemed transfer gives rise to, a transfer of value, and”.

(3) The amendment made by this section has effect, and shall be taken always to have had effect, in relation to disposals made, or transfers deemed to have been made, on or after 1st April 2000.

**Status:**
Point in time view as at 06/04/2007.

**Changes to legislation:**
There are currently no known outstanding effects for the Finance Act 2001, Part 4.