
STATUTORY INSTRUMENTS

1983 No. 311

INCOME TAX

The Income Tax (Interest Relief) (No. 2) Regulations 1983

<i>Made</i>	- - - -	<i>4th March 1983</i>
<i>Laid before the House of Commons</i>	- - - -	<i>7th March 1983</i>
<i>Coming into Operation</i>		<i>15th March 1983</i>

The Commissioners of Inland Revenue, in exercise of the powers conferred on them by section 29(3) of the Finance Act 1982, hereby make the following regulations:—

Citation and Commencement

1. These Regulations may be cited as the Income Tax (Interest Relief) (No. 2) Regulations 1983, and shall come into operation on 15th March 1983.

Interpretation

2. In these Regulations unless the context otherwise requires:—

“the Principal Regulations” means the Income Tax (Interest Relief) Regulations 1982.

Amendments to Principal Regulations

3. In Regulation 2 of the Principal Regulations in the definition “a qualifying borrower” after “Schedule 7” there shall be inserted the words—

“which shall be deemed to include, for the application to them of section 26 and 28 and Schedule 7 and these regulations those personal representatives and trustees to whom reference is made in Regulation 7A below, so long as they are all resident in the United Kingdom and in Regulation 7B below, so long as the conditions in that Regulation are fulfilled;”.

4. In Regulation 3 of the Principal Regulations for sub-paragraph (b) of paragraph (1) there shall be substituted the words—

“(b) loans the interest on which is eligible for relief under paragraph 4A of Schedule 1 to the Finance Act 1974; or”.

5. For paragraph (2)(b) of Regulation 7 of the Principal Regulations there shall be substituted the following words—

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“(b) for any tax year after 5th April 1984 in respect of interest on a loan which was a limited loan

- (i) when the interest was last charged by the lender to the borrower's account in its records at any time before March in the previous tax year, or
- (ii) in the case of a loan made after the date when the qualifying lender last charged interest to borrowers' accounts in its records at any time before March in the previous tax year, when the loan was made.”

6. After Regulation 7 of the Principal Regulations there shall be inserted the following words—

“Application of tax deduction scheme to certain personal representatives and trustees

7A. Interest which is paid and payable in the United Kingdom by persons as personal representatives of a deceased person or as trustees of a settlement made by his will the whole of which would have been eligible for relief under section 75 of the Finance Act 1972 (by virtue of paragraph 8 of Schedule 1 to the Finance Act 1974), apart from section 26(1) and paragraph 5 of Schedule 1 to the Finance Act 1974, is relevant loan interest within the meaning of Part I of Schedule 7 (but as if sub-paragraph (3) of paragraph 2 of that Schedule were omitted) to which section 26(1) applies.

7B. In determining whether loan interest paid and payable by trustees to whom reference is made in section 24(4) of the Housing Subsidies Act 1967⁽¹⁾ (option mortgages) or Article 143(6) of the Housing (Northern Ireland) Order 1981⁽²⁾ (option mortgages in Northern Ireland) is relevant loan interest, Schedule 7 shall have effect as if for sub-paragraph (3) of paragraph 2 there were substituted the words—

“(3) This sub-paragraph applies to interest payable by trustees which becomes due on or after 1st April 1983 and is payable on a loan—

- (a) in respect of which there is in force on 31st March 1983 an option notice given under section 24(2) of the 1967 Act (option mortgages) or under Article 142(2) of the 1981 Order which has effect by virtue of section 24(4) of that Act or, as the case may be, by virtue of Article 143(6) of that Order; and
- (b) which relates to a dwelling in respect of which, at the time the interest is paid and on the assumption that one of those provisions continues to be applicable, the conditions in section 24(4) of the 1967 Act or, as the case may be, Article 143(6) of the 1981 Order are fulfilled.””

7. After Regulation 8 of the Principal Regulations there shall be inserted the words—

““Repayment claims by certain borrowers

8A.—(1) Where in a tax year a borrower has not been able to deduct the full amount of the sums deductible under the provisions of section 26(1) from payments of relevant loan interest by reason of the circumstances described in paragraph 11 of Schedule 7, he may make a claim to the Board for payment of a sum equal to the amount which he has not been able to deduct;

- (2) section 42 of the Taxes Management Act 1970⁽³⁾ shall not apply to such a claim;
- (3) the Board shall notify the borrower of its decision on the claim.”

(1) 1967 c.29.
(2) S.I. 1981/155.
(3) 1970 c.9.

8. For paragraph (3) of Regulation 13 of the Principal Regulations there shall be substituted the following words—

“(3) The annual claim may not be based on an estimate and shall, unless the lender makes an election under paragraph (4), include only the tax deducted from interest payments due from borrowers during the financial year to which the claim relates and paid not later than 4 months after the end of that year.”

9. In Regulation 19 of the Principal Regulations—

(1) At the end of paragraph 1(b) the word “and” shall be omitted;

(2) after sub-paragraph (c) there shall be inserted the words—

“and (d) from a decision on his claim under Regulation 8A.”

4th March 1983

A. J. G. Isaac
J. H. Gracey
Two of the Commissioners of Inland Revenue

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EXPLANATORY NOTE

These Regulations supplement sections 26 and 27 and Schedule 7 to the Finance Act 1982, and the Principal Regulations, which provide for a new scheme for giving tax relief on payments of mortgage interest. From April 1983, or in some cases earlier, a person who pays certain categories of loan interest on which tax relief is due will normally be entitled to deduct and retain out of it a sum equal to income tax at the basic rate and the Inland Revenue will pay to the lender the amount of the deduction made.

Regulation 1 gives the title and commencement date and Regulation 2 defines terms used.

Regulations 3 and 6 bring certain personal representatives and trustees within the scheme as qualifying borrowers.

Regulations 4 and 5 amend the Principal Regulations and provide for the commencement of the tax deduction scheme for certain loans.

Regulation 7 provides procedures by which borrowers may recover from the Inland Revenue amounts of relief to which they are entitled but which they have not been able to deduct from their loan interest by reason of the circumstances described.

Regulation 8 provides an extension of four months to the annual claim period during which lenders may recover from the Inland Revenue amounts deducted by borrowers.

Regulation 9 extends the standard appeal procedures for borrowers against decisions of the Inland Revenue on the claims provided for by Regulation 7.