



Finance Act 1976

1976 CHAPTER 40

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance. [29th July 1976]

Most Gracious Sovereign

WE, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and to grant unto your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART I

CUSTOMS AND EXCISE

Duties on alcoholic beverages

1 Increase of duties on spirits, beer, wine and made-wine

- (1) in the Table in section 9 of the Finance (No. 2) Act 1975 (excise duty on spirits) for "22.0900" and "22.1650" there shall be substituted " 24.6300 " and " 24.7050 " respectively.
- (2) In section 10(1) of that Act (excise duty on beer) for "£13.6800" and "£0.4560" there shall be substituted " £15.8400 " and " £0.5280 " respectively.
- (3) For the provisions of Schedule 4 to that Act (rates of excise duty on wine) there shall be substituted the provisions of Schedule 1 to this Act.

Status: This is the original version (as it was originally enacted).

- (4) For the provisions of Schedule 5 to that Act (rates of excise duty on made-wine) there shall be substituted the provisions of Schedule 2 to this Act.
- (5) This section shall be deemed to have come into force on 7th April 1976.

2 Excise duty on cider

- (1) As from 6th September 1976 there shall be charged on cider—
- (a) imported into the United Kingdom ; or
 - (b) made in the United Kingdom by a person who is required by subsection (2) below to be registered as a maker of cider,
- a duty of excise at the rate of £0.22 a gallon.
- (2) Subject to subsection (3) below, a person who, on any premises in the United Kingdom, makes cider for sale must be registered with the Commissioners in respect of those premises.
- (3) The Treasury may by order made by statutory instrument provide for exempting from subsection (2) above makers of cider whose production does not exceed such limit as is specified in the order and who comply with such other conditions as may be so specified; and any order under this subsection may be varied or revoked by a subsequent order.
- (4) If any person who is required by subsection (2) above to be registered in respect of any premises makes cider on those premises without being registered in respect of them, he shall be liable to a penalty of £500 and the cider and all vessels, utensils and materials for making cider found in his possession shall be liable to forfeiture.
- (5) The Commissioners may with a view to managing the duty imposed by this section on cider made in the United Kingdom make regulations—
- (a) regulating the making of cider for sale and the registration and cancellation of registration of makers of cider;
 - (b) for determining the duty and the rate thereof and in that connection prescribing the method of charging the duty;
 - (c) for securing and collecting the duty ;
 - (d) for relieving cider from the duty in such circumstances and to such extent as may be prescribed in the regulations.
- (6) If any person fails to comply with any regulation made under subsection (5) above, he shall be liable to a penalty of £50 and any article in respect of which the offence was committed shall be liable to forfeiture.
- (7) As from 6th September 1976 the enactments mentioned in Schedule 3 to this Act shall have effect subject to the amendments there specified, being amendments consequential on this section.
- (8) In this section " cider" means cider (or perry) of a strength less than 8.7 per cent. of alcohol by volume (at a temperature of 20° C) obtained from the fermentation of apple or pear juice without the addition at any time of any alcoholic liquor or of any liquor or substance which communicates colour or flavour other than such as the Commissioners may allow as appearing to them to be necessary to make cider (or perry).

3 Relaxation of prohibition on retail sales at distilleries

(1) Subsection (1) of section 105 of the Customs and Excise Act 1952 (restriction on carrying on of other trades by distillers and rectifiers) shall cease to apply to the trade of retailer of spirits ; and after that subsection there shall be inserted—

“(1A) Save with the permission of the Commissioners and subject to compliance with such conditions as they see fit to impose, a distiller or rectifier shall not—

- (a) carry on upon his premises the trade of a retailer of spirits; or
- (b) carry on the trade of a distiller or, as the case may be, rectifier on any premises communicating otherwise than by a public roadway with other premises on which the trade of retailer of spirits is carried on.”

(2) Subsection (1) of section 160 of that Act (which precludes a dealer in or retailer of spirits from carrying on his business on premises communicating otherwise than by a public roadway with premises entered or used by a distiller or rectifier) shall cease to apply to a retailer of spirits; and for subsection (2) of that section (which precludes a retailer of spirits from being concerned or interested in the business of a distiller or rectifier carried on within two miles of his premises) there shall be substituted—

“(2) Save with the permission of the Commissioners and subject to compliance with such conditions as they see fit to impose, a retailer of spirits shall not—

- (a) carry on his business on any premises which are entered or used by a distiller or rectifier or which communicate otherwise than by a public roadway with any such premises ; or
- (b) be concerned or interested in the business of a distiller or rectifier carried on upon any premises within two miles of any premises at which he sells spirits by retail.”

(3) In subsection (3) of the said section 160 (penalties) after the words " provisions of this section " there shall be inserted the words " or any condition imposed thereunder ".

Tobacco products duty

4 Charge and administration

(1) As from 10th May 1976 there shall be charged on tobacco products imported into or manufactured in the United Kingdom a duty of excise at the rates shown in the following Table—

TABLE

1. Cigarettes	An amount equal to 20 per cent. of the retail price.
2. Cigars	£2.765 per pound.
3. Hand-rolling tobacco	£2.400 per pound.
4. Other smoking tobacco and chewing tobacco.	£1.550 per pound.

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- (2) Subject to such conditions as they see fit to impose, the Commissioners shall remit or repay the duty charged by this section where it is shown to their satisfaction that the products in question have been—
- (a) exported or shipped as stores ; or
 - (b) used solely for the purposes of research or experiment;
- and the Commissioners may by regulations provide for the remission or repayment of the duty in such other cases as may be specified in the regulations and subject to such conditions as they see fit to impose.
- (3) The Commissioners may with a view to managing the duty charged by this section make regulations—
- (a) prescribing the method of charging the duty and for securing and collecting the duty ;
 - (b) for the registration of premises for the safe storage of tobacco products and for requiring the deposit of such products in, and regulating their treatment in and removal from, premises so registered ;
 - (c) for requiring the keeping and preservation of such records, and the making of such returns, as may be specified in the regulations; and
 - (d) for the inspection of goods, documents and premises.
- (4) If any person fails to comply with any regulation made under this section he shall be liable to a penalty of £200 and any article in respect of which, or found on premises in respect of which, the offence was committed shall be liable to forfeiture.
- (5) In subsection (1) above " hand-rolling tobacco" means tobacco—
- (a) which is sold or advertised by the importer or manufacturer as suitable for making into cigarettes; or
 - (b) of which more than 25 per cent. by weight of the tobacco particles have a width of less than 0.6 mm.
- (6) In this section and the other provisions of this Part of this Act relating to tobacco " tobacco products " means any of the products mentioned in the Table in subsection (1) above which are manufactured wholly or partly from tobacco or any substance used as a substitute for tobacco but does not include products commonly known as herbal cigarettes or herbal smoking mixtures.

5 Retail price of cigarettes

- (1) For the purposes of the duty chargeable at any time under section 4 above in respect of cigarettes of any description, the retail price of the cigarettes shall be taken to be—
- (a) in a case in which paragraph (b) below does not apply, the highest price at which cigarettes of that description are normally sold by retail at that time in the United Kingdom;
 - (b) in any case where—
 - (i) there is a price recommended by the importer or manufacturer for the sale by retail at that time in the United Kingdom of cigarettes of that description ; and
 - (ii) duty is tendered and accepted by reference to that price,the price so recommended.

- (2) The duty in respect of any number of cigarettes shall be charged by reference to the price which, in accordance with subsection (1) above, is applicable to cigarettes sold in packets of twenty or of such other number as the Commissioners may determine in relation to cigarettes of the description in question ; and the whole of the price of a packet shall be regarded as referable to the cigarettes it contains notwithstanding that it also contains a coupon, token, card or other additional item.
- (3) In any case in which duty is chargeable in accordance with paragraph (a) of subsection (1) above—
 - (a) the question as to what price is applicable under that paragraph shall, subject to subsection (4) below, be determined by the Commissioners ; and
 - (b) the Commissioners may require security (by deposit of money or otherwise to their satisfaction) for the payment of duty to be given pending their determination.
- (4) Any person who has paid duty in accordance with a determination of the Commissioners under subsection (3)(a) above and is dissatisfied with their determination may require the question of what price was applicable under subsection (1)(a) above to be referred to the arbitration of a referee appointed by the Lord Chancellor, not being an official of any government department; and if the referee determines that the price was lower than that determined by the Commissioners, they shall repay the duty overpaid, together with interest thereon from the date of the overpayment at such rate as the referee may determine.
- (5) The procedure on any reference to a referee under subsection (4) above shall be such as may be determined by the referee; and the referee's decision on any such reference shall be final and conclusive.

6 Alteration of rates of duty

- (1) The Treasury may by order increase or decrease any of the rates of duty for the time being in force under the Table in section 4(1) above by such percentage thereof, not exceeding ten per cent., as may be specified in the order, but any such order shall cease to be in force at the expiration of a period of one year from the date on which it takes effect unless continued in force by a further order under this section.
- (2) Any order under this section may be varied or revoked by a subsequent order ; and in relation to any order to continue, vary or replace a previous order, the reference in subsection (1) above to the rate for the time being in force is a reference to the rate that would be in force if no order under this section had been made.
- (3) The power to make orders under this section shall be exercisable by statutory instrument.
- (4) Any order under this section increasing the rate in force at the time of making an order shall be laid before the House of Commons after being made; and unless it is approved by that House before the expiration of twenty-eight days beginning with the date on which it was made, it shall cease to have effect on the expiration of that period, but without prejudice to anything previously done thereunder or to the making of a new order.

In reckoning any such period no account shall be taken of any time during which Parliament is dissolved or prorogued or during which the House of Commons is adjourned for more than four days.

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- (5) Any order under this section to which subsection (4) above does not apply shall be subject to annulment in pursuance of a resolution of the House of Commons.
- (6) Section 9 of the Finance Act 1961 (surcharges and rebates in respect of revenue duties) shall not apply to duty charged under section 4 above.

7 Charge in cases of default

- (1) Where the records or returns kept or made by any person in pursuance of regulations under section 4 above show that any tobacco products or materials for their manufacture are or have been in his possession or under his control, the Commissioners may from time to time require him to account for those products or materials and unless he proves—
 - (a) that duty has been paid or secured under that section in respect of the products or, as the case may be, products manufactured from the materials; or
 - (b) that the products or materials are being or have been otherwise dealt with in accordance with the regulations,
 the Commissioners may require him to pay duty under that section in respect of those products or, as the case may be, in respect of such products as in their opinion might reasonably be expected to be manufactured from those materials.
- (2) Where a person has failed to keep or make any records or returns required by regulations under section 4 above or it appears to the Commissioners that any such records or returns are inaccurate or incomplete they may require him to pay any duty under that section which they consider would have been shown to be due if proper records or returns had been kept or made.

Existing tobacco duties

8 Reduction of tobacco duties

- (1) As from 10th May 1976 the rates of the duties of customs and excise chargeable on tobacco under the provisions mentioned in subsection (2) below shall each be reduced by £1.855 per pound ; and as respects tobacco on which there have been paid duties of customs and excise at the said reduced rates, the rates of drawback allowable under those provisions shall each be reduced by the like amount per pound.
- (2) The provisions mentioned in subsection (1) above are the provisions of—
 - (a) section 4 of the Finance Act 1964, Schedule 5 to the Finance Act 1973, section 1(6) of the Finance Act 1974 and section 1(6) of the Finance (No. 2) Act 1975 ; and
 - (b) any order made before the said 10th May under section 1(4) of the said Act of 1973.
- (3) In section 1(4) of the said Act of 1973 for paragraphs (a) and (b) there shall be substituted the words " the rates of the duty of customs and of drawback in respect of tobacco " ; and subsection (1) above is without prejudice to the powers conferred on the Treasury by the said section 1(4).
- (4) The Commissioners may make regulations for the repayment of any amounts of duty paid, and the recovery of any amounts of drawback allowed, in the period beginning with the said 10th May and ending with the passing of this Act which would not have

been payable or allowable if this Act had been passed on that date ; and the regulations may provide for setting off against any such repayment any amount due for that period by way of duty under section 4 above.

- (5) If it is shown to the satisfaction of the Commissioners that any tobacco which has borne duty before the said 10th May under the provisions mentioned in subsection (2) above has been or will be used in the manufacture of tobacco products chargeable with duty under section 4 above, they shall make a repayment at the rate of £1.855 per pound in respect of the duty borne by that tobacco as aforesaid; and the rate per pound at which drawback is allowable on tobacco in respect of which a repayment has been made under this subsection shall be reduced by £1.855.

Hydrocarbon oil duty

9 Increase of duty on hydrocarbon oil etc.

- (1) In section 11 of the Finance (No. 2) Act 1975 (excise duty on hydrocarbon oil etc.) for the words " £0.2250 a gallon " there shall be substituted the words " £0.3000 a gallon ".
- (2) This section shall be deemed to have come into force at 6 o'clock in the evening of 9th April 1976.

10 Use of rebated heavy oil

- (1) In paragraphs 2(b) and 3(b) of Schedule 1 to the Hydrocarbon Oil (Customs & Excise) Act 1971 (vehicles in which heavy oil may be used without repayment of rebate) for the words " or mowing machine " there shall be substituted the words " , mowing machine or fisherman's tractor ".
- (2) In paragraphs 3 and 5 of that Schedule (which contain references to provisions of the Vehicles (Excise) Act (Northern Ireland) 1954 now consolidated in the Vehicles (Excise) Act (Northern Ireland) 1972), for "section 7(1)(h)", "section 7(5)", "section 4(2)(a), (b), (c), or (d) of", "section 20 " and " 1954 " wherever it occurs there shall be substituted " section 4(1)(h) " , " section 7(1) " , " Schedule 3 to " , " section 23 " and " 1972 " respectively.

Vehicles excise duty

11 Information about goods vehicles and registration of trailers

- (1) The power to make regulations under the Vehicles (Excise) Act 1971 as to the declaration to be made and particulars to be furnished by a person applying for a licence under that Act shall, in the case of applications for licences for goods vehicles, include power to require the declaration and particulars to extend to any matter specified in subsection (2) below as to which the Secretary of State may require information with a view to an alteration in the basis on which duty is chargeable under that Act in respect of such vehicles.
- (2) The matters referred to in subsection (1) above are—
- the construction of the vehicle ;
 - the plated weights of the vehicle under Part II of the Road Traffic Act 1972 ;

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- (c) if the vehicle has no such plated weights, the weight, when laden with the maximum load which it is constructed or adapted to carry, of the vehicle or, if it falls within paragraph 6 of Schedule 4 to the said Act of 1971, of the single vehicle of which it is treated as forming part;
 - (d) the use to which the vehicle has been or is likely to be put.
- (3) In section 23(d) of the said Act of 1971 (and subsection (3) of the section 23 set out in paragraph 20 of Part I of Schedule 7 to that Act) references to mechanically propelled vehicles in respect of which duty is not chargeable under that Act shall include references to trailers.
- (4) In this section " goods vehicle " and " trailer " have the same meaning as in Schedule 4 to the said Act of 1971.
- (5) This section shall apply to Northern Ireland with the substitution for references to the said Act of 1971 of references to the Vehicles (Excise) Act (Northern Ireland) 1972 (and, in subsection (3), for the reference to Schedule 7 of a reference to Schedule 9) and with the substitution for the reference to Part II of the Road Traffic Act 1972 of a reference to any corresponding provisions for the time being in force in Northern Ireland.

12 Charges on request for registration number

- (1) Regulations under the Vehicles (Excise) Act 1971 may provide for a prescribed charge to be made in cases where by request a particular registration mark is assigned to a vehicle (whether on its first registration or later), having previously been assigned to another vehicle.
- (2) The regulations may—
- (a) require the vehicle to which a mark is requested to be assigned, and also in prescribed cases the other vehicle, to be made available for inspection either at a place designated by or under the regulations, or elsewhere;
 - (b) provide for a prescribed charge to be made for the inspection, and for the whole or part of this charge to be retained whether or not the mark is assigned as requested.
- (3) Charges prescribed for the purposes of this section may be of any amount approved by the Treasury, and need not be related to the costs of making the assignment or (as the case may be) of arranging for any vehicle to be inspected.
- (4) The first regulations under the Vehicles (Excise) Act 1971 prescribing the amount of any charge by virtue of this section shall not be made unless a draft of a statutory instrument containing them has been laid before Parliament and approved by a resolution of each House; and those regulations shall not then be subject to annulment as otherwise provided for regulations under the Act.
- (5) The Vehicles (Excise) Act 1971 and this section shall be construed as if this section (without this subsection) were contained in that Act; and this section shall apply to Northern Ireland with the substitution for references to that Act of references to the Vehicles (Excise) Act (Northern Ireland) 1972.

13 Restriction of exemption for disabled persons

- (1) Subject to subsection (2) below, a vehicle shall not be exempt from duty by virtue of section 7 of the Finance Act 1971 for any period after 6th April 1976 for which the person in whose name the vehicle is registered is entitled to a mobility allowance.
- (2) Where a person—
 - (a) has before the said 6th April obtained, in pursuance of regulations made under the Vehicles (Excise) Act 1971, a document in the form of a licence in respect of a vehicle exempt under the said section 7 ; or
 - (b) has since the beginning of 1976 and before that date applied for the certificate required by the regulations for obtaining such a document,the vehicle shall not cease to be exempt by virtue of this section before the expiration of the period of validity of the document obtained by him before that date or, as the case may be, the first such document obtained by him after that date by virtue of the certificate.
- (3) This section shall apply to Northern Ireland with the substitution for any reference to the said section 7 of a reference to section 7(2A) of the Vehicles (Excise) Act (Northern Ireland) 1972 and for the reference to the Vehicles (Excise) Act 1971 of a reference to the said Act of 1972.

14 Fishermen's tractors

- (1) The Vehicles (Excise) Act 1971 shall be amended in accordance with subsections (2) to (4) below.
- (2) After paragraph 5 of Part I of Schedule 3 there shall be inserted—

“5A In this Schedule " fisherman's tractor " means a tractor registered under this Act in the name of a person engaged in the business of sea fishing for food and not used on public roads for hauling anything except—

 - (a) a fishing boat, and anything (including the catch) carried in it, which belongs to that person or to him and other persons engaged in that business in the same locality;
 - (b) fishing tackle or other equipment required by the crew, or for the operation, of any such boat;
 - (c) fishing tackle or other equipment required for, and the catch resulting from, fishing operations carried out with the tractor.”
- (3) In paragraph 1 in column 1 of Part II of that Schedule after the words " mowing machines " there shall be inserted the words " fishermen's tractors ".
- (4) In Part I of Schedule 4, in paragraph 3(c) for the words " or works truck " there shall be substituted the words " , works truck or fisherman's tractor " and in paragraph 9(1) after the definition of " farmer's goods vehicle " there shall be inserted—

“ fisherman's tractor ' has the same meaning as in Schedule 3 to this Act;”.
- (5) In section 6(1) of the Finance Act 1971 (definition of " tractor ") after the words " paragraph 2 " there shall be inserted the words " or of ' fisherman's tractor' in paragraph 5A ".
- (6) Subsections (2) to (4) above shall also have effect in relation to the Vehicles (Excise) Act (Northern Ireland) 1972; and in paragraph 2(2) of Schedule 3 to that Act, after

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the words " sub-paragraph (1)" there shall be inserted the words " and ' fisherman's tractor' in paragraph 5A ".

Miscellaneous

15 Deferred payment of customs duty

- (1) The Commissioners may by regulations provide for the payment of customs duty to be deferred in such cases as may be specified by the regulations and subject to such conditions as may be imposed by or under the regulations ; and duty of which payment is deferred under the regulations shall be treated, for such purposes as may be specified thereby, as if it had been paid.
- (2) Regulations under this section may make different provision for goods of different descriptions or for goods of the same description in different circumstances.
- (3) Section 34 (1A) of the Customs and Excise Act 1952 and section 16(6) of the Finance (No. 2) Act 1975 (which are superseded by this section) shall cease to have effect on the coming into force of the first regulations under this section.

16 Continuation of powers under Finance Act 1961 s. 9

The period after which orders of the Treasury under section 9 of the Finance Act 1961 may not be made or continue in force (which, by section 7 of the Finance (No. 2) Act 1975, was extended until the end of August 1976) shall extend until the end of August 1977 or such later date as Parliament may hereafter determine.

PART II

VALUE ADDED TAX

17 Reduction of higher rate

- (1) In section 17(1) of the Finance (No. 2) Act 1975 (higher rate) for the words " 25 per cent." there shall be substituted the words " 12 1/2 per cent. ".
- (2) This section shall be deemed to have come into force on 12th April 1976.

18 Annual adjustments of input tax

In section 3(4) of the Finance Act 1972 (regulations for attributing input tax where not all supplies are taxable) for paragraphs (a) and (b) there shall be substituted—

- “(a) determining a proportion of supplies in any prescribed accounting period which is to be taken as consisting of taxable supplies and provisionally attributing input tax for that period in accordance with the proportion so determined; and
- (b) adjusting, in accordance with a proportion determined in like manner for any longer period comprising two or more prescribed accounting periods or parts thereof, the provisional attribution for any of those prescribed accounting periods; and

- (c) dispensing with an adjustment where the amounts of input tax deductible for any such longer period in accordance with the provisional and adjusted attributions do not differ by more than—
 - (i) an amount equal to such percentage (not exceeding 10 per cent.) of the input tax for that period as may be specified in the regulations; or
 - (ii) such an amount (not exceeding £10) as may be so specified, whichever is the greater ;”.

19 Effect on value of surcharges and rebates in respect of revenue duties

For the purposes of section 11(b) and 27(2)(b) of the Finance Act 1972 (value of imported goods and of supply of goods in warehouse to include duty) the amount of any duty shall be taken to be the amount with any addition or deduction falling to be made under section 9 of the Finance Act 1961 (surcharges and rebates in respect of revenue duties).

20 Credit and discounts

- (1) Paragraph 3 of Schedule 3 to the Finance Act 1972 (goods supplied pursuant to agreement subject to Hire-Purchase Acts to be treated as supplied for cash price) shall cease to have effect.
- (2) For paragraph 4 of that Schedule (consideration in cases where reduction is allowed for immediate payment etc.) there shall be substituted—
 - “4 (1) Where goods or services are supplied for a consideration in money and on terms allowing a discount for prompt payment, the consideration shall be taken for the purposes of this Part of this Act as reduced by the discount whether or not payment is made in accordance with those terms.
 - (2) This paragraph does not apply where the terms include any provision for payment by instalments.”
- (3) This section shall come into force on the day appointed under section 192(4) of the Consumer Credit Act 1974 for the repeal of section 7 of the Hire-Purchase Act 1965, section 7 of the Hire-Purchase (Scotland) Act 1965 and section 7 of the Hire-Purchase Act (Northern Ireland) 1966.

21 Assessments

- (1) In subsection (1) of section 31 of the Finance Act 1972 (power to assess tax where taxable person has failed to make returns etc.) the word " taxable " shall be omitted.
- (2) Where the person failing to make a return, or making a return which appears to the Commissioners to be incomplete or incorrect, was required to make the return as a personal representative, trustee in bankruptcy, receiver, liquidator or person otherwise acting in a representative capacity in relation to another person, subsection (1) of the said section 31 shall apply as if the reference to tax due from him included a reference to tax due from that other person.
- (3) For the purposes of the said section 31 notification to a personal representative, trustee in bankruptcy, receiver, liquidator or person otherwise acting as aforesaid shall be treated as notification to the person in relation to whom he so acts.

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22 Priority in bankruptcy etc.

For the avoidance of doubt it is hereby declared that in section 41 of the Finance Act 1972 (priority in bankruptcy etc.)—

- (a) the reference to tax due at the relevant date is a reference to tax which is then unpaid (whether payable before or after that date); and
- (b) references to tax which has become due within the twelve months next before that date are references to tax (whether payable before or after that date) which is attributable to any prescribed accounting period falling—
 - (i) wholly within those twelve months ; or
 - (ii) subject to apportionment in accordance with subsection (2) of that section, partly within and partly outside those twelve months,including such tax assessed (whether before or after that date) under section 31 of that Act.

23 Failure of resolution under Provisional Collection of Taxes Act 1968

(1) Where—

- (a) by virtue of a resolution having effect under the Provisional Collection of Taxes Act 1968 value added tax has been paid at a rate specified in the resolution on the supply of any goods or services by reference to a value determined under section 10(2) of the Finance Act 1972, and
- (b) by virtue of section 1(6) or (7) or 5(3) of the said Act of 1968 any of that tax is repayable in consequence of the restoration in relation to that supply of a lower rate,

the amount repayable shall be the difference between the tax paid by reference to that value at the rate specified in the resolution and the tax that would have been payable by reference to that value at the lower rate.

(2) Where—

- (a) by virtue of such a resolution value added tax is chargeable at a rate specified in the resolution on the supply of any goods or services by reference to a value determined under the said section 10(2), but
- (b) before the tax is paid it ceases to be chargeable at that rate in consequence of the restoration in relation to that supply of a lower rate,

the tax chargeable at the lower rate shall be charged by reference to the same value as that by reference to which tax would have been chargeable at the rate specified in the resolution.

- (3) The tax that may be deducted as input tax under section 3(1) of the Finance Act 1972 or refunded under section 15 or 15A of that Act does not include tax that has been repaid by virtue of any of the provisions mentioned in subsection (1)(b) above or that would be repayable by virtue of any of those provisions if it had been paid.

PART III

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

GENERAL

24 Charge of income tax for 1976-77

Income tax for the year 1976-77 shall be charged at the basic rate of 35 per cent.; and

- (a) in respect of so much of an individual's total income as exceeds £5,000 at such higher rates as are specified in the Table below ; and
- (b) in respect of so much of the investment income included in an individual's total income as exceeds £1,000 at the additional rates of 10 per cent. for the first £1,000 of the excess and 15 per cent. for the remainder;

except that, in the case of an individual who shows that, at any time within that year, his age or that of his wife living with him was sixty-five years or more, income tax at the additional rate of 10 per cent. shall not be charged in respect of the first £500 of the excess mentioned in paragraph (b) above.

TABLE

<i>Part of excess over £5,000</i>	<i>Higher rate</i>
The first £500	40 per cent
The next £1,000	45 per cent
The next £1,000	50 per cent
The next £1,000	55 per cent
The next £1,500	60 per cent
The next £2,000	65 per cent
The next £3,000	70 per cent
The next £5,000	75 per cent
The remainder	83 per cent

25 Charge of corporation tax for financial year 1975

Corporation tax shall be charged for the financial year 1975 at the rate of 52 per cent.

26 Rate of advance corporation tax for financial year 1976

The rate of advance corporation tax for the financial year 1976 shall be thirty-five sixths.

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27 Corporation tax: other rates and fractions

- (1) The fraction by which, under section 93(2) of the Finance Act 1972, chargeable gains are to be reduced before they are for the purposes of corporation tax included in the profits of an authorised unit trust or investment trust shall, as from 1st April 1975, be sixty-nine one-hundred-and-fourths (instead of the fraction specified in section 27(1) of the Finance (No. 2) Act 1975).
- (2) The small companies rate for the financial year 1975 shall be 42 per cent., and for that year the fraction mentioned in subsection (2) of section 95 of the Finance Act 1972 (marginal relief for small companies) shall be three-twentieths
- (3) For the financial year 1975 and subsequent financial years subsection (3) of the said section 95 shall have effect with the substitution for any reference to £25,000 of a reference to £30,000 and with the substitution for any reference to £40,000 of a reference to £50,000.
- (4) Where by virtue of subsection (3) above the said section 95 has effect with different relevant amounts in relation to different parts of the same accounting period, those parts shall be treated for the purposes of that section as if they were separate accounting periods, and the profits and income of the company for that period (as defined in that section) shall be apportioned between those parts.

28 Relief for interest: limit for 1976-77

In paragraph 5(1) of Schedule 1 to the Finance Act 1974 (limit on relief for interest on certain loans for purchase or improvement of land used as an only or main residence) the references to £25,000 shall have effect for the year 1976-77 as well as for the years 1974-75 and 1975-76.

29 Alteration of personal reliefs

- (1) In section 8 of the Taxes Act (personal reliefs)—
 - (a) in subsection (1)(a) (married) for " £955 " there shall be substituted " £1,085 " ;
 - (b) in subsections (1)(b) (single) and (2) (wife's earned income relief) for " £675 " there shall be substituted " £735 " ;
 - (c) in subsections (1A) and (1B) (age allowance) for " £1,425 ", " £950 " and " £3,000 " there shall be substituted " £1,555 " , " £1,010 " and " £3,250 " respectively.
- (2) In the year 1976-77 only, the allowances set out in section 10(3) of the Taxes Act (children) shall be amended as follows—
 - (a) in paragraph (a) (child over 16) for " £305 " there shall be substituted " £365 " ;
 - (b) in paragraph (b) (child over 11 but not over 16) for " £275 " there shall be substituted " £335 " ;
 - (c) in paragraph (c) (child not over 11) for " £240 " there shall be substituted " £300 " .
- (3) In section 10(5) of that Act (restriction of relief where child has income exceeding £115) for " £115 " there shall be substituted " £350 " and at the end of the proviso there shall be inserted the words " and that in the case of a child who—
 - (a) is under the age of eighteen at the end of the year of assessment and is unmarried throughout that year; and

(b) either has no earned income or has earned income not exceeding £235, this subsection shall have effect with the substitution for the words " income exceeding £350 " of the words " investment income (that is to say, income other than earned income) exceeding £115 ".

- (4) In section 14(2) and (3) of that Act (additional relief for widows and others in respect of children) for " £280 " there shall be substituted " £350 ".
- (5) In section 14(2)(a) of that Act (relief available only for claimant entitled to relief under section 10 in respect of a child resident with him) after the words " resident with him " there shall be inserted the words " or would be so entitled apart from subsection (5) of that section ".

30 Retirement annuities

- (1) Sections 227 and 228 of the Taxes Act (which prescribe limits subject to which relief is available for premiums paid under approved retirement annuity contracts etc.) shall be amended as follows—
- (a) in subsections (1A) and (1C) of section 227 and subsections (1) and (4) of section 228 for "£1,500", wherever it occurs, there shall be substituted " £2,250 ";
- (b) in subsections (1B) and (1C) of section 227 for " £500 ", wherever it occurs, there shall be substituted " £750 "; and
- (c) in the Table in subsection (4) of section 228 for " £1,600 ", " £1,700 ", " £1,800 ", " £1,900 ", and " £2,000 " there shall be substituted respectively " £2,400 ", " £2,550 ", " £2,700 ", " £2,850 " and " £3,000 ".
- (2) In section 226(2)(b) and (10) and section 226A(1)(b) and (3)(b) (upper age limit in relation to approval of contracts etc.) for references to the age of 70 there shall be substituted references to the age of 75.
- (3) This section does not affect relief for any year of assessment before the year 1976-77.

31 War widows

For the purposes of calculating taxable income, the first 50 per cent. of war widow's pension shall be exempt.

32 Child benefit

- (1) The Income Tax Acts shall have effect with the following amendments, being amendments which—
- (a) apply to child benefit the provisions applying to family allowances; and
- (b) make other changes in those provisions.
- (2) In section 8(2)(b) of the Taxes Act (wife's earned income relief) for the words " on account of an allowance under the Family Allowances Act 1965 or the Family Allowances Act (Northern Ireland) 1966 " there shall be substituted the words " of child benefit ".
- (3) In section 24 of that Act (reduction of reliefs on account of family allowances)—
- (a) in subsection (1) for the words " on account of an allowance under the Family Allowances Act 1965 or the Family Allowances Act (Northern Ireland) 1966

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" there shall be substituted the words " of child benefit in respect of one child " and for the words from " on account of two or more allowances " onwards there shall be substituted the words " of child benefit in respect of two or more children the appropriate reduction shall be made under the preceding provisions of this subsection in respect of the child benefit in respect of each child ";

- (b) subsection (2) shall be omitted ;
- (c) in subsection (3)(a) for the words " or child's special allowance" there shall be substituted the words " , child's special allowance or invalid care allowance ";
- (d) after subsection (3) there shall be inserted—

“(3A) The said subsection (1) shall not apply to payments of child benefit in respect of a child in respect of which the individual to whom the payments are made is entitled to a guardian's allowance under the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975.”

- (4) In section 219(1)(b) of that Act (benefits chargeable to tax under Schedule E) for the words " on account of allowances under the Family Allowances Act 1965 or the Family Allowances Act (Northern Ireland) 1966" there shall be substituted the words " of child benefit ".
- (5) In section 530(2)(c) of that Act (meaning of " earned income ") for the words " family allowances " there shall be substituted the words " child benefit ".
- (6) In paragraph 1(b) of Schedule 4 to the Finance Act 1971 (separate taxation of wife's earnings) for the words " on account of an allowance under the Family Allowances Acts 1965 to 1969 or the Family Allowances Acts (Northern Ireland) 1966 to 1969 " there shall be substituted the words " of child benefit ".
- (7) Section 32 of the Finance (No. 2) Act 1975 (interim benefit for unmarried or separated parents with children) shall cease to have effect.
- (8) The provisions of subsections (2) to (7) above (other than subsection (3)(c)) do not affect the operation of any of the enactments there mentioned in relation to any allowance or benefit payable in respect of a period before the appointed day for the purposes of the Child Benefit Act 1975 and the Child Benefit (Northern Ireland) Order 1975.

33 Certification of life insurance policies

- (1) Until such day as the Treasury may by order made by statutory instrument appoint, paragraph 1(1) of Schedule 2 to the Finance Act 1975 (which requires qualifying policies to be certified or to conform with a form certified by the Board) shall not apply to a policy issued in respect of an insurance made before 1st April 1976 which is varied on or after that date.
- (2) In relation to the variation before the day appointed under subsection (1) above of any such policy as is there mentioned paragraph 11(2) of Schedule 1 to the Taxes Act (which was amended by the said Schedule 2 so as to transfer the function of certification from the body issuing the policy to the Board) shall have effect as originally enacted and not as so amended.

34 Relief on life policies etc.

For the year 1979-80 and subsequent years of assessment sections 19 to 21 of the Taxes Act and the other enactments mentioned in Schedule 4 to this Act shall have effect subject to the provisions of that Schedule.

35 Loan annuity contracts by the elderly

Paragraph 16(1) and (2) of Schedule 2 to the Finance Act 1975 (charge in connection with contract for life annuity where money is lent to the annuitant etc.) shall not apply in relation to a contract if and to the extent that interest on the sum lent is eligible for relief under section 75 of the Finance Act 1972 by virtue of paragraph 24 of Schedule 1 to the Finance Act 1974 (loan to elderly person for purchase of life annuity).

36 Husband and wife: income tax

- (1) The Income Tax Acts shall have effect with the following amendments, being amendments which—
 - (a) in general preclude a wife's income from aggregation with her husband's until the beginning of the year of assessment following their marriage ; and
 - (b) make other changes in provisions applying to husbands and wives.
- (2) In section 37(1) of the Taxes Act (aggregation of wife's income with husband's) for the words " so far as it is income for a year of assessment or part of a year of assessment during which she is a married woman living with her husband " there shall be substituted the words " so far as it is income for—
 - (a) a year of assessment; or
 - (b) any part of a year of assessment, being a part beginning; with 6th April, during which she is a married woman living with her husband ".
- (3) In section 38(1) of that Act (options for separate assessment) after the words " any year of assessment" there shall be inserted the words " for which his income would include any of hers " and the proviso shall be omitted.
- (4) In section 14 of that Act—
 - (a) in subsection (2) for the words " Subject to subsection (3) below " there shall be substituted the words " Subject to subsections (3) and (4) below "; and
 - (b) after subsection (3) there shall be inserted—

“(4) A person to whom this section applies by virtue of subsection (1)(a) above shall not be entitled to relief under this section for a year of assessment during any part of which that person is married and living with his or her spouse unless the child in connection with which the relief is claimed is resident with that person during a part of the year in which that person is not married and living with his or her spouse.”
- (5) In section 19 of that Act (life insurance relief)—
 - (a) in subsection (2)(b) for the word " wife " there shall be substituted the word " spouse "; and
 - (b) in subsection (7) after the word " Where " there shall be inserted the words " in any year of assessment for which her husband's income includes or, if there were any, would include any of hers ".

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- (6) After section 21(1) of that Act (life insurance premium relief not to exceed one-sixth of a person's total income) there shall be inserted—

“(1A) In relation to a year of assessment in which a woman is married and living with her husband but for which his income does not or, if there were any, would not include any of hers, subsection (1) above shall apply to each of them as if the maximum there specified were increased by an amount equal to the difference between—

- (a) one-sixth of the other's total income; and
- (b) the premiums or other sums in respect of which relief is given to the other.”

- (7) Where during any part of a year of assessment a husband and wife are living together but his income for that year does not or, if there were any, would not include any of hers, then, if either of them—

- (a) would, if he or she had sufficient income for that year, be entitled to have any amount deducted from or set off against it under a provision to which this subsection applies; and
- (b) makes a claim in that behalf,

that amount or, as the case may be, so much of it as cannot be deducted from or set off against his or her own income for that year shall instead be deducted from and set off against the income for that year of the other spouse.

- (8) Subsection (7) above applies—

- (a) in the case of the husband, to any provision of Chapter II of Part I of the Taxes Act (personal reliefs) and section 75 of the Finance Act 1972 (relief for payment of interest);
- (b) in the case of the wife, to—
 - (i) any provision of that Chapter except sections 8(1)(b) and (1A)(b), 12, 13 and 14; and
 - (ii) the said section 75 so far as applicable to interest paid in the part of the year of assessment mentioned in subsection (7) above.

- (9) For the purposes of section 168 of the Taxes Act and section 71 of the Capital Allowances Act 1968 (set-off of losses and capital allowances against general income), section 37(1)(b) of the Taxes Act shall have effect as if the words " being a part beginning with 6th April " were omitted.

- (10) In section 23(2) and (4) of the Finance Act 1971 (election for separate taxation of wife's earnings to be made or revoked within six months after the end of the year of assessment) for the words "six months after" there shall be substituted the words " twelve months after ".

37 Relief for increase in stock values

Schedule 5 to this Act shall have effect for affording relief for increases in the value of trading stock and work in progress in any period of account.

38 Restriction of relief for payments of interest

- (1) Relief shall not be given to any person under any provision of the Tax Acts in respect of any payment of interest if a scheme has been effected or arrangements have been

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made (whether before or after the time when the payment is made) such that the sole or main benefit that might be expected to accrue to that person from the transaction under which the interest is paid was the obtaining of a reduction in tax liability by means of such relief as aforesaid.

- (2) In this section "relief" means relief by way of deduction in computing profits or gains or deduction or set off against income or total profits.
- (3) Where the relief is claimed by virtue of section 259(6) of the Taxes Act (group relief) any question under this section as to what benefit might be expected to accrue from the transaction in question shall be determined by reference to the claimant company and the surrendering company taken together.
- (4) This section applies—
 - (a) where the payment is after 8th June 1976 ; and
 - (b) as respects relief—
 - (i) under section 248 or 259(6) of the Taxes Act in relation to the total profits for an accounting period beginning after that date or for any part falling after that date of an accounting period beginning earlier; or
 - (ii) under section 75 of the Finance Act 1972 in relation to income for the part of the year 1976-77 falling after that date,where the payment is on or before that date.
- (5) For the purposes of subsection (4)(b) above—
 - (a) the total profits for part of an accounting period shall be so much of the total profits for the whole period (reduced by any relief otherwise than in respect of the payment or payments in question) as is apportioned to that part;
 - (b) the income for part of a year of assessment shall be so much of the income for the whole year (reduced by any relief otherwise than as aforesaid and otherwise than under Chapter II of Part I of the Taxes Act) as is apportioned to that part;and any apportionment for the purposes of this subsection shall be made on a time basis.

39 Capital allowances: writing-down allowances

- (1) Notwithstanding section 40 of the Finance Act 1971 and section 68(1) of the Finance Act 1972 (which exclude from the system of capital allowances introduced in 1971 expenditure incurred before 27th October 1970 and certain expenditure incurred later), the expenditure to which subsection (4)(a) of section 44 of the said Act of 1971 applies in the case of a person's first new chargeable period shall include the amount still unallowed, at the beginning of that period or its basis period, of any eligible expenditure incurred by him on the provision for the purposes of his trade of machinery or plant which then—
 - (a) belongs to him ; and
 - (b) is or has been used for those purposes; and
 - (c) has not permanently ceased to be so used ;and elsewhere in the said section 44 references to capital expenditure shall include references to such eligible expenditure as aforesaid.
- (2) In the case of such eligible expenditure as is mentioned in subsection (1) above no allowances or charges shall be made under Chapter II of Part I of the Capital

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Allowances Act 1968 for any new chargeable period; and in the case of other expenditure section 20(1) of that Act (normal method of calculating writing-down allowances) shall have effect for any such period with the substitution for the words " a percentage " of the words " 25 per cent. " .

- (3) In this section "eligible expenditure" means, subject to subsection (4) below, expenditure in respect of which an allowance or allowances have been (or, if claimed, could have been) made under the said Chapter II; and in subsection (1) above the reference to the amount of any such expenditure still unallowed shall be construed in accordance with section 41 in that Chapter.
- (4) The following is not eligible expenditure—
- (a) expenditure on the provision of a new ship within the meaning of section 31 of the said Act of 1968 ;
 - (b) expenditure in respect of which an allowance or allowances have been (or, if claimed, could have been) made by virtue of or in accordance with the following provisions of the said Act of 1968—
 - (i) section 18(5) or 28 (assets used partly for trade and partly for other purposes);
 - (ii) section 18(6) or 29 (subsidies for wear and tear);
 - (iii) section 32 (cars); or
 - (iv) section 42 or 43 (lessors or lessees);
 - (c) expenditure in respect of which an allowance or allowances have been made in accordance with section 21 of the said Act of 1968 (alternative method of calculating writing-down allowances);
 - (d) expenditure incurred by a person under a contract which provides that he shall or may become the owner of the machinery or plant on the performance of the contract and which has not been performed before the beginning of his first new chargeable period or its basis period;
 - (e) expenditure to which the person by whom it was incurred elects that subsection (1) above shall not apply.
- (5) Any election under subsection (4)(e) above shall be made by notice in writing to the inspector given within two years from the end of the first new chargeable period of the person concerned.
- (6) In this section " new chargeable period " means—
- (a) where the chargeable period is a company's accounting period, an accounting period ending after 5th April 1976;
 - (b) where the chargeable period is a year of assessment, a year of assessment the basis period for which ends after that date.
- (7) This section shall be construed as if contained in Chapter I of Part III of the said Act of 1971.

40 Capital allowances: disposal value

- (1) After subsection (6) of section 44 of the Finance Act 1971 (calculation of disposal value for purposes of writing-down allowances and balancing adjustments) there shall be inserted—
- “(7) Where the person mentioned in the proviso to subsection (6) above has acquired the machinery or plant as a result of a transaction which was, or of a

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series of transactions each of which was, between connected persons within the meaning of section 533 of the Taxes Act, that proviso shall have effect as if it referred to the capital expenditure on the provision of the machinery or plant incurred by whichever party to that transaction, or to any of those transactions, incurred the greatest such expenditure.”

- (2) Section 68(2) of the Finance Act 1972 (which is superseded by this section) shall cease to have effect.
- (3) This section does not affect any case in which the event by reason of which the disposal value of the machinery or plant falls to be taken into account is before 16th April 1976.

41 Capital allowances: restriction of set-off against general income

- (1) Relief shall not be given to an individual under section 168 of the Taxes Act (set-off against general income) by reference to a first-year allowance made to him in respect of expenditure incurred on the provision of machinery or plant for leasing in the course of a trade if—
 - (a) at the time when the expenditure was incurred the trade was carried on by him in partnership with a company (with or without other partners); or
 - (b) a scheme has been effected or arrangements have been made (whether before or after that time) with a view to the trade being carried on by him as aforesaid.
- (2) Relief shall not be given to an individual under the said section 168 by reference to a first-year allowance if—
 - (a) the allowance is made in connection with—
 - (i) a trade which at the time when the expenditure was incurred was carried on by him in partnership or which has subsequently been carried on by him in partnership or transferred to a person who was connected with him within the meaning of section 533 of the Taxes Act; or
 - (ii) an asset which after that time has been transferred by him to a person who was connected with him as aforesaid or, at a price lower than that which it would have fetched if sold in the open market, to any other person ; and
 - (b) a scheme has been effected or arrangements have been made (whether before or after that time) such that the sole or main benefit that might be expected to accrue to the individual from the transaction under which the expenditure was incurred was the obtaining of a reduction in tax liability by means of such relief as aforesaid.
- (3) Where relief has been given in a case to which subsection (1) or (2) above applies it shall be withdrawn by the making of an assessment under Case VI of Schedule D.
- (4) For the purposes of subsection (1) above letting a ship on charter shall be regarded as leasing it if, apart from this provision, it would not be so regarded.
- (5) In this section " first-year allowance " means a first-year allowance under Chapter I of Part III of the Finance Act 1971, "trade" includes any activity in connection with which a first-year allowance can be given and any expression defined in section 50 of the said Act of 1971 has the meaning given in that section.
- (6) This section applies to relief under the proviso to section 71(1) of the Capital Allowances Act 1968 as it applies to relief under the said section 168.

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- (7) Subsections (1) and (2) above apply where the expenditure in respect of which the allowance is made to the individual in question was incurred by him after the commencement date and otherwise than under a contract entered into by him on or before that date ; and " the commencement date " is, in relation to subsection (1), 15th December 1975 and, in relation to subsection (2), 6th April 1976.

42 Capital allowances: subsidies and contributions

- (1) After subsection (1) of section 85 of the Capital Allowances Act 1968 (allowances in respect of contributions to capital expenditure) there shall be inserted—
- “(1A) Subsection (1) above shall not apply where the person making the contribution and the person receiving it are connected persons within the meaning of section 533 of the principal Act.”.
- (2) This section applies in relation to contributions made after 8th July 1976.

43 Capital allowances: motor cars

- (1) In paragraphs 10 to 12 of Schedule 8 to the Finance Act 1971 (special capital allowances rules for motor cars) for any reference to £4,000 or £1,000 there shall be substituted a reference to £5,000 or £1,250 respectively.
- (2) This section applies in relation to expenditure incurred after 6th April 1976 ; and section 50(4) of the said Act of 1971 applies for the purposes of this subsection.

44 Close companies: loans to participators

- (1) In relation to any claim made after the passing of this Act under subsection (5) of section 286 of the Taxes Act (relief where loan to participator is repaid) that subsection shall have effect with the substitution for the words " year of assessment " of the words " financial year ".
- (2) After section 287 of that Act there shall be inserted—

“287A Extension of s. 286 to loans by controlled companies.

- (1) Subject to subsection (4) below, where a company which is controlled by a close company makes a loan which, apart from this section does not give rise to a charge under subsection (1) of section 286 above, that section shall apply as if the loan had been made by the close company.
- (2) Subject to subsection (4) below, where a company which is not controlled by a close company makes a loan which, apart from this section does not give rise to a charge under subsection (1) of section 286 above, and a close company subsequently acquires control of it, that section shall apply as if the loan had been made by the close company immediately after the time when it acquired control.
- (3) Where two or more close companies together control the company that makes or has made the loan, subsections (1) and (2) above shall have effect—
- (a) as if each of them controlled that company ; and
 - (b) as if the loan had been made by each of those close companies ;

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but the loan shall be apportioned between those close companies in such proportion as may be appropriate having regard to the nature and amount of their respective interests in the company that makes or has made the loan.

(4) Subsections (1) and (2) above do not apply if it is shown that no person has made any arrangements (otherwise than in the ordinary course of a business carried on by him) as a result of which there is a connection—

- (a) between the making of the loan and the acquisition of control; or
- (b) between the making of the loan and the provision by the close company of funds for the company making the loan ;

and the close company shall be regarded as providing funds as aforesaid if it directly or indirectly makes any payment or transfers any property to, or releases or satisfies (in whole or in part) a liability of, the company making the loan.

(5) Where, by virtue of this section, section 286 above has effect as if a loan made by one company had been made by another any question under that section or section 287 above whether—

- (a) the company making the loan did so otherwise than in the ordinary course of a business carried on by it which includes the lending of money ;
- (b) the loan or any part of it has been repaid to the company;
- (c) the company has released or written off the whole or part of the debt in respect of the loan,

shall be determined by reference to the company that made the loan.

(6) This section shall be construed as one with section 286 above, and in this section " loan" includes advance, and references to a company making a loan include references to cases in which the company is, or if it were a close company would be, regarded as making a loan by virtue of subsection (2) of that section.

(3) In paragraph 19(5) of Schedule 16 to the Finance Act 1972 (information powers) for the words " sections 286 and 287 of the Taxes Act " there shall be substituted the words " sections 286, 287 and 287A of the Taxes Act".

(4) Subsection (2) above has effect as respects loans made or debts incurred or assigned after 15th April 1976.

45 Close companies: notice of liability

In paragraph 6(2) of Schedule 16 to the Finance Act 1972 (which requires a notice of liability to be served on a close company if a participator does not pay the tax assessed in respect of a sum apportioned to him) for the words " shall be served" there shall be substituted the words " may be served " and for the words " shall thereupon be payable by the company " there shall be substituted the words " shall be payable by the company upon service of the notice ".

46 Effect of advance corporation tax on preference dividends etc.

(1) In paragraph 18(1) of Schedule 23 to the Finance Act 1972 (dividends etc., at gross rate or of gross amount; transitional provisions on introduction of advance corporation

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tax), the reference to " the rate of advance corporation tax in force on that date " is to the rate in force on 6th April 1973.

This subsection shall be deemed always to have had effect.

- (2) Where in the case of shares not carrying cumulative rights, a company, relying on the alternative view of paragraph 18, has reduced any dividend to which the paragraph applies below what it would have been according to the original view, the deficiency may be made up by means of supplementary dividend payable to shareholders registered on a given date ; and—
 - (a) this has effect notwithstanding any restriction, of whatsoever nature, on the company's power to pay dividends, except that which requires dividends to be paid only out of profits and reserves;
 - (b) the date mentioned above is either the date of declaration of the supplementary dividend or such other date (but not earlier than two months before the due date for its payment) as may be appointed by the company.
- (3) In the case of shares carrying cumulative rights, the obligation arising from this section to make good any underpayment of dividend made in reliance on the alternative view shall be carried forward to subsequent periods of account in the same way as with any other underpayment.
- (4) In the case of shares carrying both non-cumulative and cumulative rights, subsections (2) and (3) above apply respectively according as dividend is payable by reference to the one category of rights or the other.
- (5) Subject to subsections (3) and (4) above, this section does not invalidate anything done with reliance in good faith either on the original or on the alternative view of paragraph 18; nor does it give rise to any liability or increased liability on any person for acting, or omitting to act, in a particular way where he did so with reliance in good faith on the one or on the other view.
- (6) In this section—
 - (a) " dividend " includes any other distribution ;
 - (b) " share" includes stock, and any other interest of a member in a company, and any securities within the meaning of Part X of the Taxes Act; and
 - (c) " paragraph 18 " means paragraph 18 of Schedule 23 to the Finance Act 1972 ; and for the purposes of subsections (2) to (5) the original view of paragraph 18 is that it has, and always had, the meaning given to it by subsection (1) above, and the alternative view is that the rate of advance corporation tax referred to in the paragraph is the rate in force from time to time.

47 Relief for levies on insurance companies

For the purposes of section 304 of the Taxes Act as applied by section 305 of that Act (expenses of management of insurance companies), any sums paid by a company, whether before or after the passing of this Act, under a long term business levy imposed by virtue of the Policyholders Protection Act 1975 shall be treated as part of its expenses of management.

48 Friendly societies

- (1) In section 332 of the Taxes Act (registered friendly societies) after subsection (9) there shall be inserted—

“(10) Where at any time a registered friendly society ceases by virtue of section 84 of the Friendly Societies Act 1974 (conversion into company) to be registered under that Act, any part of its life or endowment business consisting of business which—

- (a) relates to contracts made before that time; and
- (b) immediately before that time was tax exempt life or endowment business,

shall thereafter continue to be tax exempt life or endowment business for the purposes of this Chapter.

- (11) Where a registered friendly society—

- (a) at any time ceases by virtue of section 84 of the said Act of 1974 to be registered under that Act; and
- (b) immediately before that time was exempt from income tax or corporation tax on profits arising from any business carried on by it other than life or endowment business,

the company into which the society is converted shall be so exempt on its profits arising from any part of that business which relates to contracts made before that time so long as there is no increase in the scale of benefits which it undertakes to provide in the course of carrying on that part of its business.

- (12) For the purposes of the Corporation Tax Acts any part of a company's business—

- (a) which continues to be tax exempt life or endowment business by virtue of subsection (10) above ; or
- (b) in respect of the profits from which the company is exempt by virtue of subsection (11) above,

shall be treated as a separate business from any other business carried on by the company.”

- (2) In the definition of " tax exempt life or endowment business " in section 337(3) of the Taxes Act for the words " subject to section 332(6) to (9)" there shall be substituted the words " subject to section 332(6) to (10) ".
- (3) The amendment of section 337(5)(b) of the Taxes Act made by paragraph 23(b) of Schedule 9 of the Friendly Societies Act 1974 shall extend to Northern Ireland.

49 New double taxation arrangements with Ireland

- (1) If in the year 1976 Her Majesty by Order in Council under section 497 of the Taxes Act declares, with respect to arrangements made between Her Government in the United Kingdom and the Government of the Republic of Ireland with a view to affording relief from double taxation, that it is expedient that those arrangements should have effect, then the following provisions of this section (going to the implementation of those arrangements or required in consequence of them) shall come into force with the Order (or, in the case of the Order in Council having come into force before this Act is passed, shall be deemed to have done so).

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- (2) The following enactments (giving effect to, or consequent on, arrangements made between the two countries in the years up to 1975) are hereby repealed, that is to say—
- (a) in the Taxes Act—
 - section 315(7) and (8) (Republic of Ireland included with United Kingdom for purposes of provisions about foreign life assurance funds),
 - section 473(2) (exception of Irish residents from certain United Kingdom measures about transactions in securities),
 - in section 498(1), the proviso (excluding unilateral relief in the case of Irish tax),
 - section 513 and, in Schedule 12 (which by virtue of the section saves the effect of the former Agreements up to and including that of 1960 and provides for their implementation), Parts I and II and paragraphs 1, 3(1) and (2), 4 and 5 of Part III;
 - (b) in the Finance Act 1973, section 42 and Schedule 17 (implementation of 1973 Agreement); and
 - (c) in the Finance (No. 2) Act 1975, section 65 and Schedule 11 (implementation of 1975 Agreement).
- (3) In Part III of Schedule 12 to the Taxes Act (provisions already operating so as to give effect to double taxation arrangements with Ireland), paragraphs 2, 3(3) and 6 continue in force by virtue of this section and not, as previously, by virtue of section 513 of that Act.
- (4) In Part III of Schedule 12 to the Taxes Act (provisions in force before 1976 for giving effect to double taxation arrangements with Ireland and continued by this section), the following is added at the end of paragraph 2—
- “(3) In charging any income which is excluded from sub-paragraph (1) above by sub-paragraph (2)(a), the same deductions shall be made, and there shall be the same limitation on reliefs, as under section 23(3) and (4) of the Finance Act 1974 (method of charging income from trade, etc. carried on abroad) in the case of income computed by virtue of that section in accordance with the rules applicable to Cases I and II of Schedule D.”.
- (5) In section 75 of the Finance Act 1972 (relief for payment of interest) the following is substituted for subsection (6)—
- “(6) This section has effect as if references to the United Kingdom included references to the Republic of Ireland.”.
- (6) In section 22(1) of the Finance Act 1974 (foreign pensions etc.) the reference to a pension which would have fallen under section 122(2)(c) of the Taxes Act (remittance basis) includes any which would have so fallen but for paragraph 2 of Part III of Schedule 12 to the Taxes Act.
- (7) The repeals in subsection (2) above, and the amendments made by subsections (4) to (6), take effect from 6th April 1976, subject however to so much of the new Agreement as retains any former Agreement in force for years of assessment ending on or before 5th April 1977.
- (8) In this section "the new Agreement" means any Convention between the Governments of the United Kingdom and the Republic of Ireland relating to avoidance of double taxation and entering into force in the year 1976; and the " former Agreements " are

those set out in Part I of Schedule 12 to the Taxes Act, Schedule 17 to the Finance Act 1973 and Schedule 11 to the Finance (No. 2) Act 1975.

50 Other provisions relating to double taxation

- (1) In the case of a person not resident in the United Kingdom who carries on in the United Kingdom a banking business, an insurance business or a business consisting wholly or partly in dealing in securities, receipts of interest or dividend which have been treated as tax-exempt under double taxation arrangements are not to be excluded from trading income or profits of the business so as to give rise to losses to be set off (under section 177 or 312 of the Taxes Act) against income or profits arising on or after 15th April 1976.

In this subsection " double taxation arrangements" means arrangements having effect by virtue of section 497 of the Taxes Act; and " securities " includes stocks and shares.

- (2) In section 497 of the Taxes Act, in subsection (3) (foreign tax treated as paid though not payable)—
- (a) the words (in the second paragraph of the subsection) from " to any relief" onwards shall become paragraph (a); and
 - (b) after that paragraph there shall be added—

“and

- (b) to any relief provided under and in accordance with the arrangements, where the latter expressly contemplate that the relief is to fall within this subsection”.

- (3) In section 506 of the Taxes Act (computation of underlying tax on foreign company profits), the following shall be inserted after subsection (1)—

“(1A) Where under the foreign tax law the dividend has been increased for tax purposes by an amount to be set off against the recipient's own tax under that law or, to the extent that it exceeds his own tax thereunder, paid to him, then from the amount of the underlying tax to be taken into account under subsection (1) above there is to be subtracted the amount of that increase.

This subsection has effect as from 1st April 1976.”.

51 Capital gains: small disposals

- (1) In section 57(1) and (2) of the Finance Act 1971 (small disposals) for "£500" there shall be substituted " £1,000 ".
- (2) This section applies for the year 1975-76 and subsequent years of assessment.

52 Capital gains: husband and wife

- (1) The enactments relating to capital gains tax shall have effect with the following amendments, being amendments corresponding to or consequential on the amendments made by section 36 above.
- (2) In section 21(4) of the Finance Act 1965 (capital gains chargeable on income tax basis) after the words "a married woman who in the year of assessment is a married woman living with her husband " there shall be inserted the words " and whose income for,

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or for any part of, that year is included in his by virtue of section 37(1) of the Income and Corporation Taxes Act 1970 ".

- (3) In paragraph 3(1) of Schedule 10 to that Act (married woman's chargeable gains to be assessed on her husband) for the words " in a year of assessment, or part of a year of assessment, during which she is a married woman living with her husband " there shall be substituted the words " in—
- (a) a year of assessment; or
 - (b) any part of a year of assessment, being a part beginning with 6th April, during which she is a married woman living with her husband ".
- (4) After section 57(3) of the Finance Act 1971 (small disposals) there shall be inserted—
- “(3A) Subsection (3) above applies only to disposals made in a year of assessment for which, by virtue of section 37(1) of the Income and Corporation Taxes Act 1970, the husband's income includes or, if there were any, would include, any of the wife's.”

53 Capital gains: compensation stock

- (1) This section has effect where gilt-edged securities are exchanged for shares in pursuance of any enactment (including an enactment passed after this Act) which provides for the compulsory acquisition of any shares and the issue of gilt-edged securities instead.
- (2) The exchange shall not constitute a conversion of securities within paragraph 5 of Schedule 7 to the Finance Act 1965 (which has the effect that compensation securities are treated as the same asset as the original shares) and accordingly the gilt-edged securities shall not be treated as having been acquired on any date earlier than that on which they were issued or for any consideration other than the value of the shares as determined for the purposes of the exchange.
- (3) The exchange shall be treated as not involving any disposal of the shares by the person from whom they were compulsorily acquired but—
- (a) there shall be calculated the gain or loss that would have accrued to him if he had then disposed of the shares for a consideration equal to the value mentioned in subsection (2) above: and
 - (b) on a subsequent disposal of the whole or part of the gilt-edged securities by the person to whom they were issued—
 - (i) there shall be deemed to accrue to him (in addition to any gain or loss that actually accrues) the whole or a corresponding part of the gain or loss mentioned in paragraph (a) above ; and
 - (ii) if the disposal is within section 41 of the Finance Act 1969 (exemption for gilt-edged securities) that section shall have effect only in relation to any gain or loss that actually accrues and not in relation to any gain or loss that is deemed to accrue as aforesaid.
- (4) Where a person to whom gilt-edged securities of any kind were issued as mentioned in subsection (1) above disposes of securities of that kind, the securities of which he disposes—
- (a) shall, so far as possible, be identified with any securities of that kind which he has acquired otherwise than as mentioned in subsection (1) above within the twelve months preceding the disposal; and

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- (b) so far as they cannot be identified as aforesaid, shall be identified (without regard to paragraphs 6, 7(3) and 8 of Schedule 10 to the Finance Act 1971) with securities which were issued to him as mentioned in that subsection, taking those issued earlier before those issued later.
- (5) Subsection (3)(b) above shall not apply to any disposal falling within the provisions of—
- (a) section 24(7) of the Finance Act 1965 (disposals by personal representatives to legatees); or
 - (b) paragraph 20(1) of Schedule 7 to that Act (disposals between husband and wife); or
 - (c) section 273(1) of the Taxes Act (disposals within a group of companies);
- but a person who has acquired the securities on a disposal falling within those provisions (and without there having been a previous disposal not falling within those provisions or a devolution on death) shall be treated for the purposes of subsections (3)(b) and (4) above as if the securities had been issued to him.
- (6) Where the gilt-edged securities to be exchanged for any shares are not issued until after the date on which the shares are compulsorily acquired but on that date a right to the securities is granted, this section shall have effect as if the exchange had taken place on that date, as if references to the issue of the securities and the person to whom they were issued were references to the grant of the right and the person to whom it was granted and references to the disposal of the securities included references to disposals of the rights.
- (7) In this section—
- " gilt-edged securities " means specified securities within the meaning of section 41 of the Finance Act 1969;
 - " shares " includes securities within the meaning of paragraph 5 of Schedule 7 to the Finance Act 1965.
- (8) This section has effect where the compulsory acquisition is after 6th April 1976.

54 Capital gains: compulsory acquisition of aircraft and shipbuilding shares

- (1) This section has effect where, in pursuance of any enactment to which this subsection applies, gilt-edged securities are exchanged for shares in a company and, immediately before the exchange, those shares are owned by another company—
- (a) which is a member of the same group of companies as the first-mentioned company; or
 - (b) which is a member of a consortium by which the first-mentioned company is owned.
- (2) Subsection (1) above applies to any enactment providing for the compulsory acquisition of shares in companies engaged in manufacturing aircraft or guided weapons or in shipbuilding or allied industries.
- (3) In any case in which this section has effect the company owning the shares immediately before the exchange may by notice in writing given to the inspector within four years after the exchange, elect—
- (a) that section 53(3) above shall not apply to the exchange ; and
 - (b) that section 33 of the Finance Act 1965 (replacement of business assets) shall have effect in relation to the disposal on the occasion of the exchange as if

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the shares were assets falling within the classes listed in that section and had, throughout the period of ownership, been used and used only for the purposes of a trade carried on by that company.

- (4) For the purposes of this section—
- (a) two companies shall be deemed to be members of a group of companies if one is the 75 per cent. subsidiary of the other or both are 75 per cent. subsidiaries of a third company ;
 - (b) a company is owned by a consortium if all of the ordinary share capital of that company is directly and beneficially owned between them by five or fewer companies, and those companies are called the members of the consortium.
- (5) Subsections (6) and (7) of section 53 above shall apply in relation to this section as they apply in relation to that section.

55 Capital gains: maintenance funds for historic buildings

- (1) This section applies where after 2nd May 1976 a person disposes of an asset to trustees in circumstances such that the disposal is a transfer of value which by virtue of section 84 below is an exempt transfer.
- (2) The person making the disposal and the person acquiring the asset on the disposal shall be treated for all the purposes of Part III of the Finance Act 1965 (capital gains tax) as if the asset was acquired from the one making the disposal for a consideration of such an amount as would secure that on the disposal neither a gain nor a loss would accrue to the one making the disposal.

56 Capital gains: disposals on trust for benefit of employees

- (1) Where a close company within the meaning of section 90 below or an individual disposes of an asset to trustees in circumstances such that the disposal is a disposition which by virtue of that section is not a transfer of value for the purposes of capital transfer tax, Part III of the Finance Act 1965 (capital gains tax) shall have effect in relation to the disposal in accordance with subsections (2) and (3) below.
- (2) Section 22(4) of that Act (consideration deemed to be equal to market value) shall not apply to the disposal; and if the disposal is by way of gift or is for a consideration not exceeding the sums allowable as a deduction under paragraph 4 of Schedule 6 to that Act—
- (a) the disposal, and the acquisition by the trustees, shall be treated for the purposes of Part III (but not for the purposes of section 57 of the Finance Act 1971) as being made for such consideration as to secure that neither a gain nor a loss accrues on the disposal; and
 - (b) where the trustees dispose of the asset, its acquisition by the company or individual shall be treated as its acquisition by the trustees.
- (3) Where the disposal is by a close company, paragraph 18(1) of Schedule 7 to the said Act of 1965 (assets disposed of for less than market value) shall apply to the disposal as if for the reference to market value there were substituted a reference to market value or the sums allowable as a deduction under paragraph 4 of Schedule 6 to that Act, whichever is the less.

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- (4) Subject to subsection (5) below, Part III of the said Act of 1965 shall also have effect in accordance with subsection (2) above in relation to any disposal made after 6th April 1976 by a company other than such a close company as aforesaid if—
- (a) the disposal is made to trustees otherwise than under a bargain made at arm's length ; and
 - (b) the property disposed of is to be held by them on trusts of the description specified in paragraph 17(1) of Schedule 5 to the Finance Act 1975 (that is to say, those in relation to which the said section 90 has effect) and the persons for whose benefit the trusts permit the property to be applied include all or most of either—
 - (i) the persons employed by or holding office with the company; or
 - (ii) the persons employed by or holding office with the company or any one or more subsidiaries of the company.
- (5) Subsection (4) above does not apply if the trusts permit any of the property to be applied at any time (whether during any such period as is referred to in the said paragraph 17(1) or later) for the benefit of—
- (a) a person who is a participator in the company (" the donor company "); or
 - (b) any other person who is a participator in any other company that has made a disposal of property to be held on the same trusts as the property disposed of by the donor company, being a disposal in relation to which the said Part III has had effect in accordance with subsection (2) above ; or
 - (c) any other person who has been a participator in the donor company or any such company as is mentioned in paragraph (b) above at any time after, or during the ten years before, the disposal made by that company ; or
 - (d) any person who is connected with a person within paragraph (a), (b) or (c) above.
- (6) The participators in a company who are referred to in subsection (5) above do not include any participator who on a winding-up of the company would not be entitled to 5 per cent. or more of its assets; and in determining whether the trusts permit property to be applied as mentioned in that subsection, no account shall be taken of any power to make a payment which is the income of any person for any of the purposes of income tax, or would be the income for any of those purposes of a person not resident in the United Kingdom if he were so resident.
- (7) In subsection (4) above " subsidiary " has the same meaning as in the Companies Act 1948 and in subsections (5) and (6) above " participator " has the meaning given in section 303(1) of the Taxes Act, except that it does not include a loan creditor.

57 Investigatory powers

- (1) For section 20 of the Taxes Management Act 1970 (power to call for documents relating to business profits and tax liability thereon) there shall be substituted the sections 20, 20A, 20B, 20C and 20D set out in Schedule 6 to this Act.
- (2) In section 118(1) of that Act (interpretation), in the definition of " tax ", after the words " those taxes " there are inserted the words " except that in sections 20, 20A, 20B, 20C and 20D it does not include development land tax ".

58 Recovery of tax in sheriff court

- (1) Section 67(1) of the Taxes Management Act 1970 (recovery of tax in sheriff court) shall be amended as follows—
- (a) for the words " does not exceed £250 " there shall be substituted the words " does not exceed the sum for the time being specified in section 35(1)(a) of the Sheriff Courts (Scotland) Act 1971 ";
 - (b) the words " or in the sheriff's small debt court, whichever is appropriate " shall be omitted.
- (2) This section shall come into force on 1st September 1976.

59 Post-war credits

After section 131(3) of the Finance Act 1972 (power of Treasury to make order fixing time-limit for applications for repayment of post-war credits) there shall be inserted—

“(3A) An order under subsection (3) above may make different provision for different cases or classes of case and may provide that no amount shall be ascertained, recorded or notified under section 7 of the Finance Act 1941 after any such time as may be specified in the order.”

CHAPTER II

BENEFITS DERIVED BY COMPANY DIRECTORS AND OTHERS FROM THEIR EMPLOYMENT

60 Payments by way of expenses

- (1) Subject to the provisions of this Chapter, where in any year a person is employed in director's or higher-paid employment and by reason of his employment there are paid to him in respect of expenses any sums which, apart from this section, are not chargeable to tax as his income, those sums are to be treated as emoluments of the employment and accordingly chargeable to income tax under Schedule E.
- (2) Subsection (1) above is without prejudice to any claim for deductions under section 189, 192 or 194(3) of the Taxes Act (relief for necessary expenses, etc.).
- (3) The reference in that subsection to sums paid in respect of expenses includes any sums put at the employee's disposal by reason of his employment and paid away by him.
- (4) This section has effect for the year 1977-78 and subsequent years.

61 General provision charging benefits

- (1) Where in any year a person is employed in director's or higher-paid employment and—
 - (a) by reason of his employment there is provided for him, or for others being members of his family or household, any benefit to which this section applies; and
 - (b) the cost of providing the benefit is not (apart from this section) chargeable to tax as his income,

there is to be treated as emoluments of the employment, and accordingly chargeable to income tax under Schedule E, an amount equal to whatever is the cash equivalent of the benefit.

- (2) The benefits to which this section applies are living or other accommodation, entertainment, domestic or other services, and other benefits and facilities of whatsoever nature (whether or not similar to any of those mentioned above in this subsection), excluding however those taxable under sections 64 to 68 below in this Chapter, and subject to the exceptions provided for by the next following section.
- (3) For the purposes of this section and sections 62 and 63 below, the persons providing a benefit are those at whose cost the provision is made.
- (4) This section has effect for the year 1977-78 and for subsequent years.

62 Exceptions from general charge

- (1) Without prejudice to its generality, section 61 above applies where by reason of the person's employment a car is made available (without any transfer of the property in it) either to himself or to others being members of his family or household, and it is made available for his or their private use, but applies only where in the relevant year either—
 - (a) the car is not used for the employee's business travel; or
 - (b) its use for such travel is insubstantial compared with the private use that is made of it.
- (2) That section applies to benefits in connection with a car made available as mentioned in subsection (1) above, but only for a year in which either paragraph (a) or paragraph (b) of that subsection is the case; and, for a year in which neither paragraph is the case, the section applies only to benefits in connection with the provision of a driver for the car.
- (3) Section 61 above does not apply where the benefit consists in provision for the employee, in premises occupied by the employer or others providing it, of accommodation, supplies or services used by the employee solely in performing the duties of his employment.
- (4) That section does not apply where the benefit consists in the provision of living accommodation and—
 - (a) the person providing it is the employee's employer, and it is provided in part of premises occupied by him; and
 - (b) the employee is required by the terms of his employment to reside in the accommodation provided, and it is necessary for him to reside on the premises for the proper performance of his duties.
- (5) But subsection (4) above does not operate where the accommodation is provided by a company and either—
 - (a) the employee is a director of that company ; or
 - (b) he is a director of another company over which it has control, or which has control over it, or which is under the control of a person who also has control over the company first mentioned.
- (6) Section 61 above does not apply to a benefit consisting in the provision by the employee's employer for the employee himself, or for the spouse, children or

dependants of the employee, of any pension, annuity, lump sum, gratuity or other like benefit to be given on the employee's death or retirement.

- (7) Section 61 does not apply to a benefit consisting in the provision by the employee's employer of meals in any canteen in which meals are provided for the staff generally.

63 Cash equivalent of benefits charged under s. 61

- (1) The cash equivalent of any benefit chargeable to tax under section 61 above is an amount equal to the cost of the benefit, less so much (if any) of it as is made good by the employee to those providing the benefit.
- (2) Subject to the following subsections, the cost of a benefit is the amount of any expense incurred in or in connection with its provision, and (here and in those subsections) includes a proper proportion of any expense relating partly to the benefit and partly to other matters.
- (3) Where the benefit consists in the transfer of an asset by any person, and since that person acquired or produced the asset it has been used or has depreciated, the cost of the benefit is deemed to be the market value of the asset at the time of transfer.
- (4) Where the benefit consists in an asset being placed at the employee's disposal, or at the disposal of others being members of his family or household, for his or their use (without any transfer of the property in the asset), or of its being used wholly or partly for his or their purposes, then the cost of the benefit in any year is deemed to be—
- (a) the annual value of the use of the asset, ascertained under subsection (5) below, plus
 - (b) the total of any expense incurred in or in connection with the provision of the benefit (excluding however the expense of acquiring or producing it incurred by the person to whom the asset belongs).
- (5) The annual value of the use of the asset, for the purposes of subsection (4) above—
- (a) in the case of land, is its annual value determined in accordance with section 531 of the Taxes Act; and
 - (b) in the case of a car to which section 62(1)(a) or (b) applies in that year, is 20 per cent. of its original market value or 10 per cent. if at the end of the year its age exceeds 4 years ; and
 - (c) in any other case is 10 per cent. of its market value at the time when it was first applied (by those providing the benefit in question) in the provision of any benefit for a person, or for members of his family or household, by reason of his employment.
- (6) But where there is payable, by those providing the benefit, any sum by way of rent or hire-charge for the asset, the following applies—
- (a) if the annual amount of the rent or hire-charge is equal to, or greater than, the annual value of the use of the asset as ascertained under subsection (5) above, that amount is to be substituted for the annual value in subsection (4)(a); and
 - (b) if that amount is less than the annual value as so ascertained, the amount is to be left out of account under paragraph (b) of that subsection as expense incurred in or in connection with the provision of the benefit.
- (7) Where the benefit consists in the provision of accommodation for the employee, or members of his family or household, in premises in whose case there is an amount to be treated under section 185(1) of the Taxes Act as his emoluments, then any expense

incurred in or in connection with the provision of the benefit is to be treated as reduced by that amount; and if the amount is greater than the total of that expense, the benefit is to be disregarded for the purposes of any charge to income tax under section 61 above.

- (8) From the cash equivalent there are deductible in each case under section 189, 192, or 194(3) of the Taxes Act (necessary expenses etc.) such amounts (if any) as would have been so deductible if the cost of the benefit had been incurred by the employee out of his emoluments.

64 Cars available for private use

- (1) Where in any year in the case of a person employed in director's or higher-paid employment, a car is made available (without any transfer of the property in it) either to himself or to others being members of his family or household, and—

- (a) it is so made available by reason of his employment and it is in that year available for his or their private use; and
- (b) the benefit of the car is not (apart from this section) chargeable to tax as the employee's income,

there is to be treated as emoluments of the employment, and accordingly chargeable to income tax under Schedule E, an amount equal to whatever is the cash equivalent of that benefit in that year.

- (2) Subject to the provisions of this section, the cash equivalent of that benefit is to be ascertained—

- (a) from Tables A and B in Part I of Schedule 7 to this Act, in the case of cars with an original market value up to £6,000 ; and
- (b) from Table C in that Part of that Schedule in the case of cars with an original market value more than that amount,

the equivalent in each case being shown in the second or third column of the applicable Table by reference to the age of the car at the end of the relevant year of assessment.

- (3) This section has effect for the year 1977-78 and subsequent years.

- (4) The Treasury may by order taking effect from the beginning of any year beginning after it is made (but not of any year earlier than 1978-79)—

- (a) increase (or further increase) the money sum specified in subsection (2)(a) above ;
- (b) with or without such an increase, substitute for any of the three Tables a different Table of cash equivalents.

Orders under this subsection shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons; and any such order may revoke a previous order thereunder.

- (5) Part II of Schedule 7 to this Act has effect—

- (a) with respect to the application of the Tables in Part I; and
- (b) for reduction of the cash equivalent under this section in cases where the car has not been available for the whole of the relevant year, or the use of it has been preponderantly business use, or the employee makes any payment for the use of it.

65 Pooled cars

- (1) This section applies to any car in whose case the inspector is satisfied (whether on a claim under this section or otherwise) that it has for any year been included in a car pool for the use of the employees of one or more employers.
- (2) A car is to be treated as having been so included for a year if—
 - (a) in that year it was made available to, and actually used by, more than one of those employees and, in the case of each of them, it was made available to him by reason of his employment but it was not in that year ordinarily used by any one of them to the exclusion of the others ; and
 - (b) in the case of each of them any private use of the car made by him in that year was merely incidental to his other use of it in the year ; and
 - (c) it was in that year not normally kept overnight on or in the vicinity of any residential premises where any of the employees was residing, except while being kept overnight on premises occupied by the person making the car available to them.
- (3) Where this section applies to a car, then for the year in question the car is to be treated under sections 61 and 64 of this Act as not having been available for the private use of any of the employees.
- (4) A claim under this section in respect of a car for any year may be made by any one of the employees mentioned in subsection (2)(a) above (they being referred to below in this section as " the employees concerned") or by the employer on behalf of all of them.
- (5) On an appeal against the decision of the inspector on a claim under this section all the employees concerned may take part in the proceedings, and the determination of the body of Commissioners or county court appealed to shall be binding on all those employees, whether or not they have taken part in the proceedings.
- (6) Where an appeal against the decision of the inspector on a claim under this section has been determined, no appeal against the inspector's decision on any other such claim in respect of the same car and the same year shall be entertained.

66 Beneficial loan arrangements

- (1) Where in the case of a person employed in director's or higher-paid employment there is outstanding for the whole or part of a year a loan (whether to the employee himself or a relative of his) of which the benefit is obtained by reason of his employment and—
 - (a) no interest is paid on the loan for that year ; or
 - (b) the amount of interest paid on it for the year is less than interest at the official rate,
 there is to be treated as emoluments of the employment, and accordingly chargeable to income tax under Schedule E, an amount equal to whatever is the cash equivalent of the benefit of the loan for that year.
- (2) There is no charge to tax under subsection (1) if the cash equivalent does not exceed £50 or (for a year in which there are two or more loans outstanding) the total of all the cash equivalents does not exceed that amount.
- (3) Where in the case of a person employed in director's or higher-paid employment there is in any year released or written off the whole or part of a loan (whether to the employee himself or a relative of his, and whether or not such a loan as is mentioned

- in subsection the benefit of which was obtained by reason of his employment, then, subject to subsection (5) below, there is to be treated as emoluments of the employment, and accordingly chargeable to income tax under Schedule E, an amount equal to that which is released or written off.
- (4) If the employee shows that he derived no benefit from a loan made to a relative of his, subsections (1) and (3) shall not apply to that loan.
- (5) Subsection (3) does not apply where the amount released or written off is chargeable to income tax as income of the employee apart from this section, except—
- (a) where it is chargeable only by virtue of section 187 of the Taxes Act (payments on retirement or removal from employment); or
 - (b) to the extent that the amount exceeds the sums previously falling to be treated as the employee's income under section 451 of the Taxes Act (sums paid to settlor otherwise than as income).
- (6) Where there was outstanding at any time when a person was in director's or higher-paid employment the whole or part of a loan to him (or to a relative of his) the benefit of which was obtained by reason of his employment, and that director's or higher-paid employment has terminated, whether on the employee ceasing to be employed or ceasing to be employed in director's or higher-paid employment, subsection (3) applies as if it had not terminated.
- (7) But on the employee's death—
- (a) a loan within subsection (1) ceases to be outstanding for the purposes of the operation of that subsection; and
 - (b) no charge arises under subsection (3) by reference to any release or writing-off which takes effect on or after the death.
- (8) Part I of Schedule 8 to this Act has effect as to what is meant by the benefit of a loan obtained by reason of a person's employment; the cash equivalent of the benefit is to be ascertained in accordance with Part II of that Schedule; and Part III of that Schedule has effect for excluding from the operation of subsection (1) of this section loans on which interest is eligible for relief under section 75 of the Finance Act 1972.
- (9) In this section, section 67 below and Schedule 8—
- (a) " loan " includes any form of credit;
 - (b) references to a loan include references to any other loan applied directly or indirectly towards the replacement of the first-mentioned loan ;
 - (c) references to making a loan include arranging, guaranteeing or in any way facilitating a loan (related expressions being construed accordingly); and
 - (d) references to the official rate of interest are to the rate prescribed from time to time by the Treasury by order in a statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.
- (10) For the purposes of this section, a person is a relative of another person if he or she is—
- (a) the spouse of that other ; or
 - (b) a parent or remoter forebear, child or remoter issue, or brother or sister of that other or of the spouse of that other; or
 - (c) the spouse of a person falling within paragraph (b) above.
- (11) This section applies to loans whether made before or after this Act is passed ; and—

Status: This is the original version (as it was originally enacted).

- (a) subsection (1) has effect for the year 1978-79 and subsequent years; but for that year and 1979-80 the cash equivalent under that subsection instead of being the amount arrived at by applying Part II of Schedule 8 is that amount reduced by half ; and
- (b) subsection (3) has effect for the year 1976-77 and subsequent years, except that it does not apply to benefits received in pursuance of arrangements made at any time with a view to protecting the holder of shares acquired before 6th April 1976 from a fall in their market value.

67 Employee shareholdings

- (1) Subsections (2) to (6) of this section apply where after 6th April 1976—
 - (a) a person employed or about to be employed in director's or higher-paid employment (" the employee "), or a person connected with him, acquires shares in a company (whether the employing company or not); and
 - (b) the shares are acquired at an under-value in pursuance of a right or opportunity available by reason of the employment.
- (2) " At an under-value " means the shares being acquired either without payment for them at the time or being acquired for an amount then paid which is less than the market value of fully paid up shares of that class (in either case with or without obligation to make payment or further payment at some later time).
- (3) In the circumstances specified above, section 66(1) of this Act, with Schedule 8, applies as if the employee had the benefit of an interest-free loan obtained by reason of his employment; and this is " the notional loan " referred to in the following subsections.
- (4) The amount initially outstanding of the notional loan is so much of the under-value on acquisition (that is, the market value referred to in subsection (2) less any payment then made for the shares) as is not chargeable to tax as an emolument of the employee; and—
 - (a) the loan remains outstanding until terminated under subsection (5) below; and
 - (b) payments or further payments made for the shares after the initial acquisition go to reduce the amount outstanding of the notional loan.
- (5) The notional loan terminates on the occurrence of any of the following events—
 - (a) the whole amount of it outstanding is made good by means of payments or further payments made for the shares; or
 - (b) the case being one in which the shares were not at the time of acquisition fully paid up, any outstanding or contingent obligation to pay for them is released, transferred or adjusted so as no longer to bind the employee or any person connected with him ; or
 - (c) the shares are so disposed of by surrender or otherwise that neither he nor any such person any longer has a beneficial interest in the shares ; or
 - (d) the employee dies.
- (6) If the notional loan terminates as mentioned in subsection (5)(b) or (c) above, there is then for the year in which the event in question occurs the same charge to income tax on the employee, under section 66(3) of this Act, as if an amount equal to the then outstanding amount of the notional loan had been released or written off from a loan within that section.

- (7) Where after 6th April 1976 shares are acquired, whether or not at an under-value but otherwise as mentioned in subsection (1) above, and—
- (a) the shares are subsequently disposed of by surrender or otherwise so that neither the employee nor any person connected with him any longer has a beneficial interest in them; and
 - (b) the disposal is for a consideration which exceeds the then market value of the shares,
- then for the year in which the disposal is effected the amount of the excess is treated as emoluments of the employee's employment and accordingly chargeable to income tax under Schedule E.
- (8) If at the time of the event giving rise to a charge by virtue of subsection (6) or (7) above the person who is " the employee " under this section by reference to his employment in director's or higher-paid employment mentioned in subsection (1)(a) has ceased to be employed in that employment, subsections (6) and (7) apply as if he had not so ceased.
- (9) But no charge arises under subsection (7) by reference to any disposal effected after the death of the employee, whether by his personal representatives or otherwise.
- (10) This section applies in relation to acquisition and disposal of an interest in shares less than full beneficial ownership (including an interest in the proceeds of sale of part of the shares but not including a share option) as it applies in relation to the acquisition and disposal of shares, and in those cases—
- (a) for references to the shares acquired substitute references to the interest in shares acquired ;
 - (b) for the reference to the market value of the shares acquired substitute a reference to the proportion corresponding to the size of the interest of the market value of the shares in which the interest subsists ;
 - (c) for the reference to shares of the same class as those acquired substitute references to shares of the same class as those in which the interest subsists ; and
 - (d) for the reference to the market value of fully paid up shares of that class substitute a reference to the proportion of that value corresponding to the size of the interest.
- (11) In this section—
- (a) " shares " includes stock and also includes securities as defined in section 237(5) of the Taxes Act;
 - (b) " acquisition ", in relation to shares, includes receipt by way of allotment or assignment, or otherwise howsoever;
 - (c) any reference to payment for shares includes giving any consideration in money or money's worth or making any subscription, whether in pursuance of a legal liability or not;
 - (d) " market value " has the same meaning as, for the purposes of Part III of the Finance Act 1965, it has by virtue of section 44 of that Act;
- and section 533 of the Taxes Act (connected persons) applies for the purposes of this section.
- (12) In respect of any shares or interest in shares this section only operates to include an amount in emoluments so far as any amount corresponding to it, and representing the same benefit, does not otherwise fall to be so included under the Tax Acts.

Status: This is the original version (as it was originally enacted).

- (13) Where an amount is chargeable to tax by virtue of subsection (6) above in respect of shares or an interest in shares, then—
- (a) on a disposal of the shares or interest, where that is the event giving rise to the charge ; or
 - (b) in any other case on the first disposal of the shares or interest after the event, paragraph 4(1)(a) of Schedule 6 to the Finance Act 1965 (expenditure allowable in computation of chargeable gains) applies as if a sum equal to the amount chargeable had formed part of the consideration given by the person making the disposal for his acquisition of the shares or interest.
- (14) This section has effect for the year 1976-77 and subsequent years.

68 Medical insurance

- (1) Where in the case of a person employed in any employment (whether or not director's or higher-paid)—
- (a) expense is incurred by his employer or others in or in connection with the provision for him, and for others being members of his family or household, of insurance against the cost of medical treatment; and
 - (b) that provision is made by reason of his employment and, apart from this Chapter, the expense would not be chargeable to tax as his income,
- there is to be treated as emoluments of the employment, and accordingly chargeable to tax under Schedule E, an amount equal to that of the expenditure (disregarding so much of it, if any, as is made good by him to those incurring it).
- (2) Where the provision is made for a group or class to which the employees or the others in question belong, then the amount to be taken into account under subsection (1) above in respect of him is such proportion of the total expenses for all the members of the group or class as is just and reasonable.
- (3) This section does not apply to expense incurred wholly in or in connection with the provision for the employee of insurance against the cost of medical treatment outside the United Kingdom, the need for which arises while the employee is outside the United Kingdom for the purpose of performing the duties of his employment.
- (4) For the purposes of this section, medical treatment includes all forms of treatment for, and all procedures for diagnosing, any physical or mental ailment, infirmity or defect; and the cost of medical treatment includes the cost of being an in-patient, whether or not in a private room, for the purpose of medical treatment.
- (5) This section has effect for the year 1976-77 and subsequent years.

69 Employments subject to ss. 60 to 67

- (1) In this Chapter " director's or higher-paid employment " means—
- (a) employment as a director of a company (but excluding, if he does not have a material interest in the company, employment as a full-time working director); or
 - (b) employment with emoluments at the rate of £5,000 a year or more.
- (2) For this purpose emoluments are to be calculated—

- (a) on the basis that they include all such amounts as come into charge under this Chapter in the case of those in director's or higher-paid employment or under section 68, or under section 36 or 37 of the Finance (No. 2) Act 1975 (cash or other vouchers); and
 - (b) without any deduction under section 189, 192 or 194(3) of the Taxes Act (necessary expenses of employment, etc.).
- (3) But where a person is employed in two or more employments by the same employer, and the total of the emoluments of those employments (applying this section) is at the rate of £5,000 a year or more, all the employments are to be treated as director's or higher-paid.
- (4) All employees of a partnership or body over which an individual or another partnership or body has control are to be treated for the purposes of this section (but not for any other purpose) as if the employment were an employment by the individual or by that other partnership or body, as the case may be.

70 Notice of nil liability under this Chapter

- (1) If a person furnishes to the inspector a statement of the cases and circumstances in which payments of a particular character are made, or benefits or facilities of a particular kind are provided, for any employees (whether his own or those of anyone else), and the inspector is satisfied that no additional tax is payable under this Chapter by reference to the payments, benefits or facilities mentioned in the statement, the inspector shall notify the person accordingly; and then nothing in this Chapter applies to those payments, or to the provision of those benefits or facilities, or otherwise for imposing any additional charge to income tax.
- (2) The inspector may, if in his opinion there is reason to do so, by notice in writing served on the person to whom notification under subsection (1) above was given, revoke the notification, either as from the date of its making or as from such later date as may be specified in the notice under this subsection; and then all such income tax becomes chargeable, and all such returns are to be made by that person and by the employees in question, as would have been chargeable or would have had to be made in the first instance if the notification under subsection (1) had never been given or, as the case may be, it had ceased to have effect on the specified date.

71 Cash vouchers

- (1) Section 37 of the Finance (No. 2) Act 1975 (taxation of cash vouchers for year 1976-77 and subsequent years of assessment) shall not have effect for the year 1976-77 and accordingly—
- (a) in subsection (6) of that section the words " and subsection (6) " shall be omitted ; and
 - (b) after that subsection there shall be inserted—
- “(7) This section has effect for the year 1977-78 and subsequent years of assessment.”
- (2) In subsection (5) of that section for the words from " income tax " onwards there shall be substituted the words " income tax in respect of all payments made in exchange for vouchers issued under the scheme to be deducted in accordance with regulations under section 204 of the Taxes Act ".

72 Interpretation of this Chapter; supplementary

- (1) The following provisions of this section apply for the interpretation of expressions used in sections 60 to 71 above, and Schedules 7 and 8.
- (2) "Employment" means an office or employment whose emoluments fall to be assessed under Schedule E; and related expressions are to be construed accordingly.
- (3) For the purposes of this Chapter, all sums paid to an employee by his employer in respect of expenses, and all such provision as is mentioned in this Chapter which is made for an employee, or for members of his family or household, by his employer, are deemed to be paid to or made for him or them by reason of his employment.

But this does not apply to any such payment or provision made by the employer, being an individual, as can be shown to have been made in the normal course of his domestic, family or personal relationships.

- (4) References to members of a person's family or household are to his spouse, his sons and daughters and their spouses, his parents and his servants, dependants and guests.
- (5) As respects cars, the following definitions apply—
 - (a) " car" means any mechanically propelled road vehicle except—
 - (i) a vehicle of a construction primarily suited for the conveyance of goods or burden of any description,
 - (ii) a vehicle of a type not commonly used as a private vehicle and unsuitable to be so used,
 - (iii) a motor cycle as defined in section 190(4) of the Road Traffic Act 1972, and
 - (iv) an invalid carriage as defined in section 190(5) of that Act;
 - (b) the age of a car at any time is the interval between the date of its first registration and that time ;
 - (c) " business travel" means travelling which a person is necessarily obliged to do in the performance of the duties of his employment;
 - (d) the date of a car's first registration is the date on which it was first registered—
 - (i) in Great Britain, under the Vehicles (Excise) Act 1971 or corresponding earlier legislation, or
 - (ii) elsewhere, under the corresponding legislation of any country or territory ;
 - (e) the original market value of a car is the inclusive price which it might reasonably have been expected to fetch if sold in the United Kingdom singly in a retail sale in the open market immediately before the date of its first registration (" inclusive price " meaning the price inclusive of customs or excise duty, of any tax chargeable as if it were a duty of customs, and of car tax); and
 - (f) "private use", in relation to a car made available to any person, or to others being members of his family or household, means any use otherwise than for his business travel.
- (6) For the purposes of this Chapter—
 - (a) a car made available in any year to an employee, or to others being members of his family or household, by reason of his employment is deemed to be available in that year for his or their private use unless the terms on which

the car is made available prohibits such use and no such use is made of the car in that year;

- (b) a car made available to an employee, or to others being members of his family or household, by his employer is deemed to be made available to him or them by reason of his employment (unless the employer is an individual and it can be shown that the car was made so available in the normal course of his domestic, family or personal relationships).

(7) For the purposes of section 63, the market value of an asset at any time is the price which it might reasonably have been expected to fetch on a sale in the open market at that time.

(8) " Director " means—

- (a) in relation to a company whose affairs are managed by a board of directors or similar body, a member of that board or similar body ;
- (b) in relation to a company whose affairs are managed by a single director or similar person, that director or person; and
- (c) in relation to a company whose affairs are managed by the members themselves, a member of the company,

and includes any person in accordance with whose directions or instructions the directors of the company (defined as above) are accustomed to act.

But a person is not under this subsection to be deemed a person in accordance with whose directions or instructions the directors of the company are accustomed to act by reason only that the directors act on advice given by him in a professional capacity.

(9) "Full-time working director" means a director who is required to devote substantially the whole of his time to the service of the company in a managerial or technical capacity.

(10) A person shall be treated as having a material interest in a company—

- (a) if he, either on his own or with any one or more of his associates, or if any associate of his with or without such other associates, is the beneficial owner of, or able, directly or through the medium of other companies or by any other indirect means, to control, more than 5 per cent. of the ordinary share capital of the company, or
- (b) if, in the case of a close company, on an amount equal to the whole distributable income of the company falling to be apportioned under Chapter III of Part XI of the Taxes Act for the purpose of computing total income, more than 5 per cent. of that amount could be apportioned to him together with his associates (if any), or to any associate of his, or any such associates taken together.

In this subsection "associate" has the same meaning as in section 303(3) of the Taxes Act, except that for this purpose " relative " in that subsection has the same meaning as in this Chapter.

(11) " Control ", in relation to a body corporate or partnership, has the meaning given to it by section 534 of the Taxes Act; and the definition of " control" in that section applies (with the necessary modifications) in relation to an unincorporated association as it applies in relation to a body corporate.

(12) "Year" means year of assessment (except where the expression is used with reference to the age of a car).

- (13) The enactments specified in Schedule 9 to this Act shall be amended as there specified (which are amendments consequential on the replacement by this Chapter of Chapter II of Part VIII of the Taxes Act and other provisions); Part I of that Schedule substitutes a new section for section 15 of the Taxes Management Act 1970, and contains consequential amendments ; Part II contains other amendments.

PART IV

CAPITAL TRANSFER TAX

Relief for business and agricultural property and woodlands

73 Relief for business property

Schedule 10 to this Act shall have effect for reducing, in the cases mentioned therein,

- (a) the value transferred by a transfer of value ; and
- (b) the amount of a distribution payment made, or capital distribution treated as made.

74 Relief for agricultural property

- (1) Schedule 8 to the Finance Act 1975 shall be amended as follows.
- (2) In sub-paragraph (1) of paragraph 1, paragraph (a) shall be omitted and for the words " so computed " there shall be substituted the words " computed in accordance with paragraph 2 below ".
- (3) In sub-paragraph (2) of paragraph 1, after the words " transfer of value " in paragraph (a) there shall be inserted the words " and either that transfer or the current transfer was or would have been a transfer made on death " and at the end of paragraph (d) there shall be added the words
 - “and
 - (e) the agricultural property became, through the earlier transfer, the property of the person or of the spouse of the person who is the transferor in relation to the current transfer.
- (2A) Where, by virtue of sub-paragraph (2) above, the conditions stated in paragraph 3 below are deemed to be satisfied but, under the earlier transfer mentioned in that sub-paragraph, the amount of the value transferred which was attributable to the agricultural property was part only of the value of that property, a like part of its agricultural value shall be substituted for the agricultural value of the property in ascertaining the part eligible for relief under paragraph 2 below ”.
- (4) In paragraph 2 for the words from " reduced " to the end there shall be substituted the words " reduced by one half ".
- (5) After sub-paragraph (b) of paragraph 4 there shall be inserted the following sub-paragraph:

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“(bb) where the value of the shares or debentures is taken, by virtue of paragraph 9A of Schedule 10 to this Act, to be less than their value as previously determined, they would have been sufficient, without any other property, to give the transferor control as mentioned in subparagraph (b) above ; and”.

(6) At the end of paragraph 5(2) there shall be added

“and

(c) the area of any rough grazing land shall be counted as one-sixth of its actual area.

(2A) The Board may consult the Minister of Agriculture, Fisheries and Food or, as the case may require, the Secretary of State or the Department of Agriculture for Northern Ireland on any question arising; under this paragraph whether any land is rough grazing land; and paragraph 7(4) of Schedule 4 to this Act shall apply in relation to any such question as if it were a question as to the value of the land.”

(7) The preceding provisions of this section have effect as follows:—

- (a) subsections (1), (2) and (4) to (6), in relation to chargeable transfers made after 6th April 1976 ; and
- (b) subsection (3) in relation to chargeable transfers made after the passing of this Act.

75 Relief for woodlands

In Schedule 9 to the Finance Act 1975, in paragraph 6(2)(b) (expenses allowable under the Schedule to include those incurred in replanting within three years of a disposal) after the word " disposal" there shall be inserted the words " (or such longer time as the Board may allow) ".

Relief for works of art, historic buildings etc.

76 Conditionally exempt transfers

(1) Subject to the provisions of this section, a transfer of value made after 6th April 1976 is an exempt transfer to the extent that the value transferred by it is attributable to property—

- (a) which, on a claim made for the purpose, is designated by the Treasury under section 77 below; and
- (b) with respect to which the requisite undertaking described in that section is given by such person as the Treasury think appropriate in the circumstances of the case.

(2) A transfer of value exempt as aforesaid with respect to any property is hereafter referred to as a conditionally exempt transfer of that property.

(3) Subsection (1) above does not apply to a transfer of value other than one which under section 22 of the Finance Act 1975 a person makes on his death unless—

- (a) the transferor or his spouse, or the transferor and his spouse between them, have been beneficially entitled to the property throughout the six years ending with the transfer; or

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- (b) the transferor acquired the property on a death and either there was under the said section 22 a transfer of value on the occasion of the death which was itself a conditionally exempt transfer of the property or the value of the property was, under section 31 or 34 of the said Act of 1975, section 40 of the Finance Act 1930 or section 2 of the Finance Act (Northern Ireland) 1931 left out of account for the purposes of the capital transfer tax or estate duty chargeable on the death.
- (4) Subsection (1) above does not apply to a transfer of value to the extent to which it is an exempt transfer under paragraph 1 or 10 of Schedule 6 to the said Act of 1975 (gifts to spouses or charities).
- (5) As from 7th April 1976 the enactments mentioned in Schedule 11 to this Act shall have effect subject to the amendments there specified, being amendments consequential on the provisions of this section and sections 77 to 84 below.

77 Designation and undertakings

- (1) The Treasury may designate under this section
 - (a) any pictures, prints, books, manuscripts, works of art, scientific collections or other things not yielding income which appear to the Treasury to be of national, scientific, historic or artistic interest;
 - (b) any land which in the opinion of the Treasury is of outstanding scenic or historic or scientific interest;
 - (c) any building for the preservation of which special steps should in the opinion of the Treasury be taken by reason of its outstanding historic or architectural interest;
 - (d) any land which adjoins such a building as is mentioned in paragraph (c) above and which in the opinion of the Treasury is essential for the protection of the character and amenities of the building ;
 - (e) any object which in the opinion of the Treasury is historically associated with such a building as is mentioned in paragraph (c) above.
- (2) In the case of property within subsection (1)(a) above, the requisite undertaking is that, until the person beneficially entitled to the property dies or the property is disposed of, whether by sale or gift or otherwise—
 - (a) the property will be kept permanently in the United Kingdom and will not leave it temporarily except for a purpose and a period approved by the Treasury ; and
 - (b) reasonable steps will be taken for the preservation of the property and for securing reasonable access to the public.
- (3) If it appears to the Treasury, on a claim made for the purpose, that any documents which are designated or to be designated under subsection (1)(a) above contain information which for personal or other reasons ought to be treated as confidential, they may exclude those documents, either altogether or to such extent as they think fit, from so much of an undertaking given or to be given under subsection (2)(b) above as relates to public access.
- (4) In the case of other property within subsection (1) above, the requisite undertaking is that, until the person beneficially entitled to the property dies or the property is disposed of, whether by sale or gift or otherwise, reasonable steps will be taken—

- (a) in the case of land falling within subsection (1)(b) above, for the maintenance of the land and the preservation of its character ; and
- (b) in the case of any other property, for the maintenance, repair and preservation of the property and, if it is an object falling with subsection (1)(e) above, for keeping it associated with the building concerned ;

and for securing reasonable access to the public.

- (5) In this section " national interest" includes interest within any part of the United Kingdom.

78 Chargeable events

- (1) Where there has been a conditionally exempt transfer of any property, tax shall be charged under this section on the first occurrence after the transfer of an event which under this section is a chargeable event with respect to the property.
- (2) If the Treasury are satisfied that at any time an undertaking given with respect to the property under section 76 above or subsection (5)(b) below has not been observed in a material respect, the failure to observe the undertaking is a chargeable event with respect to the property; and the person liable for the tax chargeable by reference to that event is the person who, if the property were sold at the time the tax becomes chargeable, would be entitled to receive (whether for his benefit or not) the proceeds of sale or any income arising from them.
- (3) If—
- (a) the person beneficially entitled to the property dies; or
 - (b) the property is disposed of, whether by sale or gift or otherwise,
- the death or disposal is, subject to subsections (4) and (5) below, a chargeable event with respect to the property ; and the person liable for the tax chargeable by reference to the event is, in a case within paragraph (a), the person who, if the property were sold immediately after the death would be entitled to receive (whether for his own benefit or not) the proceeds of sale or any income arising from them and, in a case within paragraph (b), the person for whose benefit the property is disposed of.
- (4) A death or disposal is not a chargeable event with respect to any property if the personal representatives of the deceased (or, in the case of settled property, the trustees or the person next entitled) within three years of the death make or, as the case may be, the disposal is—
- (a) a disposal of the property by sale by private treaty to a body mentioned in paragraph 12 of Schedule 6 to the Finance Act 1975 (museums etc.) or a disposal of it to such a body otherwise than by sale ; or
 - (b) a disposal to the Board in pursuance of paragraph 17 of Schedule 4 to that Act or in accordance with directions given by the Treasury under section 50 or 51 of the Finance Act 1946 (acceptance of property in satisfaction of tax);
- and a death or disposal of the property after such a disposal as is mentioned in paragraph (a) or (b) above is not a chargeable event with respect to the property unless there has again been a conditionally exempt transfer of it after that disposal.
- (5) A death or disposal otherwise than by sale is not a chargeable event with respect to any property if—
- (a) the transfer of value made on the death or the disposal is itself a conditionally exempt transfer of the property ; or

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- (b) the undertaking previously given with respect to the property under section 76 above (or any undertaking previously given with respect to the property under this paragraph) is replaced by a corresponding undertaking given by such person as the Treasury think appropriate in the circumstances of the case.
- (6) Where tax is chargeable under this section with respect to any property within section 77(1)(c), (d) or (e) above, tax shall also be chargeable with respect to any property associated with it; but the Treasury may direct that the foregoing provisions of this subsection shall not apply if it appears to them that the entity consisting of the building, land and objects concerned has not been materially affected.
- (7) For the purposes of subsection (6) above two or more properties are associated with each other if one of them is a building falling within subsection (1)(c) of section 77 above and the other or others such land or objects as, in relation to that building, fall within subsection (1)(d) or (e) of that section.

79 Amount of charge under s. 78

- (1) Subject to the provisions of this section, tax chargeable in respect of any property under section 78 above by reference to a chargeable event shall be charged—
 - (a) on an amount equal to the value of the property at the time of the chargeable event; and
 - (b) at the following rate or rates—
 - (i) if the relevant transferor is alive, the rate or rates that would be applicable to that amount under the second Table in section 37 of the Finance Act 1975 if it were the value transferred by a chargeable transfer made by the relevant transferor at that time;
 - (ii) if the relevant transferor is dead, the rate or rates that would have applied to that amount under the appropriate Table in that section if it had been added to the value transferred on his death and had formed the highest part of that value.
- (2) For the purposes of subsection (1)(b)(ii) above the appropriate Table is, if the conditionally exempt transfer by the relevant transferor was made on death, the first Table and, if not, the second.
- (3) Where the chargeable event is a disposal on sale and—
 - (a) the sale was not intended to confer any gratuitous benefit on any person ; and
 - (b) was either a transaction at arm's length between persons not connected with each other or a transaction such as might be expected to be made at arm's length between persons not connected with each other,
 the value of the property at the time of the chargeable event shall be taken for the purposes of subsection (1)(a) above to be equal to the proceeds of the sale.
- (4) Where by virtue of section 76(4) above the conditionally exempt transfer extended only to part of the property, the amount mentioned in subsection (1)(a) above shall be proportionately reduced.
- (5) The relevant transferor in relation to the tax chargeable on the occasion of a chargeable event in respect of any property is—
 - (a) if there has been only one conditionally exempt transfer of the property before the event, the person who made that transfer;

- (b) if there have been two or more such transfers and the last was before, or only one of them was within, the period of thirty years ending with the event, the person who made the last of those transfers ;
 - (c) if there have been two or more such transfers within that period, the person who made whichever of those transfers the Board may select.
- (6) The conditionally exempt transfers to be taken into account for the purpose of subsection (5) above in relation to a chargeable event do not include transfers made before any previous chargeable event in respect of the same property or before any event which apart from section 78(4) above would have been such a chargeable event.
- (7) Where after a conditionally exempt transfer of any property there is a chargeable transfer the value transferred by which is wholly or partly attributable to that property, any tax charged on that value so far as attributable to that property shall be allowed as a credit—
- (a) if the chargeable transfer is a chargeable event with respect to the property, against the tax chargeable in accordance with this section by reference to that event;
 - (b) if the chargeable transfer is not such a chargeable event, against the tax chargeable in accordance with this section by reference to the next chargeable event with respect to the property.

80 Reinstatement of transferor's cumulative total

- (1) Where tax has become chargeable under section 78 above by reference to a chargeable event in respect of any property (" the relevant event") the rate or rates of tax applicable to any subsequent chargeable transfer made by the person who made the last conditionally exempt transfer of the property before the relevant event shall be determined as if the amount on which tax has become chargeable as aforesaid were value transferred by a chargeable transfer made by him at the time of the relevant event.
- (2) Where the person who made the last conditionally exempt transfer of the property before the relevant event—
- (a) is dead ; and
 - (b) is the relevant transferor in relation to a subsequent chargeable event,
- section 79(1)(b)(ii) above shall have effect as if the value transferred on his death were increased by the amount on which tax has become chargeable on the occasion of the relevant event.
- (3) If—
- (a) the person who made the last conditionally exempt transfer of the property before the relevant event is not the relevant transferor in relation to that event; and
 - (b) at the time of that event or within the previous five years the property is or has been comprised in a settlement made not more than thirty years before that event; and
 - (c) a person who is the settlor in relation to the settlement has made a conditionally exempt transfer of the property within those thirty years,
- subsections (1) and (2) above shall have effect with the substitution for references to the person who made the last conditionally exempt transfer before the relevant event of a reference to any such person as is mentioned in paragraph (c) above.

- (4) The conditionally exempt transfers to be taken into account for the purposes of subsection (3)(c) above in relation to the relevant event do not include transfers made before any previous chargeable event in respect of the same property or before any event which apart from section 78(4) above would have been such a chargeable event.

81 Conditionally exempt distributions

- (1) A transfer of property or other event shall not constitute or give rise to a distribution payment or capital distribution under any provision of Schedule 5 to the Finance Act 1975 (settled property) other than paragraph 12 if the property by reference to which the amount of the distribution payment or capital distribution would fall to be determined has been comprised in the settlement throughout the six years ending with the transfer or event, and—
- (a) the property is, on a claim made for the purpose, designated by the Treasury under section 77 above; and
 - (b) the requisite undertaking described in that section is given with respect to the property by such person as the Treasury think appropriate in the circumstances of the case.
- (2) A transfer or event which by virtue of subsection (1) above does not constitute or give rise to a distribution payment or capital distribution is hereafter referred to as a conditionally exempt distribution of the property in question.
- (3) Subject to the following provisions of this section, sections 78, 79 and 80 above shall have effect as if—
- (a) references to a conditionally exempt transfer included references to a conditionally exempt distribution;
 - (b) references to a disposal otherwise than by sale included references to any event on the occurrence of which a capital distribution or distribution payment is treated as made under any provision of the said Schedule 5 other than paragraph 12; and
 - (c) references to an undertaking given under section 76 above included references to an undertaking given under this section.
- (4) Where the relevant transferor for the purposes of section 79 above falls to be determined by reference to a conditionally exempt distribution, paragraph (b) of subsection (1) of that section shall not apply and the rate or rates at which the tax is charged on the amount mentioned in paragraph (a) of that section shall be—
- (a) if the settlement is still in existence at the time of the chargeable event, the rate or rates that would be applicable (under paragraph 7 or, as the case may be, paragraph 8 of the said Schedule 5) to that amount if a capital distribution of that amount were made at that time out of the property comprised in the settlement;
 - (b) if the settlement has then ceased to exist—
 - (i) subject to sub-paragraph (ii) below, the rate or rates that would be applicable as mentioned in paragraph (a) above but by reference to a capital distribution made on the occasion on which the settlement ceased to exist;
 - (ii) if a capital distribution was made or treated as made on that occasion, the rate or rates that would have been applicable to that amount if it

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had been included in the amount of that distribution and had formed the highest part of it.

- (5) Where tax has become chargeable as mentioned in section 80 above by reference to a chargeable event (" the relevant event") and the person to whom that section applies falls to be determined by reference to a conditionally exempt distribution, the following provisions shall have effect instead of subsections (1) and (2) of that section—
- (a) the rate or rates of tax applicable to any subsequent capital distribution out of the property comprised in the settlement shall be determined as if the amount on which tax has become chargeable had been the amount of a distribution payment made at the time of the relevant event ; and
 - (b) where the settlement has ceased to exist and the tax chargeable on the occasion of a subsequent chargeable event falls to be calculated in accordance with paragraph (i) or (ii) of subsection (4)(b) above, that paragraph shall have effect as if the amount of the capital distribution mentioned in that paragraph were increased by the amount on which tax has become chargeable on the occasion of the relevant event.

82 Exemption from periodic charge

- (1) Where property is comprised in a settlement and there has been a conditionally exempt transfer of the property on or before the occasion on which it became comprised in the settlement, paragraph 12 of Schedule 5 to the Finance Act 1975 (periodic charge to tax where there is no interest in possession) shall not have effect in relation to the property on any relevant date (whether a relevant anniversary or, in a case within subparagraph (2) of that paragraph, the end of a year) falling before the first occurrence after the transfer of a chargeable event with respect to the property.
- (2) Where property is comprised in a settlement and there has been, on or before the occasion on which it became comprised in the settlement, a disposal of the property in relation to which subsection (4) of section 31 of the Finance Act 1965 (capital gains tax relief for works of art etc.) had effect, the said paragraph 12 shall not have effect in relation to the property on any relevant date falling before the first occurrence after the disposal of an event on the happening of which the property is treated as sold under subsection (5) of that section.
- (3) Where property is comprised in a settlement and there has been no such transfer or disposal of the property as is mentioned in subsection (1) or (2) above on or before the occasion on which it became comprised in the settlement, then, if—
- (a) the property has, on a claim made for the purpose, been designated by the Treasury under section 77 above; and
 - (b) the requisite undertaking described in that section has been given by such person as the Treasury think appropriate in the circumstances of the case,
- tax which would otherwise be chargeable under the said paragraph 12 in respect of the property on a relevant date shall be deferred until the first occurrence of an event which, if there had been a conditionally exempt transfer of the property when the claim was made and the undertaking had been given under section 76 above, would be a chargeable event with respect to the property.
- (4) Where any deferred tax becomes chargeable on the occurrence of a chargeable event, it shall be charged—

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- (a) subject to subsection (5) below, on an amount equal to the value of the property at the time of the chargeable event; and
 - (b) at the rate at which it would be chargeable if the relevant date had fallen at that time.
- (5) If more than one relevant date has passed and, accordingly, more than one deferred tax becomes chargeable—
- (a) the second deferred tax shall be charged on the value mentioned in subsection (4)(a) above less the amount of the first deferred tax ; and
 - (b) the third deferred tax (if any) shall be charged on the amount found under paragraph (a) above less the amount of the second deferred tax,
- and so on.
- (6) In its application to a capital distribution made after the chargeable event, paragraph 13(1) of the said Schedule 5 (tax credit for periodic charge) shall have effect as if the reference to tax charged at a relevant anniversary included a reference to tax deferred from a relevant anniversary and charged under subsection (4) above.
- (7) The persons liable for any deferred tax shall be those who would have been liable but for the deferment.

83 Transfers on or before 6th April 1976

- (1) Section 31 to 34 of the Finance Act 1975 (conditional exemption for certain objects, land etc. on death) shall not apply to any death after 6th April 1976.
- (2) Where tax is chargeable after that date under subsection (3) of section 33 or subsection (8) of section 34 of the said Act of 1975 by reason of a sale, so much of paragraph (b) of that subsection as provides for the value of the object or property to be treated as equal to the proceeds of sale shall not apply unless the sale was—
- (a) not intended to confer any gratuitous benefit on any person; and
 - (b) was either a transaction at arm's length between persons not connected with each other or a transaction such as might be expected to be made at arm's length between persons not connected with each other.
- (3) Where there has been a transfer of value in relation to which the value of any property has been left out of account under the provisions of sections 31 to 34 of the said Act of 1975 and, before any tax has become chargeable in respect of that property under those provisions, there is a conditionally exempt transfer of that property, then, on the occurrence of a chargeable event in respect of that property—
- (a) if there has been no conditionally exempt transfer of the property on death, tax shall be chargeable either under section 78 above or under those provisions as the Board may elect; and
 - (b) if there has been such a conditionally exempt transfer, tax shall be chargeable under that section and not under those provisions.
- (4) In sections 79(7) and 82 above references to a conditionally exempt transfer of any property include references to a transfer of value in relation to which the value of any property has been left out of account under the provisions of the said sections 31 to 34 and, in relation to such property, references to a chargeable event or to the tax chargeable in accordance with section 79 above by reference to a chargeable event include references to an event on the occurrence of which tax becomes chargeable under those provisions or to the tax so chargeable.

- (5) In paragraph 19(1)(c) of Schedule 4 to the Finance Act 1975 (interest on unpaid tax) after " section 32 " there shall be inserted " or 34 ".
- (6) In its application to a sale on any date after 6th April 1976 which does not satisfy the requirements of subsection (2)(a) and (b) above, subsection (2) of section 40 of the Finance Act 1930 shall have effect as if the reference to the proceeds of sale were a reference to the value of the objects on that date.
- (7) Subsections (3) and (4) above shall apply to a death in relation to which the value of any property has been left out of account under the said section 40 as they apply to such a transfer of value as is there mentioned, taking references to tax becoming chargeable under the provisions there mentioned as references to estate duty becoming chargeable under that section or section 48 of the Finance Act 1950.
- (8) In determining for the purposes of subsection (2) of the said section 40 what is the last death on which the objects passed there shall be disregarded any death after 6th April 1976.
- (9) In the application of this section to Northern Ireland for references to section 40 of the Finance Act 1930 and section 48 of the Finance Act 1950 there shall be substituted references to section 2 of the Finance Act (Northern Ireland) 1931 and Article 6 of the Finance (Northern Ireland) Order 1972 respectively.

84 Maintenance funds for historic buildings

- (1) Subject to the provisions of Part II of Schedule 6 to the Finance Act 1975 as applied by this section, a transfer of value made after 2nd May 1976 is an exempt transfer to the extent that—
 - (a) the value transferred by it is attributable to property which becomes comprised in a settlement; and
 - (b) the Treasury so direct (whether before or after the time of the transfer);
 and paragraphs 6 to 12 of Schedule 5 to that Act shall not apply in relation to property comprised in a settlement by virtue of a transfer of value exempt under this section.
- (2) The Treasury shall, on a claim made for the purpose, give a direction under subsection (1) above if—
 - (a) they are satisfied that—
 - (i) the settlement complies with the requirements of subsection (3) below ; and
 - (ii) the property is of a character and amount appropriate for the purposes of the settlement; and
 - (b) the trustees include a custodian trustee and are approved by the Treasury.
- (3) The requirements referred to in subsection (2)(a) above are—
 - (a) that during the continuance of the settlement none of the property comprised in it can be applied otherwise than—
 - (i) for the maintenance, repair or preservation of, or making provision for public access to, a building or land which is for the time being a qualifying building or qualifying land as defined in subsection (5) below; or
 - (ii) as respects income not so applied and not accumulated, for the benefit of a body mentioned in paragraph 12 of Schedule 6 to the said

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Act of 1975 (museums etc.) or of a qualifying charity as defined in subsection (7) below ; and

- (b) that on the termination of the settlement none of the property comprised in it can devolve otherwise than on any such body or charity as aforesaid.
- (4) Where property is comprised in a settlement by virtue of a transfer of value exempt under this section the trustees shall from time to time furnish the Treasury with such accounts and other information relating to the settlement as the Treasury may reasonably require.
- (5) A building or land is a qualifying building or qualifying land for the purposes of subsection (3)(a) above if—
- (a) it has been designated under section 34(1)(b) or (c) of the Finance Act 1975 or section 77(1)(c) or (d) above; and
 - (b) the requisite undertaking has been given with respect to it under the said section 34 or under section 76, 78(5)(b) or 82(3) above ; and
 - (c) tax has not (since the last occasion on which such an undertaking was given) become chargeable with respect to it under the said section 34 or under section 78 or 82(3) above.
- (6) If it appears to the Treasury that provision is, or is to be, made by a settlement for the maintenance, repair or preservation of any such property as is mentioned in subsection (1)(c) or (d) of section 77 above, they may, on a claim made for the purpose—
- (a) designate that property under this subsection ; and
 - (b) accept with respect to it an undertaking such as is described in subsection (4) of that section;
- and, if they do so, subsection (5) above shall have effect as if the designation were under that section and the undertaking under section 76 above and as if the reference to tax becoming chargeable were a reference to the occurrence of an event on which tax would become chargeable under section 78 above if there had been a conditionally exempt transfer of the property when the claim was made and the undertaking had been given under the said section 76.
- (7) A charity is a qualifying charity for the purposes of subsection (3) above if it exists wholly or mainly for maintaining, repairing or preserving for the public benefit buildings of historic or architectural interest, land of scenic, historic or scientific interest or objects of national, scientific, historic or artistic interest.
- In this subsection " national interest" includes interest within any part of the United Kingdom.
- (8) In paragraph 15(1), (2) and (3) of Schedule 6 to the said Act of 1975 after the words " to 13 above " there shall be inserted the words " and section 84 of the Finance Act 1976 ".
- (9) In the application of this section to Scotland for the reference in subsection (2)(b) above to a custodian trustee there shall be substituted a reference to any such body or charity as is mentioned in subsection (3) above or any other body approved by the Treasury for the purposes of this subsection.
- (10) For the purposes of the application of this section to Northern Ireland, section 4(2) and (3) of the Public Trustee Act 1906 (custodian trustees) shall extend to Northern Ireland as if a trust corporation within the meaning of the Probates and Letters of

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Administration Act (Northern Ireland) 1933 were a body corporate entitled by rules made under the said Act of 1906 to act as a custodian trustee.

85 Gifts for public benefit

In Schedule 6 to the Finance Act 1975, in paragraph 13(2)(f), for the words "or historic or scientific" there shall be substituted the words " scientific, historic or artistic ".

Mutual and voidable transfers

86 Mutual transfers: exemption for donee's gift

- (1) This section and section 87 below have effect where—
 - (a) a person (" the donor") makes a chargeable transfer (" the donor's transfer ") which increases the estate of another person (" the donee "); and
 - (b) the donee subsequently makes a transfer of value (" the donee's transfer ") which either—
 - (i) is made in the donor's life-time and increases the value of the estate of the donor or his spouse; or
 - (ii) is made within two years after the donor's death and increases the value of the estate of the donor's widow or widower.
- (2) The donee's transfer shall be an exempt transfer to the extent to which the value thereby transferred does not exceed—
 - (a) the amount by which his estate was increased by the donor's transfer; or
 - (b) if there has been a previous donee's transfer, so much of that amount as has not been taken into account under this subsection for exempting that transfer.
- (3) In subsection (1) above references to a transfer are references to a transfer (whether made before or after the passing of this Act) that is a disposition between individuals, including any disposition treated as made by virtue of section 20(7) of the Finance Act 1975 but not anything else that is treated as a disposition for the purposes of capital transfer tax.
- (4) Subsection (1)(b) above has effect in relation to a person as the donor's spouse, widow or widower only if at the relevant time both the donor and that person were, or neither of them was, domiciled in the United Kingdom ; and for that purpose the relevant time is, in the case of a spouse, the time of the donee's transfer and, in the case of a widow or widower, the time of the donor's death.
- (5) Where the donor has died before 1st April 1975 subsection (1)(b)(ii) above shall have effect with the substitution for the reference to his death of a reference to that date.

87 Mutual transfers: relief for donor's gift

- (1) The donor may, within six years after the donee's transfer, claim that for the purposes of this section the value transferred by the donor's transfer shall be treated as cancelled by the donee's transfer to the extent specified in subsection (3) below ; and thereupon—
 - (a) tax on the cancelled value paid or payable (whether or not by the claimant) shall be repaid to him by the Board or, as the case may be, shall not be payable; and

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- (b) the rate or rates of tax applicable to any chargeable transfer made by the donor after the claim shall be determined as if the values previously transferred by chargeable transfers made by the donor were reduced by the cancelled value.
- (2) Where the donor has died, then—
- (a) if the case falls within section 86(1)(b)(i) above, a claim may be made under subsection (1) above by the donor's personal representatives and paragraph (b) of that subsection shall apply as if for the reference to any chargeable transfer made by the donor after the claim there were substituted a reference to the chargeable transfer made by him on his death;
 - (b) if the case falls within section 86(1)(b)(ii) above, a claim may be made under subsection (1) above by the donor's widow or widower.
- (3) The amount of the value transferred to be treated as cancelled by a donee's transfer shall be such amount thereof as, after deduction of the tax charged on it, is equal—
- (a) if paragraph (b) below does not apply, to the value restored by the transfer ;
 - (b) if more than twelve months have elapsed between the donor's transfer and the donee's, to the value so restored reduced by 4 per cent. for every twelve months that have so elapsed ;
- and where the cancelled amount is less than the whole of the value transferred it shall be treated as the highest part of that value.
- (4) As between two or more donor's transfers made by the same donor to the same donee value transferred by a later transfer shall be treated as cancelled rather than value transferred by an earlier one; and where there has been a claim in respect of a previous donee's transfer references in the foregoing provisions of this section to the value transferred shall be construed as references to the part of that value not treated as cancelled by that transfer.
- (5) For the purposes of subsection (3) above the value restored by the donee's transfer is so much of the value thereby transferred as does not exceed—
- (a) the amount by which the donee's estate was increased by the donor's transfer ;
or
 - (b) if there has been a previous donee's transfer, so much of that amount as was not taken into account as the value restored by that transfer.
- (6) In paragraph (a) of subsection (1) above the reference to tax includes a reference to interest on tax.
- (7) Tax repayable on a claim under this section shall carry interest (which shall not constitute income for any tax purposes) at the rate for the time being applicable under paragraph 19(1)(ii) of Schedule 4 to the Finance Act 1975 from the date on which the claim is made.
- (8) For the purposes of liability to additional tax by reason of the donor's death within three years after the donor's transfer, the value thereby transferred which is treated as cancelled by a donee's transfer made before the death shall include any value that would be so treated if subsection (3)(b) above had not applied.
- (9) Where the donee's transfer has increased the estate of the spouse, widow or widower of another person any value thereby transferred which can (or if a claim were made could) be taken into account as value restored in relation to a transfer made by the spouse, widow or widower shall not be so taken into account in relation to a transfer made by that other person.

88 Voidable transfers

- (1) Where on a claim made for the purpose it is shown that the whole or any part of a chargeable transfer (" the relevant transfer ") has by virtue of any enactment or rule of law been set aside as voidable or otherwise defeasible—
 - (a) tax paid or payable by the claimant (in respect of the relevant transfer or any other chargeable transfer made before the claim) that would not have been payable if the relevant transfer had been void ab initio shall be repaid to him by the Board, or as the case may be, shall not be payable ; and
 - (b) the rate or rates of tax applicable to any chargeable transfer made after the claim by the person who made the relevant transfer shall be determined as if that transfer or that part of it had been void as aforesaid.
- (2) In subsection (1)(a) above " tax " includes interest on tax.
- (3) Tax repayable on a claim under subsection (1) above shall carry interest (which shall not constitute income for any tax purposes) at the rate for the time being applicable under paragraph 19(1)(ii) of Schedule 4 to the Finance Act 1975 from the date on which the claim is made.
- (4) This section applies in relation to transfers before as well as after the passing of this Act.

Dispositions that are not transfers of value

89 Dispositions allowable for income tax or conferring retirement benefits

- (1) A disposition made by any person is not a transfer of value if it is allowable in computing that person's profits or gains for the purposes of income tax or corporation tax or would be so allowable if those profits or gains were sufficient and fell to be so computed.
- (2) Without prejudice to subsection (1) above, a disposition made by any person is not a transfer of value if—
 - (a) it is a contribution to a retirement benefits scheme which is approved by the Board for the purposes of Chapter II of Part II of the Finance Act 1970 (occupational pension schemes) and provides benefits in respect of service which is or includes service as an employee (as defined in that Chapter) of that person ; or
 - (b) it is made so as to provide—
 - (i) benefits on or after retirement for a person not connected with him who is or has been in his employ; or
 - (ii) benefits on or after the death of such a person for his widow or dependants,and does not result in the recipient receiving benefits which, having regard to their form and amount, are greater than what could be provided under a scheme approved as aforesaid.
- (3) Where a person makes dispositions of the kinds described in both paragraph (a) and paragraph (b) of subsection (2) above in respect of service by the same person, they shall be regarded as satisfying the conditions of that subsection only to the extent to which the benefits they provide do not exceed what could be provided by a disposition of the kind described in either of those paragraphs.

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- (4) For the purposes of subsection (2)(b) above, the right to occupy a dwelling rent-free or at a rent less than might be expected to be obtained in a transaction at arm's length between persons not connected with each other shall be regarded as equivalent to a pension at a rate equal to the rent or additional rent that might be expected to be obtained as aforesaid.
- (5) Where a disposition satisfies the conditions of the preceding provisions of this section to a limited extent only, so much of it as satisfies them and so much of it as does not satisfy them shall be treated as separate dispositions.
- (6) Paragraph 9 of Schedule 6 to the Finance Act 1975 (which is superseded by subsection (1) above) shall cease to have effect.
- (7) This section applies to dispositions before as well as after the passing of this Act.

90 Dispositions on trust for benefit of employees

- (1) Subject to subsection (3) below, a disposition of property made to trustees by a close company whereby the property is to be held on trusts of the description specified in paragraph 17(1) of Schedule 5 to the Finance Act 1975 is not a transfer of value if the persons for whose benefit the trusts permit the property to be applied include all or most of either—
 - (a) the persons employed by or holding office with the company; or
 - (b) the persons employed by or holding office with the company or any one or more subsidiaries of the company.
- (2) Subject to subsection (3) below, a disposition of property made to trustees by an individual beneficially entitled to shares in a company whereby the property is to be held on trusts of the said description is not a transfer of value if—
 - (a) the property consists of all the shares and securities of the company to which he is beneficially entitled; and
 - (b) immediately after the disposition there are no shares or securities of the company to which his spouse is beneficially entitled; and
 - (c) as a result of the disposition and of any other dispositions made on the same occasion, the trustees—
 - (i) hold all or substantially all of the ordinary shares in the company, and
 - (ii) have powers of voting on all questions affecting the company as a whole which if exercised would yield a majority of the votes capable of being exercised thereon; and
 - (d) the persons for whose benefit the trusts permit the property to be applied include all or most of the persons employed by or holding office with the company.
- (3) Subject to subsection (4) below, subsections (1) and (2) above do not apply if the trusts permit any of the property to be applied at any time (whether during any such period as is referred to in the said paragraph 17(1) or later) for the benefit of—
 - (a) a person who is a participator in the company making the disposition or, as the case may be, the company whose shares are disposed of ; or
 - (b) any other person who is a participator in any close company that has made a disposition whereby property became comprised in the same settlement, being a disposition which but for this section would have been a transfer of value ; or

- (c) any other person who has been a participator in any such company as is mentioned in paragraph (a) or (b) above at any time after, or during the ten years before, the disposition made by that company or, as the case may be, the disposition of its shares ; or
 - (d) any person who is connected with any person within paragraph (a), (b) or (c) above.
- (4) The participators in a company who are referred to in subsection (3) above do not include any participator who on a winding-up of the company would not be entitled to 5 per cent. or more of its assets ; and in determining whether the trusts permit property to be applied as mentioned in that subsection, no account shall be taken of any power to make a payment which is the income of any person for any of the purposes of income tax, or would be the income for any of those purposes of a person not resident in the United Kingdom if he were so resident.
- (5) In this section—
- " close company " and " participator " have the same meanings as in section 39 of the Finance Act 1975 ;
 - " ordinary shares " means shares which carry either—
 - (a) a right to dividends not restricted to dividends at a fixed rate, or
 - (b) a right to conversion into shares carrying such a right as is mentioned in paragraph (a) above;
 - " subsidiary " has the same meaning as in the Companies Act 1948 ; and references in subsections (3) and (4) above to a participator in a company shall, in the case of a company which is not a close company, be construed as references to a person who would be a participator in the company if it were a close company.
- (6) This section applies to dispositions made after 6th April 1976.

91 Waiver of remuneration

- (1) Subject to subsection (2) below, the waiver or repayment of an amount of remuneration shall not be a transfer of value if, apart from the waiver or repayment, that amount would be assessable to income tax under Schedule E.
- (2) Where, apart from the waiver or repayment, the amount of the remuneration would be allowable as a deduction in computing for the purposes of income tax or corporation tax the profits or gains or losses of the person by whom it is payable or paid, this section applies only if, by reason of the waiver or repayment, it is not so allowed or is otherwise brought into charge in computing those profits or gains or losses.
- (3) This section applies to waivers or repayments before as well as after the passing of this Act.

92 Waiver of dividends

- (1) A person who waives any dividend on shares of a company within twelve months before any right to the dividend has accrued does not by reason of the waiver make a transfer of value.
- (2) This section applies to waivers before as well as after the passing of this Act.

Other exemptions and reliefs

93 Exemption for transfers under £2,000

- (1) In paragraph 2 of Schedule 6 to the Finance Act 1975 (exemption for transfers of value under £1,000) for " £1,000" wherever it occurs there shall be substituted " £2,000 ".
- (2) This section does not affect the operation of paragraph 2 in relation to transfers of value made before 6th April 1976 or the amount which, under sub-paragraph (2) of that paragraph, may be carried forward to the year beginning on that date.

94 Transfers between spouses

- (1) In relation to transfers of value made after 6th April 1976, paragraph 1 of Schedule 6 to the Finance Act 1975 shall have effect with the following amendments.
- (2) In sub-paragraph (1), for the words "the value of the estate of the transferor's spouse is increased" there shall be substituted the words " the value transferred is attributable to property which becomes comprised in the estate of the transferor's spouse or, so far as the value transferred is not so attributable, to the extent that that estate is increased ".
- (3) In sub-paragraph (2)—
 - (a) for the words from " transfer is exempt " to " does not " there shall be substituted the words " value in respect of which the transfer is exempt (calculated as a value on which no tax is payable) shall not ";
 - (b) for the words " less any increase " there shall be substituted the words " less any amount ".

95 Exempt transfers: modification of exceptions

- (1) Paragraph 15 of Schedule 6 to the Finance Act 1975 shall be amended as follows.
- (2) In sub-paragraph (3), in paragraph (b) the words " is given subject to an interest reserved or created by the donor or " shall be omitted and after that paragraph there shall be inserted—
 - “(ba) the property is an interest in possession in settled property and the settlement does not come to an end in relation to that settled property on the making of the transfer; or
 - (bb) the property is land or a building and is given subject to an interest reserved or created by the donor which entitles him, his spouse or a person connected with him to possession of, or to occupy, the whole or any part of the land or building rent-free or at a rent less than might be expected to be obtained in a transaction at arm's length between persons not connected with each other; or
 - (bc) the property is not land or a building and is given subject to an interest reserved or created by the donor other than—
 - (i) an interest created by him for full consideration in money or money's worth ; or
 - (ii) an interest which does not substantially affect the enjoyment of the property by the person or body to whom it is given ; or”.
- (3) After sub-paragraph (4) there shall be inserted—

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“(4A) Where a person or body acquires a reversionary interest in any settled property for a consideration in money or money's worth, paragraphs 1 and 10 to 13 above do not apply in relation to the property when it becomes the property of that person or body on the termination of the interest on which the reversionary interest is expectant.”

- (4) Subsection (2) above applies in relation to transfers of value made after 15th April 1976 and subsection (3) applies where the acquisition of the reversionary interest is after that date.

96 Exempt transfers: modification of Supplementary Provisions.

- (1) In relation to transfers of value made after 6th April 1976, Part III of Schedule 6 to the Finance Act 1975 shall have effect with the amendments set out in subsections (2) to (6) below.

- (2) In paragraph 16, for sub-paragraph (b) there shall be substituted—
“(b) paragraph 22 shall have effect as respects the burden of tax.”

- (3) For sub-paragraph (1) of paragraph 19 there shall be substituted—

“(1) Such part of the value transferred shall be attributable to specific gifts as corresponds to the value of the gifts ; but if or to the extent that the gifts—

- (a) are not gifts with respect to which the transfer is exempt or are outside the limit up to which the transfer is exempt, and
(b) do not bear their own tax,

the amount corresponding to the value of the gifts shall be taken to be the amount arrived at in accordance with sub-paragraphs (3) to (3B) below”.

- (4) For sub-paragraph (3) of paragraph 19 there shall be substituted—

“(3) Where the only gifts with respect to which the transfer is or might be chargeable are specific gifts which do not bear their own tax, the amount referred to in sub-paragraph (1) above is the aggregate of—

- (a) the sum of the value of those gifts, and
(b) the amount of tax which would be chargeable if the value transferred equalled that aggregate.

- (3A) Where the specific gifts not bearing their own tax are not the only gifts with respect to which the transfer is or might be chargeable, the amount referred to in sub-paragraph (1) above is such amount as, after deduction of tax at the assumed rate specified in sub-paragraph (3B) below, would be equal to the sum of the value of those gifts.

- (3B) For the purposes of sub-paragraph (3A) above—

- (a) the assumed rate is the rate found by dividing the assumed amount of tax by that part of the value transferred with respect to which the transfer would be chargeable on the hypothesis that—
(i) the amount corresponding to the value of specific gifts not bearing their own tax is equal to the aggregate referred to in sub-paragraph (3) above, and

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- (ii) the parts of the value transferred attributable to specific gifts and to gifts of residue or shares in residue are determined accordingly; and
- (b) the assumed amount of tax is the amount that would be charged on the value transferred on the hypothesis mentioned in paragraph (a) above.”

(5) For paragraph 22 there shall be substituted—

“Burden of tax

22 Notwithstanding the terms of any disposition—

- (a) none of the tax on the value transferred shall fall on any specific gift if or to the extent that the transfer is exempt with respect to the gift; and
- (b) none of the tax attributable to the value of property comprised in residue shall fall on any gift of a share of residue if or to the extent that the transfer is exempt with respect to the gift.”

(6) At the end of paragraph 23 there shall be added—

“(3) Where—

- (a) the whole or part of the value transferred by a transfer of value is attributable to property which is the subject of two or more gifts, and
- (b) the aggregate of the values of the property given by each of those gifts is less than the value transferred or, as the case may be, that part of it,

then for the purposes of this Part of this Schedule (and notwithstanding the definition of a gift in sub-paragraph (1) above) the value of each gift shall be taken to be the relevant proportion of the value transferred or, as the case may be, that part of it; and the relevant proportion in relation to any gift is the proportion which the value of the property given by it bears to the said aggregate.”

(7) After paragraph 22 of Schedule 6 to the Finance Act 1975 there shall be inserted the following paragraph—

“Legal rights in Scotland

- 22A (1) Where on the death of a person legal rights are claimed by a person entitled to claim such rights, those rights shall be treated as a specific gift which bears its own tax.
- (2) In determining the value of legal rights mentioned in sub-paragraph (1) above, any capital transfer tax repayable on the estate of the deceased shall be left out of account.
- (3) In the case of any death occurring after 13th March 1975 and before the passing of the Finance Act 1976, the executors of the deceased may elect that this paragraph shall apply to the estate of the deceased.
- (4) This paragraph extends to Scotland only”.

Status: This is the original version (as it was originally enacted).

97 Relief for successive charges

- (1) Section 30 of the Finance Act 1975 shall have effect, and be deemed always to have had effect, as if for subsection (3) there were substituted—

“(3) Where the value of a person's estate was increased—

- (a) on a death on which estate duty was payable ; or
- (b) in consequence of—

- (i) a gift inter vivos ; or

- (ii) a disposition or determination of a beneficial interest in possession in any property comprised in a settlement,

where, by reason of the gift or interest, estate duty or capital transfer tax under section 22(5) of this Act was payable on a subsequent death,

the preceding provisions of this section shall apply with the necessary modifications and, in particular, as if the increase had been by a chargeable transfer on the occasion of the death and, in a case where estate duty was payable, that duty had been tax on the value transferred thereby.”

- (2) Paragraph 5 of Schedule 5 to the said Act of 1975 shall have effect, and be deemed always to have had effect, as if for sub-paragraph (2) there were substituted—

“(2) Where the transferor became entitled to the interest—

- (a) on a death on which estate duty was payable in respect of the settled property ; or

- (b) in consequence of—

- (i) a gift inter vivos ; or

- (ii) a disposition or determination of a beneficial interest in possession in any property comprised in a settlement,

where, by reason of the gift or interest, estate duty or capital transfer tax under section 22(5) of this Act was payable on a subsequent death in respect of the settled property,

sub-paragraph (1) above shall apply as if the period referred to therein were the period between the death and the chargeable transfer.”

98 Gifts to spouses-relief from transitional charge

For the purpose of determining in relation to a death after 6th April 1976 whether any increase is to be made in the deceased's estate by virtue of section 22(5) of the Finance Act 1975 (which provides for such an increase in certain cases where, by reason of a gift or an interest in possession under a settlement, property would have been within the charge to estate duty), section 121(1)(c) of the Finance Act 1972 (relief from estate duty for gifts etc. to the deceased's widow or widower) shall have effect as if the reference to a widow or widower included a reference to a spouse who died before the deceased.

99 Transfers within three years before death

- (1) Subject to the following provisions, this section applies where additional tax becomes chargeable in respect of the value transferred by a chargeable transfer because of the transferor's death within three years of the transfer and all or part of the value

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transferred is attributable to the value of property (" the transferred property ") which—

- (a) is, at the date of the death, the property of the person (" the transferee ") whose property it became on the transfer or of his spouse, or
- (b) has, before that date, been sold by the transferee or his spouse by a qualifying sale ;

and in the following provisions of this section " the relevant date " means, in a case within sub-paragraph (a) above, the date of the death, and in a case within sub-paragraph (b), the date of the qualifying sale.

- (2) If the market value of the transferred property at the time of the chargeable transfer exceeds its market value on the relevant date, the additional tax shall be calculated as if the value transferred were reduced by the amount of the excess.
- (3) This section shall not apply unless—
 - (a) the transferor's death occurs after 6th April 1976, and
 - (b) a claim is made by a person liable to pay the whole or part of the additional tax.
- (4) This section shall not apply if the transferred property is tangible movable property that is a wasting asset, and in other cases shall apply subject to the provisions of Schedule 12 to this Act.
- (5) For the purposes of this section the market value at any time of any property is the price which the property might reasonably be expected to fetch if sold in the open market at that time; but—
 - (a) that price shall not be assumed to be reduced on the ground that the whole property is on the market at one and the same time ; and
 - (b) paragraph 13 of Schedule 10 to the Finance Act 1975 shall apply as it applies for determining the value of unquoted shares and securities for the purposes of tax.
- (6) A sale is a qualifying sale for the purposes of this section if—
 - (a) it is at arm's length for a price freely negotiated at the time of the sale ; and
 - (b) no person concerned as vendor (or as having an interest in the proceeds of the sale) is the same as or connected with any person concerned as purchaser (or as having an interest in the purchase); and
 - (c) no provision is made, in or in connection with the agreement for the sale, that the vendor (or any person having an interest in the proceeds of sale) is to have any right to acquire some or all of the property sold or some interest in or created out of it.
- (7) The transferred property is a wasting asset for the purposes of this section if, immediately before the chargeable transfer, it had a predictable useful life not exceeding fifty years, having regard to the purpose for which it was held by the transferor; and plant and machinery shall in every case be regarded as having a predictable useful life of less than fifty years.

Valuation

100 Liability for tax not in fact paid

- (1) In paragraph 9 of Schedule 10 to the Finance Act 1975 after sub-paragraph (2) there shall be inserted—

“(2A) If in determining the value of a person's estate immediately before his death a liability for tax is taken into account, then, if that tax or any part of it is not in the event paid out of the estate, the value of the estate immediately before his death shall be treated as increased by an amount equal to that tax or so much of it as is not so paid.”

- (2) This section has effect in relation to deaths occurring after 15th April 1976.

101 Falls in value of land after death

- (1) At the end of paragraph 9 of Schedule 10 to the Finance Act 1975 there shall be added—

“(4) Part III of this Schedule shall apply with respect to the valuation of interests in land which are comprised in a person's estate immediately before his death and are sold by the appropriate person (as defined in that Part) within the period of three years immediately following the date of the death.”

- (2) After Part II of the said Schedule there shall be added the provisions set out in Schedule 13 to this Act.

- (3) This section has effect in relation to deaths occurring after 6th April 1976.

102 Sales of related property after a death

- (1) After paragraph 9 of Schedule 10 to the Finance Act 1975 there shall be inserted—

“9A (1) This paragraph has effect where, within three years after the death of any person, there is a qualifying sale of any property (“the relevant property”) comprised in his estate immediately before his death and valued for the purposes of tax—

- (a) in accordance with paragraph 7 above, or
(b) in conjunction with property which was also comprised in the estate but has not at any time since the death been vested in the vendors.

- (2) If a claim is made for relief under this paragraph then, subject to sub-paragraphs (4) and (5) below, the value of the relevant property immediately before the death shall be taken to be what it would have been if it had not been determined as mentioned in sub-paragraph (1) above.

- (3) For the purposes of sub-paragraph (1) above a sale is a qualifying sale if—

- (a) the vendors are the persons in whom the relevant property vested immediately after the death or the deceased's personal representatives; and
(b) it is at arm's length for a price freely negotiated at the time of the sale and is not made in conjunction with a sale of any of the related

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- property taken into account as mentioned in sub-paragraph (1)(a) above or any of the property mentioned in sub-paragraph (1)(b) above ; and
- (c) no person concerned as vendor (or as having an interest in the proceeds of sale) is the same as or connected with any person concerned as purchaser (or as having an interest in the purchase); and
- (d) neither the vendors nor any other person having an interest in the proceeds of sale obtain in connection with the sale a right to acquire the property sold or any interest in or created out of it.
- (4) Sub-paragraph (2) above shall not apply unless the price obtained on the sale, with any adjustment needed to take account of any difference in circumstances at the date of the sale and at the date of the death, is less than the value which, apart from this paragraph and apart from Part III of this Schedule, would be the value of the relevant property determined as mentioned in sub-paragraph (1) above.
- (5) Where the relevant property consists of shares in or securities of a close company, sub-paragraph (2) above shall not apply if at any time between the death and the qualifying sale the value of the shares or securities is reduced by more than 5 per cent. as a result of an alteration in the company's share or loan capital or, in any rights attaching to shares in or securities of the company; and for the purposes of this sub-paragraph—
 " alteration " includes extinguishment, and
 " close company " has the same meaning as in section 39 of this Act."
- (2) This section has effect in relation to deaths occurring after 6th April 1976

103 Related property: property given to charities, etc.

- (1) In paragraph 7 of Schedule 10 to the Finance Act 1975, at the end of sub-paragraph (2) there shall be added "or
- (c) it is or has within the preceding five years been—
- (i) the property of a charity, or held on trust for charitable purposes only, or
- (ii) the property of a body mentioned in paragraph 11, 12 or 13 of Schedule 6 to this Act,
- and became so on a transfer of value which was made by him or his spouse after 15th April 1976 and was exempt to the extent that the value transferred was attributable to the property".
- (2) This section has effect in relation to transfers of value before as well as after the passing of this Act.

104 Sales of certain securities within twelve months after a death

Where the estate of a person who dies after 6th April 1976 comprises shares or securities in respect of which quotation on a recognised stock exchange is suspended at the date of the death, the shares or securities shall be qualifying investments for the purposes of Part II of Schedule 10 to the Finance Act 1975 if they are again quoted on

a recognised stock exchange at the time when they are sold as mentioned in paragraph 15 or exchanged as mentioned in paragraph 24 of that Schedule.

Settled property

105 Survivorship clauses

- (1) Schedule 5 to the Finance Act 1975 shall have effect, and subject to subsections (2) and (3) below shall be deemed always to have had effect, as if paragraph 6(7) were omitted and the following paragraph inserted after paragraph 22—

“Survivorship clauses

- 22A (1) Where under the terms of a will or otherwise property is held for any person on condition that he survives another for a specified period of not more than six months, this Part of this Act shall apply as if the dispositions taking effect at the end of the period or, if he does not survive until then, on his death (including any such disposition which has effect by operation of law or is a separate disposition of the income from the property) had had effect from the beginning of the period.
- (2) Sub-paragraph (1) above does not affect the application of this Part of this Act in relation to any distribution or application of property occurring before the dispositions there mentioned take effect.
- (3) Where the death with which the period mentioned in sub-paragraph (1) above begins occurred before 13th March 1975, that sub-paragraph shall not apply in relation to any property if or to the extent that, by virtue of section 121(1)(c) of the Finance Act 1972 (relief for property given to a surviving spouse), the value attributable to it was disregarded for the purposes of estate duty chargeable on that death.”
- (2) Subsection (1) above shall not have effect in a case where the period there mentioned ended before 7th April 1976 if the application at the end of the period of sub-paragraph (2) of paragraph 6 of the said Schedule 5 was excluded by sub-paragraph (7) of that paragraph.
- (3) Where the person for whom property was held as mentioned in subsection (1) above—
- (a) was the spouse of the other person there mentioned, and
 - (b) died before the end of 1976 and during the period there mentioned,
- that subsection shall not have effect if the persons mentioned in subsection (4) below so elect by written notice given to the Board within twelve months of the second death or such longer time as the Board may allow.
- (4) The persons referred to in subsection (3) above are the personal representatives of each spouse and the trustees of every settlement in which either of the spouses had an interest in possession immediately before his death.

106 Accumulation and maintenance settlements

- (1) In paragraph 15 of Schedule 5 to the Finance Act 1975, at the end of sub-paragraph (1) there shall be added the words “and
- (c) either—

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- (i) not more than twenty-five years have elapsed since the day on which the settlement was made or, if it was later, since the time (or latest time) when the conditions stated in paragraphs (a) and (b) above became satisfied with respect to the property or part; or
 - (ii) all the persons who are or have been beneficiaries are or were either grandchildren of a common grandparent or children, widows or widowers of such grandchildren who were themselves beneficiaries but died before the time when, had they survived, they would have become entitled as mentioned in paragraph (a) above.”
- (2) For sub-paragraphs (4) and (5) of the said paragraph 15 there shall be substituted—
- “(4) Where the conditions stated in paragraphs (a) and (b) of sub-paragraph (1) above were satisfied on 15th April 1976 with respect to any property comprised in a settlement made before that day, paragraph (c)(i) of that sub-paragraph shall have effect with the substitution of a reference to that day for the reference to the day on which the settlement was made, and the condition stated in paragraph (c)(ii) shall be treated as satisfied if—
- (a) it is satisfied in respect of the period beginning with 15th April 1976 ; or
 - (b) it is satisfied in respect of the period beginning with 1st April 1977 and either there was no beneficiary living on 15th April 1976 or the beneficiaries on 1st April 1977 include a living beneficiary ; or
 - (c) there is no power under the terms of the settlement whereby it could have become satisfied in respect of the period beginning with 1st April 1977, and the trusts of the settlement have not been varied at any time after 15th April 1976.
- (5) In sub-paragraph (1) above " persons " includes unborn persons ; but the conditions stated in paragraphs (a) and (b) of that sub-paragraph shall be treated as not satisfied unless there is or has been a living beneficiary.
- (6) Paragraph 11 above shall apply for the interpretation of this paragraph as it applies for the interpretation of paragraphs 6 to 10 ; and for the purposes of this paragraph a person's children shall be taken to include his illegitimate children, his adopted children and his step-children.”
- (3) In paragraph 14(5)(b) of the said Schedule 5, after the word " therein " there shall be inserted the words " living at the time of the capital distribution ".

107 Employee trusts

- (1) Paragraph 17 of Schedule 5 to the Finance Act 1975 shall be amended as follows.
- (2) After sub-paragraph (4) there shall be inserted—
- “(4A) Where any property to which this paragraph applies ceases to be comprised in a settlement and, either immediately or not more than one month later, the whole of it becomes comprised in another settlement, then, if this paragraph again applies to it when it becomes comprised in the second settlement, it shall be treated for all the purposes of this Part of this Act as if it had remained comprised in the first settlement.”

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- (3) At the end of sub-paragraph (6) there shall be added the words “except that if more than one relevant anniversary has passed and, accordingly, more than one deferred tax becomes chargeable—
- (a) the second deferred tax shall be charged on that value less the amount of the first deferred tax ; and
 - (b) the third deferred tax (if any) shall be charged on the amount found under paragraph (a) above less the amount of the second deferred tax ;
- and so on.”
- (4) In sub-paragraph (9)(b) for the words "is chargeable" there shall be substituted the words " would, apart from sub-paragraph (7)(b) above, be chargeable ".
- (5) This section shall be deemed to have come into force on 7th April 1976.

108 Newspaper trusts

- (1) The following paragraph shall be inserted after paragraph 17 of Schedule 5 to the Finance Act 1975—
- “17A (1) In relation to property comprised in a settlement to which this paragraph applies, paragraph 17 above shall have effect as if newspaper publishing companies were included among the persons within paragraphs (a) to (c) of sub-paragraph (1) of that paragraph.
- (2) This paragraph applies to a settlement if shares in a newspaper publishing company or a newspaper holding company are the only or principal property comprised in the settlement.
- (3) In this paragraph—
- " newspaper publishing company " means a company whose business consists wholly or mainly in the publication of newspapers in the United Kingdom ; and
 - " newspaper holding company " means a company which—
 - (a) has as its only or principal asset shares in a newspaper publishing company, and
 - (b) has powers of voting on all or most questions affecting the publishing company as a whole which if exercised would yield a majority of the votes capable of being exercised thereon;
- and for the purposes of this paragraph shares shall be treated as the principal property comprised in a settlement or the principal asset of a company if the remaining property comprised in the settlement or the remaining assets of the company are such as may be reasonably required to enable the trustees or the company to secure the operation of the newspaper publishing company concerned.”
- (2) This section shall be deemed to have come into force on 7th April 1976.

109 Remuneration of trustees

After paragraph 19 of Schedule 5 to the Finance Act 1975 there shall be inserted—

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“Trustees' annuities etc.

- 19A Where under the terms of a settlement a person is entitled by way of remuneration for his services as trustee to an interest in possession in property comprised in the settlement, then, except to the extent that the interest represents more than a reasonable amount of remuneration,—
- (a) the interest shall be left out of account in determining for the purposes of this Part of this Act the value of his estate immediately before his death, and
 - (b) tax shall not be charged under paragraph 4(2) above when the interest comes to an end.”

110 Settlor's widow

- (1) At the end of section 22(3) of the Finance Act 1975 there shall be added—

“The references in this subsection to the settlor's spouse include, in a case where the settlor died less than two years before the deceased or the deceased died before 1st April 1977, references to the settlor's widow or widower.”
- (2) In paragraph 4 of Schedule 5 to that Act, at the end of sub-paragraph (6) there shall be added—

“The references in this sub-paragraph to the settlor's spouse include, in a case where the settlor has died less than two years before the interest comes to an end or the interest comes to an end before 1st April 1977, references to the settlor's widow or widower.”
- (3) In paragraph 6 of that Schedule, at the end of sub-paragraph (6) there shall be added—

“The references in this sub-paragraph to the settlor's spouse include, in the case of a distribution payment made less than two years after the settlor's death or made before 1st April 1977, references to the settlor's widow or widower”.
- (4) This section shall be deemed always to have had effect.

111 Distributions to charities etc.

- (1) For sub-paragraph (2) of paragraph 10 of Schedule 6 to the Finance Act 1975 there shall be substituted—

“(2) Subject to the provisions of Part II of this Schedule, where property comprised in a settlement is given to a charity, the payment or transfer of the property out of the settlement shall not be a distribution payment for the purposes of Schedule 5 to this Act.”
- (2) In paragraph 11 of the said Schedule 6, after sub-paragraph (1) there shall be inserted—

“(1A) Subject to the provisions of Part II of this Schedule, where property comprised in a settlement becomes the property of a political party qualifying for exemption under this paragraph, the payment or transfer of the property out of the settlement shall not be a distribution payment for the purposes of Schedule 5 to this Act.”

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- (3) At the end of paragraph 12 of the said Schedule 6 there shall be added—
- “(2) Subject to the provisions of Part II of this Schedule, where property comprised in a settlement becomes the property of a body mentioned in sub-paragraph (1) above, the payment or transfer of the property out of the settlement shall not be a distribution payment for the purposes of Schedule 5 to this Act.”
- (4) In paragraph 13 of the said Schedule 6, after sub-paragraph (1) there shall be inserted—
- “(1A) Subject to the provisions of Part II of this Schedule, where—
- (a) property comprised in a settlement becomes at any time the property of a body not established or conducted for profit, and
- (b) the Treasury so direct (whether before or after that time),
- the payment or transfer of the property out of the settlement shall not be a distribution payment for the purposes of Schedule 5 to this Act.”;
- in sub-paragraphs (3) and (4) for the words " sub-paragraph (1) above " there shall be substituted the words " this paragraph "; and at the end of sub-paragraph (7) there shall be added the words " or if both become the property of the same body on the making of the same payment or transfer out of a settlement ".
- (5) At the end of paragraph 15 of the said Schedule 6 there shall be added—
- “(6) In a case where property is given by a payment or transfer out of a settlement this paragraph shall have effect as if—
- (a) any reference to a transfer of value were a reference to the payment or transfer, and
- (b) paragraphs (b) to (bc) of sub-paragraph (3) above were omitted.”
- (6) This section shall be deemed to have come into force on 7th April 1976.

112 Settled property: other amendments

Schedule 14 to this Act (which makes further amendments in relation to settled property) shall have effect.

Application of tax rates

113 Chargeable transfers made on same day

- (1) At the end of section 43 of the Finance Act 1975 there shall be added—
- “(3) Subject to subsection (2) above, the rate at which tax is charged on the values transferred by two or more chargeable transfers made by the same person on the same day shall be the effective rate at which tax would have been charged if those transfers had been a single chargeable transfer of the same total value.
- (4) The chargeable transfers referred to in subsections (2) and (3) above do not include a transfer made on the death of the transferor.

(5) For the purposes of subsections (2) and (3) above, capital distributions shall be treated as made by the same person if they are made out of property comprised in the same settlement.”

(2) This section has effect in relation to chargeable transfers made after 15th April 1976.

114 Transfers reported late

(1) This section has effect where a person has made a transfer of value (" the earlier transfer ") which—

- (a) is not notified to the Board in an account under paragraph 2, or by information furnished under paragraph 5, of Schedule 4 to the Finance Act 1975 before the expiration of the period specified in paragraph 2 for the delivery of accounts ; and
- (b) is not discovered until after payment has been accepted by the Board in full satisfaction of the tax on the value transferred by another transfer of value (" the later transfer ") made by him on or after the day on which he made the earlier transfer.

(2) For the purposes of section 37 of the Finance Act 1975 (except so much of that section as determines the appropriate Table) the earlier transfer shall be treated as if it had been made on the date on which it was discovered or, if the later transfer is made on death, immediately before the later transfer.

(3) Where the later transfer is the relevant transfer for the purposes of paragraph 7 of Schedule 5 to the said Act of 1975, the earlier transfer shall not by virtue of subsection (2) above be treated for those purposes as made after the later transfer.

(4) Subsection (2) above shall not increase the amount in respect of which interest is payable under paragraph 19 of Schedule 4 to the said Act of 1975 in relation to the earlier transfer in respect of any period falling before the expiration of six months from the date on which it was discovered.

(5) Where, apart from this subsection, the earlier transfer would be wholly or partly exempt by reason of some or all of the value thereby transferred falling within a limit applicable to an exemption, then, if tax has been accepted as mentioned in subsection (1)(b) above on the basis that the later transfer is partly exempt by reason of part of the value thereby transferred falling within that limit—

- (a) tax shall not be chargeable on that part of the value transferred by the later transfer; but
- (b) a corresponding part of the value transferred by the earlier transfer shall be treated as falling outside that limit.

(6) Subsection (1)(b) above shall apply to a transfer in respect of which no tax is chargeable because the rate of tax applicable under the said section 37 is nil as if payment had been accepted when the transfer was notified in an account under paragraph 2 of the said Schedule 4.

(7) For the purposes of this section a transfer is discovered—

- (a) if it is notified under the provisions mentioned in subsection (1)(a) above after the expiration of the period there mentioned, on the date on which it is so notified ;

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- (b) in any other case, on the date on which the Board give notice of a determination in respect of the transfer under paragraph 6 of the said Schedule 4.
- (8) This section shall apply to distribution payments as defined in paragraph 11 of the said Schedule 5 and to capital distributions as it applies to transfers of value; and for the purposes of this section such payments or distributions shall be treated as made by the same person if they are made out of property comprised in the same settlement.

Loans

115 Free loans etc.

- (1) Where an individual (" the lender ") allows another person (" the borrower ") the use of money or other property in any year, then, subject to the provisions of this section and section 116 below, the lender shall be treated as making a disposition as a result of which the value of his estate is reduced by the amount (if any) by which any consideration for the use falls short of the cost to him of allowing it (determined in accordance with section 116 below).
- (2) The disposition under subsection(1) above shall be treated as made at the end of the year or, if earlier, at the time when the use comes to an end.
- (3) Where the use of the property is allowed for a period specified in advance, or where in any other case the lender has no right to terminate the use immediately after it begins, subsection (1) above shall not apply in relation to use before the expiration of the specified period or, as the case may be, before the earliest time when the lender could terminate the use if he exercised his right to do so at the earliest opportunity.
- (4) Subsection (1) above shall not apply in relation to any use of property allowed to the borrower at a time when it is mainly used by the lender or the lender's spouse.
- (5) Subsection (1) above shall not apply in relation to the use of property for a period which is less than twelve months unless that period falls within a period of twenty-four months during which the lender allows the borrower the use of that property or similar property for periods which amount in aggregate to twelve months or more; and in calculating that aggregate no account shall be taken of—
 - (a) use to which, by virtue of subsection (3) or (4) above, subsection (1) does not apply, or
 - (b) use to which (apart from this subsection) subsection (1) above does apply, if the disposition under that subsection is not a transfer of value.
- (6) Subsection (1) above shall not apply in relation to the use of property where the borrower is a body corporate if—
 - (a) it is not a close company; or
 - (b) not less than 90 per cent. in nominal value of its issued ordinary shares are shares to which the lender or his spouse is beneficially entitled ; or
 - (c) it is not an investment company and either—
 - (i) the lender or his spouse is a participator in the company or its holding company or has been such a participator at any time during the year or either of the two preceding years ; or

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- (ii) the lender's spouse died during the year or either of the two preceding years and was at any time during the three years ending with the year in which he died a participator in the company or its holding company.
- (7) Subsection (1) above shall not apply in relation to the use of property where the borrower is a firm if—
 - (a) the lender or his spouse is a partner or has been a partner at any time during the year or either of the two preceding years; or
 - (b) the lender's spouse died during the year or either of the two preceding years and was a partner at any time during the three years ending with the year in which he died.
- (8) Subsection (1) above shall not apply in relation to a loan in respect of which any person is chargeable to income tax under Schedule E by virtue of section 66(1) above.
- (9) For the purposes of this section an individual who makes a revocable gift of any property to another person shall, so long as the gift continues revocable, be taken to allow him the use of that property.
- (10) In this section—
 - " close company " and " participator " have the same meanings as in section 39 of the Finance Act 1975 ;
 - " firm " has the same meaning as in the Partnership Act 1890;
 - " holding company " has the same meaning as in section 154 of the Companies Act 1948 ;
 - " investment company " means a company falling within paragraph (a) of paragraph 16(3) of Schedule 4 to the Finance Act 1975 and not falling also within paragraph (b) or (c) of that paragraph ;
 - " ordinary shares " has the same meaning as in paragraph 13 of that Schedule ;
 - " year " means period of twelve months beginning with 6th April.
- (11) This section has effect, in place of section 41 of the Finance Act 1975, in relation to the year beginning 6th April 1976 and subsequent years.

116 Free loans etc.: value transferred

- (1) The cost to the lender of allowing the use of money or land shall be taken to be equal to the consideration which might be expected in a transaction on the same terms as those on which the use is allowed (apart from terms as to consideration) made at arm's length between persons not connected with each other.
- (2) The cost to the lender of allowing the use of property other than money or land shall be taken to be equal to the aggregate of—
 - (a) the annual value of the use of the property or, if the use does not continue throughout the year, a proportionate part of that annual value, and
 - (b) any expense incurred by the lender in connection with property during the year or, if the use does not continue throughout the year, a proportionate part of that expense, but excluding expense incurred in the acquisition or production of the property and excluding any hire charges;

except that if the property is hired by the lender and the annual amount of the hire charges is greater than the annual value of the use of the property, paragraph (a) above shall have effect as if it referred to that annual amount instead of to that annual value.

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- (3) If the property is money or land, the amount arrived at under section 115(1) above shall be reduced by the income tax which would be chargeable in respect of that amount (after taking account in the case of land of any deductions which might be made for the purposes of Schedule A) if it were the highest part of the lender's total income ; and in calculating that income there shall be disregarded any such sum as is mentioned in paragraphs (a) to (c) of section 529 of the Taxes Act.

117 Modification of exemptions for loans

- (1) Schedule 6 to the Finance Act 1975 shall apply with the following modifications to—
- (a) any transfer of value which is a disposition under section 115 above, and
 - (b) any other transfer of value, whether made before or after the passing of this Act, if or to the extent that it is a disposition whereby the use of money or other property is allowed by one person (" the lender") to another (" the borrower ").
- (2) For the purposes of paragraph 1 (transfers between spouses) the borrower's estate shall be treated as increased by an amount equal to the value transferred.
- (3) For the purposes of paragraphs 4 (small gifts) and 6 (gifts in consideration of marriage) the transfer of value shall be treated as made by outright gift.
- (4) Paragraph 5(1) (normal expenditure out of income) shall apply as if for the conditions stated in paragraphs (a) and (b) there were substituted the condition that the transfer was a normal one on the part of the transferor.
- (5) Paragraphs 10 and 11 (gifts to charities and to political parties) shall apply without sub-paragraph (1)(b) (£100,000 limit for transfers within one year of death); and for the purposes of those paragraphs and paragraphs 12 and 13 (gifts for national purposes and for public benefit)—
- (a) the value transferred shall be treated as attributable to the property of which the borrower is allowed the use, and
 - (b) that property shall be treated as given to, or as becoming the property of, the borrower unless the use allowed includes use for purposes other than charitable purposes or those of a body mentioned in paragraph 11, 12 or 13.
- (6) Part II (exceptions) shall not apply.

Miscellaneous

118 Close companies

- (1) In section 39 of the Finance Act 1975 the following subsections shall be inserted after subsections (6) and (8) respectively:—
- “(6A) In determining for the purposes of this section whether a disposition made by a close company is a transfer of value or what value is transferred by such a transfer no account shall be taken of the surrender by the company, in pursuance of section 258 of the Taxes Act or of section 92 of the Finance Act 1972, of any relief or of the benefit of any amount of advance corporation tax paid by it.
- (8A) Where part of a close company's share capital consists of preference shares (within the meaning of section 234(3) of the Taxes Act) and a transfer of

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value made by that or any other close company has only a small effect on the value of those shares, compared with its effect on the value of other parts of the company's share capital, the preference shares shall be left out of account in determining the respective rights and interests of the participators for the purposes of this section.

(8B) Where a close company (in this subsection and subsection (8C) below referred to as the transferor company) is a member, but not the principal member, of a group; and—

- (a) a disposal by the transferor company of any asset is a disposal to which section 273(1) of the Taxes Act applies and is also a transfer of value; and
- (b) the transfer of value has only a small effect on the value of the minority participators' rights and interests in that company compared with its effect on the value of the other participators' rights and interests in the company ;

the rights and interests of the minority participators shall be left out of account in determining the respective rights and interests of the transferor company's participators for the purpose of apportioning the value transferred under this section.

(8C) For the purposes of subsection (8B) above—

- (a) the principal member of a group is the member of which all the other members are 75 per cent. subsidiaries; and
- (b) a minority participator is a participator of the transferor company who is not, and is not a person connected with, a participator of the principal member of the group or of any of the principal member's participators ;

and in that subsection and this subsection " group " and " 75 per cent. subsidiary " have the same meanings as in section 272 of the Taxes Act.

(8D) Where the value of the estate of a company (in this subsection referred to as the transferee company) is increased as the result of a transfer of value made by a close company (in this subsection referred to as the transferor company) and an individual to whom part of the value transferred is apportioned under this section has an interest in the transferee company (or in a company which is a participator of the transferee company or any of its participators, and so on), then, in computing for the purposes of this section the amount to be offset, that is to say, the amount by which the value of his estate is more than it would be but for the transfer,—

- (a) the increase in the value of the transferee company's estate shall be taken to be such part of the value transferred as accounts for the increase ; and
- (b) the increase so computed shall be apportioned among the transferee company's participators according to their respective rights and interests in the company immediately before the transfer (and, where necessary, further apportioned among their participators, and so on), and the amount so apportioned to the individual shall be taken to be the amount to be offset”.

(2) Where, by virtue of section 39(5) of the Finance Act 1975, an alteration in a close company's share or loan capital or of any rights attaching to shares in or debentures of a close company is treated as a disposition made by the participators, and—

- (a) a person is a participator in his capacity as trustee of a settlement; and
- (b) the disposition would, if the trustee were beneficially entitled to the settled property, be a transfer of value made by him;

subsection (3) below shall apply if at the time of the alteration an individual is beneficially entitled to an interest in possession in the whole or part of so much of the settled property as consists of shares in or securities of the close company which are not quoted on a recognised stock exchange, and subsection (4) below shall apply unless at that time an individual is beneficially entitled to an interest in possession in the whole of so much of the settled property as consists of such shares or securities.

- (3) Where this subsection applies such part of the individual's interest shall be deemed for the purposes of paragraph 4 of Schedule 5 to the Finance Act 1975 to come to an end at the time of the alteration as corresponds to the relevant decrease of the value of the property in which the interest subsists, that is to say the decrease caused by the alteration.
- (4) Where this subsection applies, a capital distribution shall be deemed to be made at the time of the alteration out of so much of the settled property as—
 - (a) consists of shares in or securities of the close company which are not quoted on a recognised stock exchange ; and
 - (b) is not a part in which at the time of the alteration an interest in possession subsists to which an individual is beneficially entitled;and the amount of the capital distribution shall be taken to be the amount by which the value of the property out of which it is treated as being made is less than it would be but for the alteration, and that amount shall for the purposes of paragraphs 7 to 9 of Schedule 5 to the Finance Act 1975 be deemed to be a distribution payment made out of that property ; and paragraph 6(4)(a) of that Schedule shall have effect, in relation to a capital distribution treated as made under this subsection as if the words " less the tax payable on it" were omitted.
- (5) In paragraph 24(1)(b) of Schedule 5 to the Finance Act 1975 for the words " subsection (4) " there shall be substituted the words " subsections (4) and (8D) ".
- (6) In section 39(2)(a) of the Finance Act 1975 after the words " corporation tax " there shall be inserted the words " or would fall to be so taken into account but for section 239 of the Taxes Act ".
- (7) At the end of section 39(5) of the Finance Act 1975 there shall be added the words " and shall not be taken to have affected the value immediately before that time of the shares or debentures not so quoted ".
- (8) At the end of paragraph 8 of Schedule 6 to the Finance Act 1975 there shall be added the words " but references in paragraph 2 above to transfers of value made by a transferor and to the values transferred by them (calculated as there mentioned) include references to apportionments made to a person under section 39 of this Act and the amounts for the tax on which (if charged) he would be liable ".
- (9) In paragraph 9(2) of Schedule 10 to the Finance Act 1975 after the words " an increase or decrease of the value of any property so comprised " there shall be inserted the words " other than a decrease resulting from such an alteration as is mentioned in section 39(5) of this Act ".
- (10) The preceding provisions of this section have effect as follows:—

- (a) subsections (1), (5), (6) and (8) in relation to transfers of value or dispositions made after 15th April 1976 ; and
- (b) subsections (2) to (4), (7) and (9) in relation to alterations made or deaths occurring after 27th May 1976.

119 Liability for tax in respect of transfer by spouse

- (1) Section 25(8) of the Finance Act 1975 (which makes the transferor's spouse liable for tax in respect of a chargeable transfer to the extent of the value of property acquired by the spouse on another transfer made by the transferor) shall have effect as if for the reference to the value of the property (" the transferred property ") at the time of the other transfer there mentioned (" the spouse transfer") there were substituted a reference to the market value of the property at that time or, in a case where subsection (2) below applies, to the lower market value mentioned in paragraph (c) of that subsection.
- (2) This subsection applies where—
 - (a) the chargeable transfer is made after the spouse transfer ; and
 - (b) the transferred property either remains the property of the transferor's spouse (" the transferee ") at the date of the chargeable transfer, or has before that date been sold by the transferee by a qualifying sale; and
 - (c) the market value of the transferred property on the relevant date (that is to say, the date of the chargeable transfer or, as the case may be, of the qualifying sale) is lower than its market value at the time of the spouse transfer; and
 - (d) the transferred property is not tangible movable property.
- (3) In this section " market value " and " qualifying sale " have the same meanings as in section 99 above; and, subject to subsection (4) below, Schedule 12 to this Act shall have effect for the purposes of this section as it has effect for the purposes of that section.
- (4) In its application by virtue of subsection (3) above Schedule 12 to this Act shall have effect as if—
 - (a) references to the chargeable transfer were references to the spouse transfer; and
 - (b) references to the transferee's spouse were omitted; and
 - (c) references to section 99 above were references to this section.

120 Excluded property: reversionary interests

- (1) In section 24(3) of the Finance Act 1975, after paragraph (a) there shall be inserted—
 - “(aa) it is one to which either the settlor or his spouse is beneficially entitled ; or”.
- (2) This section shall be deemed to have come into force on 16th April 1976, but shall not apply in relation to a reversionary interest under a settlement made before that date.

121 Deeds of family arrangement, etc.

- (1) In section 47 of the Finance Act 1975, after section (1) there shall be inserted—

“(1A) Where property comprised in a person's estate immediately before his death is settled by his will and, within the period of two years after his death and before any interest in possession has subsisted in the property, a distribution payment (within the meaning of paragraph 6 of Schedule 5 to this Act) is made out of the property or an event occurs on the happening of which a capital distribution would (apart from this subsection) be treated as so made under paragraphs 6(2) or 15(3) of that Schedule, then—

- (a) the making of the distribution payment shall not be a capital distribution, and paragraphs 6(2) and 15(3) shall have effect on the happening of the event as if the references in them to a capital distribution were references to a distribution payment, and
- (b) this Part of this Act shall apply as if the will had provided that on the testator's death the property should be applied or held as it is applied by the distribution payment or held after the happening of the event.

(1B) Where a testator expresses a wish that property bequeathed by his will should be transferred by the legatee to other persons, and the legatee transfers any of the property in accordance with that wish within the period of two years after the death of the testator—

- (a) the transfer shall not be a transfer of value, and
- (b) this Part of this Act shall have effect as if the property transferred had been bequeathed by the will to the transferee.”.

(2) Subsection (1) above applies in relation to deaths before as well as after the passing of this Act, and shall have effect in relation to a death occurring after 9th December 1972 but before 13th March 1975 as if the references to the period of two years after the death were references to the period ending with 13th March 1977.

122 Inheritance (Provision for Family and Dependants) Act 1975

(1) Where an order is made under section 2 of the Inheritance (Provision for Family and Dependants) Act 1975 in relation to any property forming part of the net estate of a deceased person, then, without prejudice to section 19(1) of that Act, the property shall for the purposes of capital transfer tax be treated as if it had on his death devolved subject to the provisions of the order.

(2) Where an order is made under section 10 of the said Act of 1975 requiring a person to provide any money or other property by reason of a disposition made by the deceased, then—

- (a) if that disposition was a chargeable transfer and the personal representatives of the deceased make a claim for the purpose—
 - (i) tax paid or payable on the value transferred by that chargeable transfer (whether or not by the claimants) shall be repaid to them by the Board or, as the case may be, shall not be payable ; and
 - (ii) the rate or rates of tax applicable to the transfer of value made by the deceased on his death shall be determined as if the values previously transferred by chargeable transfers made by him were reduced by that value;
- (b) the money or property shall be included in the deceased's estate for the purpose of the transfer of value made by him on his death.

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- (3) Where the money or other property ordered to be provided under the said section 10 is less than the maximum permitted by that section subsection (2)(a) above shall have effect in relation to such part of the value there mentioned as is appropriate.
- (4) The adjustment in consequence of the provisions of this section or of section 19(1) of the said Act of 1975 of the tax payable in respect of the transfer of value made by the deceased on his death shall not affect—
- (a) the amount of any deduction to be made under section 8 of that Act in respect of tax borne by the person mentioned in subsection (3) of that section ; or
 - (b) the amount of tax to which regard is to be had under section 9(2) of that Act; and where a person is ordered under that Act to make a payment or transfer property by reason of his holding property treated as part of the deceased's net estate under section 8 or 9 and tax borne by him is taken into account for the purposes of the order, any repayment of that tax shall be made to the personal representatives of the deceased and not to that person.
- (5) Tax repaid under paragraph (a)(i) of subsection (2) above shall be included in the deceased's estate for the purposes of the transfer of value made by him on his death; and tax repaid under that paragraph or under subsection (4) above shall form part of the deceased's net estate for the purposes of the said Act of 1975.
- (6) A distribution payment made in compliance with an order under the said Act of 1975 shall not be a capital distribution; and where an order under that Act provides for property to be settled or for the variation of a settlement and, apart from this subsection—
- (a) tax would be charged under paragraph 4(2) of Schedule 5 to the Finance Act 1975 on the coming into force of the order; or
 - (b) a capital distribution would be treated as made on that occasion under any other provision of the said Schedule 5,
- the said paragraph 4(2) shall not apply and any such provision as is mentioned in paragraph (b) above shall apply as if it referred to a distribution payment instead of a capital distribution.
- (7) In subsections (2)(a) and (5) above " tax " includes interest on tax.
- (8) Tax overpaid or underpaid in consequence of subsection (1) above or of the said section 19(1) shall not carry interest for any period before the order there mentioned is made; and tax repayable on a claim under subsection (2) above shall carry interest (which shall not constitute income for any tax purposes) at the rate for the time being applicable under paragraph 19(1)(ii) of Schedule 4 to the Finance Act 1975 from the date on which the claim is made.
- (9) This section applies in relation to deaths after 6th April 1976.

123 Legitim

- (1) Where a testator dies leaving a surviving spouse and a person under the age of 18 entitled to claim legitim, and provision is made in his will or other testamentary document for a disposition to his spouse which, if it could take effect, would leave insufficient property in the estate to satisfy the entitlement of that person in respect of legitim, the following provisions of this section shall apply.

- (2) Subject to subsections (3) and (4) below, tax shall be charged at the testator's death as if the disposition to the spouse did not include any amount in respect of legitim, but if within the period mentioned in subsection (8) below the person or persons concerned renounce their claim to legitim, tax shall be repaid to the estate calculated on the basis that the disposition to the spouse did include the amount renounced, and the tax to be repaid shall carry interest at the rate for the time being set out in paragraph 19(1)(c)(i) of Schedule 4 to the Finance Act 1975 from the date on which the tax was paid.
- (3) The executors or judicial factor of the testator may, in accordance with the provisions of this section, elect that subsection (2) above shall not apply but that subsection (4) below shall apply.
- (4) Tax shall be charged at the testator's death as if the disposition to the spouse had taken effect, but where the person or persons concerned claim legitim within the period mentioned in subsection (8) below, tax shall be charged on the amount so claimed calculated on the basis that the legitim fund had been paid out in full at the testator's death (excluding any part of the fund renounced before any claim has been made) and the tax chargeable thereon had been apportioned rateably among the persons entitled to claim legitim (excluding any who have renounced as aforesaid) and the amount of tax charged shall carry interest at the rate mentioned in subsection (2) above as if paragraph 19(1)(b) of Schedule 4 to the Finance Act 1975 had applied.
- (5) Section 8(3) and (4) of the Finance Act 1894 and section 25(5)(a) of the Finance Act 1975 shall not apply in relation to tax charged by virtue of subsection (4) above but the person liable in respect of that tax shall be the person who claims legitim and any person mentioned in section 25(5)(c) of that Act, and section 27(1) of that Act shall apply in relation to the person who claims legitim as it applies in relation to the personal representatives of a deceased person.
- (6) Where within the period mentioned in subsection (8) below a person renounces his claim to legitim, that shall not be a transfer of value.
- (7) Where the executors or judicial factor of the testator decide to make an election under subsection (3) above they shall give notice in writing of that election to the Board within two years from the date of death of the testator or such longer period as the Board may permit.
- (8) For the purposes of subsections (2) and (4) above, a person shall be treated as having claimed legitim unless he has renounced his claim before attaining the age of 18 or he renounces his claim within two years of his attaining that age or such longer period as the Board may permit.
- (9) Where a person dies before attaining the age of 18 or before making a renunciation under subsection (8) above the provisions of this section shall apply in relation to that person's executors or judicial factor as they would have applied in relation to that person if that person had attained the age of 18 with the substitution of the date of death of that person for the date on which a person attained that age, but where the executors or factor renounce a claim to legitim in respect of a person the amount renounced shall not be treated as part of that person's estate.
- (10) Where subsection (2) above applies in relation to any estate, then notwithstanding anything in paragraph 24 of Schedule 4 to the Finance Act 1975 the Board may repay tax under that subsection without limit of time.

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- (11) Where subsection (4) above applies in relation to any estate, then notwithstanding anything in section 11 of the Finance Act 1894 or paragraph 25 of Schedule 4 to the Finance Act 1975 a certificate of discharge may be given under the said section 11 or the said paragraph 25 in respect of the whole estate, and notwithstanding anything in section 8(7) of the Finance Act 1894 or paragraph 23 of Schedule 4 to the Finance Act 1975 the giving of the certificate shall not preclude the Board from claiming tax under subsection (4) above without limit of time.
- (12) In the case of a testator who died before 13th March 1975, any reference in this section to tax includes a reference to estate duty.
- (13) This section has effect in relation to the estate of any testator who died after 12th November 1974 and extends to Scotland only.

124 Acceptance of property in satisfaction of tax

In Schedule 4 to the Finance Act 1975, in paragraph 17(4), for paragraphs (a) and (b) there shall be substituted—

- “(a) any picture, print, book, manuscript, work of art, scientific object or other thing which the Treasury are satisfied is pre-eminent for its national, scientific, historic or artistic interest;”.

125 Double taxation relief

- (1) For paragraph 8 of Schedule 7 to the Finance Act 1975 (unilateral double taxation relief) there shall be substituted—

“8 (1) Where the Board are satisfied that in any territory outside the United Kingdom (an "overseas territory") any amount of tax imposed by reason of any disposition or other event is attributable to the value of any property, then, if—

- (a) that tax is of a character similar to that of capital transfer tax or is chargeable on or by reference to death or gifts inter vivos ; and
- (b) any capital transfer tax chargeable by reference to the same disposition or other event is also attributable to the value of that property,

they shall allow a credit in respect of that amount ("the overseas tax") against that capital transfer tax in accordance with the following provisions.

(2) Where the property is situated in the overseas territory and not in the United Kingdom, the credit shall be of an amount equal to the overseas tax.

(3) Where the property—

- (a) is situated neither in the United Kingdom nor in the overseas territory ; or
- (b) is situated both in the United Kingdom and in the overseas territory,

the credit shall be of an amount calculated in accordance with the following formula—

$$\frac{A}{A + B} \times C$$

where A is the amount of the capital transfer tax, B is the overseas tax and C is whichever of A and B is the smaller.

- (4) Where tax is imposed in two or more overseas territories in respect of property which—
- (a) is situated neither in the United Kingdom nor in any of those territories ; or
 - (b) is situated both in the United Kingdom and in each of those territories,

sub-paragraph (3) above shall apply as if, in the formula there set out, B were the aggregate of the overseas tax imposed in each of those territories and C were the aggregate of all, except the largest, of A and the overseas tax imposed in each of them.

- (5) Where credit is allowed under sub-paragraph (2) above or paragraph 7 above in respect of overseas tax imposed in one overseas territory, any credit under sub-paragraph (3) above in respect of overseas tax imposed in another shall be calculated as if the capital transfer tax were reduced by the credit allowed under sub-paragraph (2) or paragraph 7; and where, in the case of any overseas territory mentioned in sub-paragraph (3) or (4) above, credit is allowed against the overseas tax for tax charged in a territory in which the property is situated, the overseas tax shall be treated for the purposes of those paragraphs as reduced by the credit.
- (6) In this paragraph references to tax imposed in an overseas territory are references to tax chargeable under the law of that territory and paid by the person liable to pay it.
- (7) Where relief can be given both under this paragraph and paragraph 7 above, relief shall be given under whichever paragraph provides the greater relief.”

(2) This section has effect in relation to dispositions and other events after 6th April 1976.

PART V

MISCELLANEOUS AND SUPPLEMENTARY

126 Stamp duty: exemption for transfers of loan capital

- (1) Subject to subsections (2) and (3) below, stamp duty shall not be chargeable on any transfer of loan capital.
- (2) Subsection (1) above does not apply to loan capital which, at the time when it is transferred, carries a right (exercisable then or later) of conversion into shares or other securities or to the acquisition of shares or other securities, including loan capital of the same description.
- (3) Subsection (1) above does not apply to loan capital which, at the time when it is transferred or at any earlier time, carries or has carried—

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- (a) a right to interest the amount of which—
 - (i) exceeds a reasonable commercial return on the nominal amount of the capital; or
 - (ii) falls or has fallen to be determined to any extent by reference to the results of, or of any part of, a business or to the value of any property; or
 - (b) a right on repayment to an amount which exceeds the nominal amount of the capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of The Stock Exchange.
- (4) Section 115 of the Stamp Act 1891, section 37 of the Finance Act 1939, section 65 of the Finance Act 1971 and Article 11 of the Finance (Northern Ireland) Order 1972 (composition for stamp duty on transfers of loan capital etc.) shall cease to have effect.
- (5) In this section " loan capital" means—
- (a) any debenture stock, corporation stock or funded debt (by whatever name known) issued by any body corporate or other body of persons formed or established in the United Kingdom or any capital raised by any such body, being capital which is borrowed, or has the character of borrowed money, whether it is in the form of stock or any other form; and
 - (b) stock or marketable securities issued by the government of any country or territory within the commonwealth outside the United Kingdom.
- (6) This section shall be construed as one with the said Act of 1891.
- (7) This section shall be deemed to have come into force on 17th May 1976.

127 Stamp duty: stock exchange transfers

- (1) Stamp duty shall not be chargeable on any transfer to a stock exchange nominee which is executed for the purposes of a stock exchange transaction.
- (2) A transfer otherwise than on sale from a stock exchange nominee to a jobber or his nominee shall be regarded for the purposes of stamp duty as a transfer on sale for a consideration equal to the value of the stock or marketable securities thereby transferred.
- (3) For the purposes of section 42 of the Finance Act 1920 (jobbers' transfers) a transfer by a jobber or his nominee to a stock exchange nominee shall be regarded as a transfer to a bona fide purchaser.
- (4) In section 33(1) of the Finance Act 1970 (composition by Stock Exchange in respect of transfer duty) after the words " the heading " Conveyance or Transfer on Sale " " there shall be inserted the words " or " Conveyance or Transfer of any kind not hereinbefore described " " and the words " being instruments executed for the purposes of stock exchange transactions as defined in section 4(1) of the Stock Transfer Act 1963 " shall be omitted.
- (5) This section shall be construed as one with the Stamp Act 1891 and in this section—
 - " jobber " means a member of The Stock Exchange who is recognised by the Council thereof as carrying on the business of a jobber and carries on that business in the United Kingdom;

" stock exchange nominee " means any person designated for the purposes of this section as a nominee of The Stock Exchange by an order made by the Secretary of State;

" stock exchange transaction " has the meaning given in section 4 of the Stock Transfer Act 1963.

- (6) The power to make an order under subsection (5) above shall be exercisable by statutory instrument and includes power to vary or revoke a previous order.
- (7) Section 33 of the Finance Act 1970 shall extend to Northern Ireland; and in the application of that section and this section to Northern Ireland for any reference to the Stock Transfer Act 1963 there shall be substituted a reference to the Stock Transfer Act (Northern Ireland) 1963.

128 Stamp duty: chargeable transactions in respect of capital companies

In paragraph 10 of Schedule 19 to the Finance Act 1973 and paragraph 10 of Schedule 2 to the Finance (Miscellaneous Provisions) (Northern Ireland) Order 1973 (exemption from duty in cases of mergers etc.) after sub-paragraph (5) there shall be inserted—

“(6) This paragraph applies also where the acquired company is a corporation or body of persons which is not a capital company for the purposes of this Schedule but which is treated as such in another member State; and paragraph 3(1) above shall apply for the interpretation of this sub-paragraph as it applies for the interpretation of paragraph 1 above.”

129 Development gains

- (1) Section 39 of the Finance Act 1974 (exemption or relief for small disposals) shall have effect, and be deemed always to have had effect, with the following amendments.
- (2) For subsections (1) to (3) there shall be substituted—
- “(1) Where the amount of chargeable gains that would, apart from this subsection, be a person's development gains for any chargeable period does not exceed—
- (a) in the case of an individual or the personal representatives of a deceased person as such, £10,000; or
- (b) in the case of a company or the trustees of a settlement, £1,000,
- no part of those chargeable gains shall be development gains; and where that amount exceeds the limit applicable to that person under paragraph (a) or (b) above only so much of that amount as exceeds the limit shall be development gains.
- (2) For the purposes of this section a man and his wife living with him shall be treated as one individual.”
- (3) In subsection (4)(c) for the words " subsections (1) and (2) above " there shall be substituted the words " subsection (1) above. "
- (4) Subsection (5) shall be omitted.

130 Petroleum revenue tax

- (1) Schedule 2 to the Oil Taxation Act 1975 (management and collection) shall be amended as follows.
- (2) In paragraph 12(1), after paragraph (c) there shall be inserted “or
 - (d) that for any chargeable period they ought to have made an assessment to tax instead of a determination of loss or a determination of loss instead of an assessment to tax;” and for the words “ adjustments in assessments or determinations ” there shall be substituted the words “ assessments or determinations or amendments of assessments or determinations”.
- (3) After paragraph 12(2) there shall be inserted—
 - “(3) Where under this paragraph the Board make an assessment or determination or amend an assessment or determination they shall give notice thereof to the participator concerned; and sub-paragraphs (4), (5) and (6) of paragraph 10 above shall apply in relation to any such assessment, determination or amendment as they apply in relation to an assessment or determination under that paragraph.”
- (4) In paragraph 14(1) after the words “ an assessment or determination ” there shall be inserted the words “ or an amendment of an assessment or determination ” and at the end there shall be inserted the words “ or of the notice of the amendment ”.
- (5) In paragraph 14(9), in paragraph (a), for the words “ or determination ” there shall be substituted the words “ , determination or amendment ” and for the words from “ on the adjustments ” onwards there shall be substituted the words “ on how the assessment, determination, amendment or decision should be varied or on what assessment or determination should be substituted in relation to the chargeable period in question, the same consequences shall ensue as if the Commissioners had determined the appeal to that effect. ”
- (6) For paragraph 14(10) there shall be substituted—
 - “(10) If, on the appeal, it appears to a majority of the Commissioners present at the hearing that the assessment, determination or amendment is wrong—
 - (a) because no, or a smaller, assessable profit or a, or a larger, allowable loss has accrued for the chargeable period in question ; or
 - (b) because a, or a larger, assessable profit or no, or a smaller, allowable loss has accrued for that period,
 the Commissioners shall vary the assessment, determination or amendment in such manner, or substitute such assessment or determination, as may be required; and it shall be for the participator to satisfy the Commissioners as to any matter within paragraph (a) above.”
- (7) In paragraph 14(11) for the words “the determination of the Special Commissioners in any proceedings ” there shall be substituted the words “ the determination by the Special Commissioners of any appeal ”.

131 Inter-American Development Bank

- (1) The following provisions of this section shall have effect on the United Kingdom's becoming a member of the Inter-American Development Bank (“ the Bank ”).

- (2) A person not resident in the United Kingdom shall not be liable to income tax in respect of income from any security issued by the Bank if he would not be liable but for the fact that—
- (a) the security or income is issued, made payable or paid in the United Kingdom or in sterling; or
 - (b) the Bank maintains an office or other place of business in the United Kingdom; and such a security shall be taken for the purposes of capital transfer tax and capital gains tax to be situated outside the United Kingdom.
- (3) No stamp duty shall be chargeable under the heading "Bearer Instrument" in Schedule 1 to the Stamp Act 1891 on the issue of any instrument by the Bank or on the transfer of the stock constituted by, or transferable by means of, any instrument issued by the Bank.

132 Citation, interpretation, construction and repeals

- (1) This Act may be cited as the Finance Act 1976.
- (2) In this Act "the Taxes Act" means the Income and Corporation Taxes Act 1970.
- (3) In this Act—
- (a) Part I (except sections 11 to 14) shall be construed as one with the Customs and Excise Act 1952 ;
 - (b) Part II shall be construed as one with Part I of the Finance Act 1972;
 - (c) Part III, so far as it relates to income tax, shall be construed as one with the Income Tax Acts, so far as it relates to corporation tax shall be construed as one with the Corporation Tax Acts and, so far as it relates to capital gains tax, shall be construed as one with Part III of the Finance Act 1965 ;
 - (d) Part IV shall be construed as one with Part III of the Finance Act 1975.
- (4) Except so far as the context otherwise requires, any reference in this Act to any enactment shall be construed as a reference to that enactment as amended, and as including a reference to that enactment as applied, by or under any other enactment, including this Act.
- (5) The enactments mentioned in Schedule 15 to this Act (which include spent enactments) are hereby repealed to the extent specified in the third column of that Schedule, but subject to any provision at the end of any Part of that Schedule.

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SCHEDULES

SCHEDULE 1

Section 1(3).

WINE: RATES OF DUTY

Description of wine (in strengths measured by reference to the following percentages of alcohol by volume at a temperature of 20° C.)	Rates of duty (per gallon)
Wine of an alcoholic strength—	£
not exceeding 15 per cent.	2.9550
exceeding 15 but not exceeding 18 per cent.	3.4100
exceeding 18 but not exceeding 22 per cent.	4.0150
exceeding 22 per cent.	4.0150 plus £0.4300 for every 1 per cent. or part of 1 per cent. in excess of 22 per cent.;
	each of the above rates of duty being, in the case of sparkling wine, increased by £0.6500 per gallon.

SCHEDULE 2

Section 1(4).

MADE-WINE: RATES OF DUTY

Description of made-wine (in strengths measured by reference to the following percentages of alcohol by volume at a temperature of 20° C.)	Rates of duty (per gallon)
Made-wine of an alcoholic strength—not exceeding 10 per cent.	£ 1.9200
exceeding 10 but not exceeding 15 per cent.	2.8750
exceeding 15 but not exceeding 18 per cent.	3.1600
exceeding 18 per cent.	3.1600 plus £0.4300 for every 1 per cent. or part of 1 per cent. in excess of 18 per cent.;

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Description of made-wine (in strengths measured by reference to the following percentages of alcohol by volume at a temperature of 20° C.)	Rates of duty (per gallon)
	each of the above rates of duty being, in the case of sparkling made-wine, increased by £0.3000 per gallon.

SCHEDULE 3

Section 2(7).

CIDER: CONSEQUENTIAL AMENDMENTS

The Customs and Excise Act 1952

- 1 In section 172(6) of the Customs and Excise Act 1952 for the words " wine or made-wine ", in both places, there shall be substituted the words " wine, made-wine or cider ".
- 2 In section 248(2) of that Act for the words " or producer of wine or made-wine" there shall be substituted the words " producer of wine or made-wine or maker of cider ".
- 3 In section 249(5) of that Act for the words " and producers of wine or made-wine " there shall be substituted the words " producers of wine or made-wine and makers of cider ".
- 4 In section 253(3) of that Act for the words "or licensed producer of wine or made-wine " there shall be substituted the words " licensed producer of wine or made-wine or registered maker of cider ".
- 5 In section 263(4) of that Act—
 - (a) for the words "wine or made-wine", wherever they occur, there shall be substituted the words " wine, made-wine or cider ";
 - (b) for the words " or, as the case may be, licensed producer of wine or of made-wine " there shall be substituted the words " licensed producer of wine or made-wine or registered maker of cider, as the case may be ";
 - (c) for the words " or producer" there shall be substituted the words " producer or maker ".
- 6 In section 295(2) of that Act for the words "or producer of wine or of made-wine" there shall be substituted the words " producer of wine or of made-wine or maker of cider ".
- 7 In section 307 of that Act—
 - (a) for the definition of " cider" there shall be substituted the definition in section 2(8) of this Act;
 - (b) in the definition of " made-wine" for the words " non-excisable cider" there shall be substituted the word " cider ";
 - (c) the definition of "non-excisable cider" shall be omitted.

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The Finance Act 1964

- 8 In section 8(2)(b) of the Finance Act 1964 for the words "and made-wine" (here shall be substituted the words "made-wine and cider".

The Finance (No. 2) Act 1975

- 9 In section 15 of the Finance (No. 2) Act 1975—
- (a) in subsection (4)(b) for the words "non-excisable cider" there shall be substituted the word "cider";
 - (b) in subsection (6), in the definition of "made-wine" for the words "non-excisable cider" there shall be substituted the word "cider" and the definition of "non-excisable cider" shall be omitted.

SCHEDULE 4

Section 34.

LIFE POLICIES, ETC

Preliminary

- 1 In this Schedule references to any sections not otherwise identified are to sections of the Taxes Act and "Schedule 1" means Schedule 1 to that Act.

Short-term assurances

- 2 A policy which secures a capital sum payable only on death or payable either on death or on earlier disability shall not be a qualifying policy within the meaning of Schedule 1 if the capital sum is payable only if the event in question happens before the expiry of a specified term ending less than one year after the making of the insurance.

Relief by deduction from premiums

- 3 (1) In section 19(1) for the words "if the claimant" to the end there shall be substituted the words "an individual who pays any such premium as is specified in subsection (2) below shall (without making any claim) be entitled to relief under this section, and Schedule 4 to the Finance Act 1976 shall apply with respect to that relief."
- (2) In section 19(2)—
- (a) for the words from "by the claimant" to "(ii) with underwriters" there shall be substituted the words "by an individual under a policy of insurance or contract for a deferred annuity, where—
 - (a) the payments are made to—
 - (i) any insurance company legally established in the United Kingdom or any branch in the United Kingdom of an insurance company lawfully carrying on in the United Kingdom life assurance business (as defined in section 323(2) of this Act); or
 - (ii) underwriters; "
 - (b) in sub-paragraphs (iii) and (iv) of paragraph (a) the word "with" shall be omitted;

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- (c) in paragraph (b) for the word " claimant" there shall be substituted the word " individual "; and
 - (d) at the end of paragraph (c) there shall be added the words " or his spouse ".
- 4 (1) Relief under section 19 in respect of any premiums paid by an individual in a year of assessment shall be given by making good to the person to whom they are paid any deficiency arising from the deductions authorised under paragraph 5 below.
- (2) Where the individual is not resident in the United Kingdom but is entitled to relief by virtue of subsection (2) of section 27, sub-paragraph (1) above shall not apply but (subject to the proviso to that subsection) the like relief shall be given to him under paragraph 15 below.
- 5 Subject to the following provisions of this Schedule,—
- (a) an individual resident in the United Kingdom who is entitled to relief under section 19 in respect of any premium may deduct from any payment in respect of the premium and retain an amount equal to 17 ½ per cent. thereof ; and
 - (b) the person to whom the payment is made shall accept the amount paid after the deduction in discharge of the individual's liability to the same extent as if the deduction had not been made and may recover the deficiency from the Board.

Limit on deductions authorised under paragraph 5

- 6 (1) Where the premiums payable in any year in respect of any policy or contract exceed £1,500 the percentage mentioned in paragraph 5(a) above is a percentage of such part only of any payment as bears to the whole thereof the same proportion as £1,500 bears to the total amount of the premiums so payable ; but without prejudice to the operation of paragraph 15 below in any case where by virtue of this paragraph the relief given under section 19 is reduced below the limit specified in section 21.
- (2) In this paragraph " year " means the twelve months beginning with the making of the assurance or contract and any subsequent period of twelve months.

Husband and wife

- 7 Subsection (7) of section 19 shall be omitted.
- 8 The references in section 19 to an individual's spouse shall include any person who was that individual's spouse at the time the insurance or contract was made, unless the marriage was dissolved before 6th April 1979.
- 9 Where an election under section 23 of the Finance Act 1971 is in force, the relief to which either the husband or the wife is entitled under section 19 in respect of an insurance or contract on the life of the other or made by the other shall not be affected by paragraph 3 of Schedule 4 to that Act (which requires relief to be determined as if the husband and the wife were not married).
- 10 Where, throughout a year of assessment, a woman is a married woman living with her husband, then—
- (a) if no election under section 38 is in force, section 21 and paragraph 15 below shall apply as if any relief to which the wife is entitled under section 19 were relief to which the husband is entitled ; and

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- (b) if an election under section 38 is in force, section 21 and paragraph 15 below shall apply separately to the amounts paid by each of them, but as if for the limit specified in section 21 there were substituted, in relation to each of them, a limit of £750 or one-twelfth of their total income, whichever is the greater, plus any amount by which the payments in respect of which relief can be given to the other fall short of the limit so substituted.

Industrial assurance policies

- 11 (1) This paragraph applies to—
- (a) a policy issued in the course of an industrial assurance business as denned in section 1(2) of the Industrial Assurance Act 1923 or the Industrial Assurance Act (Northern Ireland) 1924; and
 - (b) a policy issued by a registered friendly society in the course of tax exempt life or endowment business (as denned in section 337(3)).
- (2) If a policy to which this paragraph applies was issued before the passing of this Act section 19 shall have effect in relation to it as if subsections (2)(b), (3) and (4) were omitted ; and if a policy to which this paragraph applies was issued after the passing of this Act, paragraph (b) of section 19(2) shall have effect in relation to it as if it permitted the insurance to be on the life of the individual's parent or grandparent or, subject to sub-paragraph (3) below, on the life of the individual's child or grandchild.
- (3) Relief may be given in respect of premiums under a policy of insurance on the life of an individual's child or grandchild which is issued after the passing of this Act as if paragraph (b) of section 19(3) were omitted, but may be given only if the annual amount of the premiums, together with that of any relevant premiums, does not exceed £52 ; and for this purpose a relevant premium, in relation to an insurance made at any time on the life of an individual's child or grandchild, is any premium under a policy of insurance on the same life, where the insurance is made at the same time or earlier, whether it is made by the individual or any other person.
- (4) In this paragraph " child " has the same meaning as in section 10 and " grandchild ", " parent " and " grandparent " have corresponding meanings.
- 12 In paragraph 4(1) of Schedule 1, sub-paragraph (iii) of paragraph (d) shall be omitted, together with the " and " preceding it, and after paragraph (d) there shall be inserted the words " or if the policy was issued before 6th April 1976, or was issued before 6th April 1979 and is in substantially the same form as policies so issued before 6th April 1976. ".

Premiums payable to friendly societies and industrial assurance companies

- 13 (1) Where a policy is issued by a registered friendly society or a policy to which paragraph 11 above applies is issued by an industrial assurance company, paragraphs 4 and 5 above shall apply in relation to premiums payable under the policy subject to the following modifications.
- (2) References to the deductions authorised under paragraph 5 shall be construed as including references to any amount retained by or refunded to the person paying the premium under any scheme made by the society or company in accordance with regulations made under this paragraph.
 - (3) The appropriate authority may make regulations authorising—

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- (a) the adoption by registered friendly societies and industrial assurance companies of any prescribed scheme for securing that in the case of policies or contracts to which the scheme applies amounts equal to 17 ½ per cent. of the premiums payable are retained by or refunded to the person paying the premiums or that, in the case of such policies or contracts issued or made before 6th April 1979, the amounts expressed as the amounts of the premiums payable are treated as amounts arrived at by deducting 17 ½ per cent. from the amounts payable and that the amounts of the capital sums assured or guaranteed are treated as correspondingly increased ; or
 - (b) the adoption by any such society or company of any special scheme for that purpose which may, in such circumstances as may be prescribed, be approved by the appropriate authority.
- (4) Increases treated as made in pursuance of regulations under this paragraph shall not be treated as variations of a policy or contract and shall be disregarded for the purposes of section 332 of and paragraph 4 of Schedule 1 to the Taxes Act and section 7(6) of the Finance Act 1975 ; and the regulations may include such adaptations and modifications of the enactments relating to friendly societies or industrial assurance companies and such other incidental and supplementary provisions as appear to the appropriate authority necessary or expedient for the purpose of enabling such societies or companies to adopt the schemes authorised by the regulations.
- (5) Subsections (4), (5) and (7) to (11) of section 6 of the Decimal Currency Act 1969 shall, with the necessary modifications, apply in relation to regulations made under this paragraph.

Supplementary provisions as to relief under section 19

- 14 Where it appears to the Board that the relief (if any) to which a person is entitled under section 19 has been exceeded or might be exceeded unless the premiums payable by him under any policy were paid in full, they may by notice in writing to that person and to the person to whom the payments are made exclude the application of paragraph 5 above in relation to any payments due or made after such date as may be specified in the notice and before such date as may be specified in a further notice in writing to those persons.
- 15 (1) Where in any year of assessment the relief to which a person is entitled under section 19 has not been fully given in accordance with the preceding provisions of this Schedule, he may claim relief for the difference, and relief for the difference shall then be given by a payment made by the Board or by discharge or repayment of tax or partly in one such manner and partly in another; and where the relief given to any person in accordance with the preceding provisions of this Schedule exceeds that to which he is entitled under section 19, he shall be liable to make good the excess and an inspector may make such assessments as may in his judgment be required for recovering the excess.
- (2) The Taxes Management Act 1970 shall apply to any assessment under this paragraph as if it were an assessment to tax for the year of assessment in which the relief was given and as if—
- (a) the assessment were among those specified in sections 55(1) (recovery of tax not postponed) and 86(2) (interest on overdue tax) of that Act; and
 - (b) the sum charged by the assessment were tax specified in paragraph 3 of the Table in section 86(4) of that Act (reckonable date).

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- 16 (1) The Board may make regulations for carrying the preceding provisions of this Schedule into effect.
- (2) Without prejudice to the generality of sub-paragraph (1) above, regulations under this paragraph may provide—
- (a) for the manner in which claims for the recovery of any sum under paragraph 5(b) above may be made ;
 - (b) for the furnishing of such information by persons by or to whom premiums are payable as appears to the Board necessary for deciding such claims and for exercising their powers under paragraph 14 or paragraph 15 above ; and
 - (c) for requiring persons to whom premiums are paid to make available for inspection by an officer authorised by the Board such books and other documents in their possession or under their control as may reasonably be required for the purpose of determining whether any information given by those persons for the purposes of this Schedule is correct and complete.
- (3) In section 98 of the Taxes Management Act 1970 (penalty for failure to furnish information etc.) the following shall be added in the second column of the Table:

“Regulations under paragraph 16 of
Schedule 4 to the Finance Act 1976”.

- (4) The following provisions of the Taxes Management Act 1970, that is to say—
- (a) section 29(3)(c) (excessive relief);
 - (b) section 30 (recovery of tax repaid in consequence of fraud or negligence);
 - (c) section 88 (interest); and
 - (d) section 95 (incorrect return or accounts);
- shall apply in relation to the payment of a sum claimed under paragraph 5(b) above to which the claimant was not entitled as if it had been income tax repaid as a relief which was not due.
- 17 A notice given to a person under section 8 of the Taxes Management Act 1970 may require him to include in the return of his income particulars of premiums paid by him or his wife living with him under policies of life insurance or contracts for deferred annuities and of deductions made from the premiums payable.

Consequential amendments

- 18 (1) In section 5 after the words "who makes a claim in that behalf " there shall be inserted the words " (or, in the case of relief under section 19 below, who satisfies the conditions of that section) ".
- (2) In section 25(2) the words " section 19 or " shall be omitted.
- (3) The proviso to section 27(2) shall have effect as if the amount of any relief to which an individual is entitled under section 19 were an amount by which his liability to income tax is reduced.
- (4) In section 39(1)(c) the words " 19 or " shall be omitted.
- 19 (1) In section 7(5) of the Finance Act 1975 for the words " the basic rate of income tax in force " there shall be substituted the words " the percentage found by doubling that mentioned in paragraph 5(a) of Schedule 4 to the Finance Act 1976 as in force ".

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- (2) In section 8(2) of the Finance Act 1975 for the words " one half of the basic rate of income tax in force " there shall be substituted the words " that mentioned in paragraph 5(a) of Schedule 4 to the Finance Act 1976 as in force ".
 - (3) In paragraph (b) of section 9(4) of the Finance Act 1975 for the words from " income tax " where they first occur to " liability " there shall be substituted " section 19 of the Taxes Act as a sum paid by that person in satisfaction of his liability " and in the words following the paragraph the words " increase in " shall be omitted.
 - (4) In paragraph 7(1) of Schedule 2 to the Finance Act 1975 there shall be substituted—
 - (a) for the words " the conditions of paragraphs (a) and (d)(iii) of that sub-paragraph are satisfied " the words " the condition of paragraph (a) of that sub-paragraph is satisfied " ,
 - (b) for the words " they are not " the words " it is not " ; and
 - (c) for the words " those conditions " the words " that condition " .
- 20 In section 20 the following shall be omitted:—
- (a) in subsection (1), paragraph (a) and the words " on the amount of the premium paid by him or " ;
 - (b) subsection (2) ;
 - (c) in subsection (4), the words " premiums or other " ;
 - (d) in subsection (5), the words " premiums or " and the proviso; and
 - (e) subsection (6).
- 21 (1) Section 21 shall be amended as follows.
- (2) In subsection (1) for the words " sections 19 and 20 " there shall be substituted the words " section 19 " and for the words " one-sixth of that person's total income " there shall be substituted the words " £1,500 in any year of assessment or one-sixth of that person's total income, whichever is the greater " .
 - (3) Subsection (1A) shall be omitted.
 - (4) In subsection (3) for the words " the said sections " there shall be substituted the words " sections 19 and 20 above " .
 - (5) In subsection (4) for the words " one-half of the basic rate " there shall be substituted " 17 ½ per cent. " and the words " premiums or " in paragraph (b) and the words following that paragraph shall be omitted.

SCHEDULE 5

Section 37.

RELIEF FOR INCREASE IN VALUE OF TRADING STOCK AND WORK IN PROGRESS

PART I

INCOME TAX

Entitlement to relief

- 1 (1) Where a person carries on a trade in respect of which he is within the charge to income tax under Case I of Schedule D and—
- (a) the value of his trading stock at the end of a period of account (the "closing stock value") exceeds
 - (b) the value of his trading stock at the beginning of that period (the "opening stock value"),
- he shall, subject to the provisions of this Schedule, be entitled to relief under this paragraph by reference to the amount of that excess (the "increase in stock value").
- (2) The amount of relief to which a person is entitled under this paragraph for any trade in respect of any period of account is the amount of the increase in stock value in that period less 15% of the relevant income of that trade for that period.
- (3) A person shall not be entitled to relief under this paragraph in respect of any period of account unless a claim for the relief is made within two years after the end of the year of assessment in which that period of account ends.

Charge by way of recovery of relief

- 2 (1) Where a person carries on a trade in respect of which he is within the charge to income tax under Case I of Schedule D and in a period of account his closing stock value is less than his opening stock value, then, subject to the provisions of this Schedule, a charge by way of recovery of relief shall be made on him, on whichever is the lesser of—
- (a) the whole amount of the reduction in stock value in that period; or
 - (b) the amount of unrecovered past relief allowed to him for that trade.
- (2) Where during or at the end of a period of account a person carrying on a trade ceases to do so, or ceases to be within the charge to income tax under Case I of Schedule D in respect of the trade, he is not entitled to relief or liable to a charge in respect of that period under the foregoing provisions of this Part, but a final charge by way of recovery of relief shall be made on him on an amount equal to the unrecovered past relief allowed to him for that trade.

This sub-paragraph is subject to paragraphs 20 and 21 below (which provide for continuity in the case of certain successions).

- (3) Where during or at the end of a period of account a person carrying on a trade ceases (by virtue of ceasing to be resident in the United Kingdom) to be within the charge to income tax under Case I of Schedule D in respect of a part of the trade, he shall be treated for the purposes of this Schedule as if that part were a separate trade carried on by him in that period; and all necessary apportionments between the two parts of the trade (including the apportionment of unrecovered past relief allowed for that

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trade) shall be made by reference to the respective values of the trading stock of each part immediately after that event.

Method of giving effect to relief or charge

- 3 (1) Relief under paragraph 1 above in respect of any period of account shall be given as a deduction in charging the profits or gains of the trade to income tax for the relevant year of assessment.

The relief shall be deducted before any deduction is made for capital allowances.

- (2) A charge under paragraph 2 above in respect of any period of account shall be made by means of an assessment to income tax on the profits or gains of the trade—
- (a) in the case of a charge under paragraph 2(1), for the relevant year of assessment; and
 - (b) in the case of a charge under paragraph 2(2) for the year of assessment in which the discontinuance or other event takes place.

Any such assessment is in addition to any other assessment falling to be made on the profits or gains of the trade for the year of assessment in question.

Top-slicing

- 4 (1) Where a trade has been carried on by a person for more than one year before the discontinuance or other event on which a charge under paragraph 2(2) above falls to be made on him, then his liability to tax for the year of assessment for which the charge is made shall, on a claim made by him within two years of the end of that year of assessment, be reduced in accordance with the following provisions of this paragraph.

- (2) The reduction is the amount of the difference between—
- (a) the tax on the whole amount on which the charge is made (the "chargeable amount"), calculated on the basis set out in sub-paragraph (4) below; and
 - (b) the tax (if any) on the appropriate fraction of the chargeable amount, calculated on the same basis, and multiplied by the reciprocal of the appropriate fraction.

- (3) The "appropriate fraction" depends on the period for which the trade has been carried on before the discontinuance or other event and is—

- (a) one-half if the trade has been so carried on for more than one but less than two years;
- (b) one-third if it has been so carried on for two years or more.

- (4) The amounts of tax referred to in sub-paragraph (2) are to be calculated on the following assumptions—

- (a) that the person's total income does not include any amount in respect of which he is chargeable to tax under section 80, 81 or 82 of the Taxes Act (premiums, etc. treated as rent), section 187 of that Act (payments on retirement or removal from office) or section 399(1)(a) of that Act (gains from life policies, etc);
- (b) that deductions to be made in computing the tax are so far as possible set against sums other than the chargeable amount (or the fraction of it);

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- (c) that the chargeable amount (or fraction), after any deductions remaining to be made after applying paragraph (b), is the highest part of the person's total income (notwithstanding any other provisions of the Income Tax Acts directing any other income to be so treated).
- (5) Where a claim under this paragraph for any year of assessment is made in respect of more than one trade, the paragraph applies to each chargeable amount individually as if there were only one charge in that year.
- (6) For the purposes of section 400, paragraphs 3 and 4 of Schedule 3 and paragraph 8 of Schedule 8 of the Taxes Act (other top-slicing provisions) a person's total income shall not be treated as including any amount as a result of a charge under paragraph 2(2).

Meaning of "relevant year of assessment" and "basis period"

- 5 (1) This paragraph provides for ascertaining the relevant year of assessment in relation to a period of account for the purposes of this Part of this Schedule.
- (2) In this Part of this Schedule—
 - (a) the "basis period" for any year of assessment means the period on the profits or gains of which income tax for that year falls to be finally computed under Case I of Schedule D in respect of the trade in question, or, where, by virtue of any provision of section 115 of the Taxes Act, the profits or gains of any other period are to be taken as the profits or gains of the said period, that other period ; and
 - (b) references to a period of account entering into a basis period are to the period of account, or any part of it, falling within or coinciding with that basis period.
- (3) Where a period of account enters into the basis period for only one year of assessment, that year is the relevant year of assessment in relation to that period of account.
- (4) Where a period of account enters into the basis period for more than one year of assessment, then—
 - (a) if this is by virtue of section 116 or 117 of the Taxes Act (commencement of trade), the relevant year of assessment in relation to that period of account is the first year of assessment into whose basis period the period of account enters ; and
 - (b) in any other case, the relevant year of assessment is the last such year of assessment.
- (5) Where a period of account does not enter into the basis period for any year of assessment, the relevant year of assessment in relation to that period of account is that following the year of assessment in which the period of account ends.

Right to set unused relief against general income

- 6 (1) Subject to the provisions of this paragraph, a claim made under section 168 of the Taxes Act (set-off of losses against general income) for relief in respect of a loss sustained by the claimant in a trade in any year of assessment (the "year of loss ") may require the amount of that loss to be determined as if an amount equal to the relief to which he is entitled under this Part of this Schedule for the year of assessment

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for which the year of loss is the basis year were to be deducted in computing the profits or gains or losses of the trade in the year of loss.

- (2) A claim may be made under the said section 168 for relief in respect of a loss sustained by the claimant in any trade in any year of assessment notwithstanding that—
- (a) unless relief under this Part of this Schedule is brought into account; or
 - (b) unless there are brought into account both that relief and capital allowances (by virtue of section 169 of the Taxes Act),
- the claimant will not have sustained a loss in the trade in that year.
- (3) Relief for any year of assessment shall be taken into account by virtue of this paragraph only if and so far as it is not required to offset any charge for that year under paragraph 2; and for the purposes of this sub-paragraph the relief for a year of assessment shall be treated as required to offset the charge for a year up to the amount on which the charge falls to be made after deducting from it the amount (if any) of relief for earlier years which is carried forward to that year and would, if not set against the charge, be unused in that year.
- (4) Where the relief taken into account by virtue of this paragraph is that for the year of assessment for which the claim is made or for the preceding year (the year of loss being the basis year for that year itself, or the claim being made by way of carry forward of the loss by virtue of section 168(2) of the Taxes Act), effect shall not be given to that relief in respect of an amount greater than the amount unused in the year for which the claim is made, or, in the case of relief for the preceding year, the amount unused in both years.
- (5) For the purposes of this paragraph—
- (a) where the end of the basis period for a year of assessment falls in, or coincides with the end of, any year of assessment, that year is the basis year for the first mentioned year of assessment, but so that, if a year of assessment would under the foregoing provision be the basis year both for that year itself and for another year of assessment, it shall be the basis year for the year itself and not for the other year,
 - (b) any reference to the relief or charge for a year of assessment shall be construed as a reference to the relief or charge falling to be given effect in that year (excluding, in the case of relief, any part of the relief for an earlier year carried forward under paragraph 7 below),
 - (c) any reference to an amount of relief unused in a year shall be construed as referring to the amount by which, by reason of an insufficiency of profits or gains, effect cannot be given in that year, and
 - (d) effect shall be deemed to be given to relief carried forward from an earlier year before it is given to relief for a later year.
- (6) Where, on a claim made by virtue of this paragraph, relief is not given under section 168 of the Taxes Act for the full amount of the loss determined as mentioned in sub-paragraph (1) above, the relief under that section shall be attributed to the loss sustained by the claimant in the trade rather than to the relief under this Schedule in respect of that trade, but shall be attributed to relief under this Schedule rather than to the capital allowances in respect of the trade brought into account by virtue of section 169 of the Taxes Act.
- (7) Where a claim is made under the said section 168 by a person who, since the end of the year for which the claim is made, has carried on the trade in question in

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partnership, then effect shall be given to this paragraph in relation to that claim only with the consent in writing of every other person engaged in carrying on the trade between the end of that year and the making of the claim, except that where the claim is for a loss sustained before an event treated as the permanent discontinuance of the trade, the consent is not required of a person so engaged only since the discontinuance.

- (8) If a person whose consent is required under sub-paragraph (7) has died, the consent in writing of his personal representatives is required instead.

Carry forward of unused relief

- 7 (1) Where, in any year of assessment, full effect cannot be given to any relief falling to be allowed under this Part of this Schedule owing to there being no profits or gains of the trade chargeable for that year, or owing to the profits or gains chargeable being less than the amount of the relief, the relief or part of the relief to which effect has not been given, as the case may be, shall be carried forward and, for the purpose of making the assessment to income tax for the following year, be added to the amount of relief for that year and be deemed to be part of that relief, or, if no relief falls to be allowed for that year, be deemed to be relief for that year, and so on for succeeding years.
- (2) This paragraph has effect subject to paragraph 6 above.

Social security contributions

- 8 In computing for the purposes of Schedule 2 to the Social Security Act 1975 the amount of the profits or gains of a trade in respect of which Class 4 contributions are payable—
- (a) deductions or additions shall be made under paragraph 2 of that Schedule for any relief or charge under this Part of this Schedule which falls to be made in charging profits or gains to income tax under Case I of Schedule D; and
- (b) paragraphs 6 and 7 above shall be included among the relief provisions to which paragraph 3(1) of that Schedule applies.

PART II

CORPORATION TAX

Entitlement to relief

- 9 (1) Where a company carries on a trade in respect of which it is within the charge to corporation tax under Case I of Schedule D and—
- (a) the value of its trading stock at the end of a period of account (the "closing stock value") exceeds
- (b) the value of its trading stock at the beginning of that period (the "opening stock value"),
- the company shall, subject to the provisions of this Schedule, be entitled to relief under this paragraph by reference to the amount of that excess (the "increase in stock value").

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- (2) The amount of relief to which a company is entitled under this paragraph for any trade in respect of any period of account is the amount of the increase in stock value in that period less 152 of the relevant income of that trade for that period.
- (3) A company shall not be entitled to relief under this paragraph unless a claim for the relief is made within two years after the end of the period of account in respect of which the relief is claimed.

Charge by way of recovery of relief

- 10 (1) Where a company carries on a trade in respect of which it is within the charge to corporation tax under Case I of Schedule D and in a period of account its closing stock value is less than its opening stock value, then, subject to the provisions of this Schedule, a charge by way of recovery of relief shall be made on the company, on whichever is the lesser of—
 - (a) the whole amount of the reduction in stock value in that period; or
 - (b) the amount of unrecovered past relief allowed to the company for that trade.

- (2) Where during or at the end of a period of account a company carrying on a trade ceases to do so, or ceases to be within the charge to corporation tax under Case I of Schedule D in respect of the trade, it is not entitled to relief or liable to a charge in respect of that period under the foregoing provisions of this Part, but a final charge by way of recovery of relief shall be made on the company on an amount equal to the unrecovered past relief allowed to it for that trade.

This sub-paragraph is subject to paragraphs 20 and 21 below (which provide for continuity in the case of certain successions).

- (3) Where during or at the end of a period of account a company carrying on a trade ceases (by virtue of ceasing to be resident in the United Kingdom) to be within the charge to corporation tax in respect of a part of the trade, it shall be treated for the purposes of this Schedule as if that part were a separate trade carried on by it in that period; and all necessary apportionments between the two parts of the trade (including the apportionment of unrecovered past relief allowed for that trade) shall be made by reference to the respective values of the trading stock of each part immediately after that event.
- 11 (1) Where there is a change of ownership of a company and section 483 of the Taxes Act applies so as to restrict the carrying forward of losses incurred before the change, then relief to which those disallowed losses are attributable shall, although unrecovered in periods of account ending before the change of ownership nevertheless be disregarded in ascertaining the amount of unrecovered past relief in later periods of account.
 - (2) Relief to which disallowed losses are attributable is that which was not given effect in the period of account or base period for which it was allowed or in a subsequent period of account.
 - (3) For the purposes of sub-paragraph (2) relief is assumed to be given effect before capital allowances and profits or gains are assumed to be set against losses attributable to relief before other losses. Section 483(5) of the Taxes Act has effect subject to this sub-paragraph.

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- (4) For the purpose of ascertaining the extent to which relief to which disallowed losses are attributable has been recovered in periods of account ending before the change of ownership, it shall be assumed—
- (a) that relief is recovered from earlier periods before later periods ; and
 - (b) that effect is given to relief from earlier periods before later periods.

Method of giving effect to relief or charge

- 12 (1) Relief under paragraph 9 above in respect of any period of account shall, subject to the provisions of this paragraph, be given effect by treating the amount of the relief as a trading expense of the trade in that period.
- (2) A charge under paragraph 10 above in respect of any period of account shall, subject to the provisions of this paragraph, be given effect by treating the amount on which the charge is to be made as a trading receipt of the trade in that period.
- (3) Where a trade is set up and commenced by a company during a period of account, any amount which in accordance with this paragraph falls to be treated as an expense or receipt of the trade in that period, shall be brought into account only in respect of the accounting period, or periods, beginning with or after that commencement.
- (4) Where during a period of account a company carrying on a trade ceases to do so, or ceases in respect of it to be within the charge to corporation tax under Case I of Schedule D, any relief or charge which in accordance with this paragraph falls to be treated as an expense or receipt of the trade in that period, shall be brought into account only in respect of the accounting period, or periods, ending on or before that discontinuance or other event.

PART III

LINK WITH PREVIOUS STOCK RELIEF PROVISIONS

Interpretation

- 13 In this Part of this Schedule, "Schedule 10 " means Schedule 10 to the Finance (No. 2) Act 1975, "Schedule 10 relief" means relief under that Schedule and " base period " means a base period (including a further base period) as defined in that Schedule.

Entry into operation of Parts I and II

- 14 (1) The provisions of this paragraph indicate the periods of account to which Parts I and II of this Schedule apply (being, in most cases, the periods of account falling after the base period for which Schedule 10 relief was given).
- (2) The periods of account in respect of which entitlement to relief or liability to charge may arise under Part I of this Schedule are, subject to sub-paragraph (3) below, those falling after the following—
- (a) the last period of account ending in the year 1974-75 ; or
 - (b) if no period of account ended in that year, the first period of account ending after 5th April 1975.

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- (3) Where a trade was set up and commenced after 5th April 1974 and there is no period of account ending in the year 1974-75, such entitlement or liability may arise in respect of any period of account the whole or part of which falls after that commencement.
- (4) The periods of account in respect of which entitlement to relief or liability to charge may arise under Part II of this Schedule are, subject to sub-paragraph (5) below, those falling after the following—
 - (a) the last period of account ending in the financial year 1974 ; or
 - (b) if no period of account ended in that year, the first period of account ending after 31st March 1975.
- (5) Where a trade was set up and commenced after 31st March 1974 and there is no period of account ending in the financial year 1974, such entitlement or liability may arise in respect of any period of account the whole or part of which falls after that commencement.

Transitional relief

- 15 (1) The provisions of this paragraph apply for supplementing Schedule 10 relief in the case of persons whose base period ended after 5th April 1975, or, in the case of a company, 31st March 1975 (the relief having been proportionately reduced in those cases).
- (2) There is entitlement to transitional relief under this paragraph—
 - (a) where the base period of a person other than a company ended after 5th April 1975 and a claim for relief is made before 6th April 1978 ;
 - (b) where a company's base period ended after 31st March 1975 and a claim for relief is made within two years after the end of the base period.
- (3) In either case the amount of transitional relief is given by the formula

where—

B is the base period increase, as defined in paragraph 1(1) or 6(1) of Schedule 10,

I is 15 per cent. of the relevant income for the base period, computed in accordance with this Schedule,

M is, in the case of a person other than a company, the lesser of 12 or the number of months in the base period in excess of 24, and, in the case of a company, is the number of months between the end of the accounting period ending in the financial year 1974 and the end of the base period, and

N is the number of months in the base period.

- (4) Where a base period consists of a number of complete months and a fraction of a month or consists only of a fraction of a month, references in this paragraph to the number of months in that period shall be construed as including that fraction, or as a reference to that fraction, as the case may be.
- (5) Transitional relief to which a person other than a company is entitled shall be given as a deduction in charging the profits or gains of the trade to income tax for the last year of assessment in the basis period for which (as defined in paragraph 5 above)

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there falls the whole or any part of the period of account whose end also marks the end of the base period.

- (6) Transitional relief to which a company is entitled shall be given effect by treating the amount of the relief as a trading expense of the trade in the accounting period whose end also marks the end of the base period.
- (7) Any claim, or adjustment of a claim, for any other relief which falls to be made in consequence of a claim for transitional relief may be made at any time when a claim for transitional relief could be made, notwithstanding that it would otherwise be out of time.
- (8) All such adjustments shall be made in any assessments to tax as are necessary to give effect to the provisions of this paragraph.

Succession during or at end of base period

- 16 (1) In this paragraph " succession " means such a succession in the persons engaged in carrying on a trade as is mentioned in paragraph 13 of Schedule 10, and "predecessor" and "successor" mean the persons so engaged before and after a succession.
- (2) Where there was a succession within the 12 months before the end of the base period and—
- (a) the predecessor was an individual, a partnership or a company ; and
 - (b) the successor was a company,
- the inspector may, on an application by the successor, notwithstanding anything in Schedule 10, apportion the relief falling to be given under that Schedule as seems to him just between the predecessor and successor.
- (3) Where there was a succession at the end of the base period, the successor may elect that the predecessor's closing stock value at the end of the base period be reduced in accordance with Schedule 10, notwithstanding anything in paragraphs 5, 11 and 12 of that Schedule (change of persons engaged in carrying on a trade to be treated as cessation of that trade).
- (4) An application or election under this paragraph must be made by notice in writing to the inspector by 1st January 1977 or after that date but within two years after the end of the base period.
- (5) Any claim, or adjustment of a claim, for other relief which falls to be made in consequence of an application or election under this paragraph may be made at any time when the application or election could be made, notwithstanding that it would otherwise be out of time.
- (6) All such adjustments shall be made in any assessments to tax as are necessary to give effect to the provisions of this paragraph.

Time limit for claiming Schedule 10 relief

- 17 A claim by a company for Schedule 10 relief may be made at any time before 1st January 1977 notwithstanding that the time limit imposed by paragraph 6(3) of that Schedule has expired.

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Recovery of Schedule 10 relief

- 18 (1) The provisions of this paragraph apply for making Schedule 10 relief and relief under this Part recoverable in the same way as relief under Part I or II of this Schedule.
- (2) The reference in paragraph 26 below (meaning of " past relief " for purposes of recovery of relief) to the amount of Schedule 10 relief allowed to any person in respect of a trade is to—
- (a) the amount by which his closing stock value at the end of the base period was reduced in accordance with paragraph 1(2)(a)(i) or 6(2)(a)(i) of Schedule 10 ; together with
 - (b) the amount of any relief to which he is entitled under this Part.
- (3) In ascertaining the amount of Schedule 10 relief no account is to be taken of any diminution directed by paragraph 8(3) of that Schedule in the case where the end of the base period coincided with the end of the reference period for relief under section 18 of the Finance Act 1975.
- (4) For the purpose of ascertaining at any time the amount of unrecovered past relief allowed to any person in respect of a trade, relief given to a predecessor by virtue of paragraph 16 above shall be treated as if given to the successor.
- (5) In consequence of the foregoing provisions of this paragraph paragraph 1(2)(b) and paragraph 6(2)(b) of Schedule 10 are repealed and shall be deemed never to have had effect; and no account shall be taken for any of the purposes of this Schedule of any reduction in the value of trading stock under section 18(4) of the Finance Act 1975.

PART IV

GENERAL

Partnerships

- 19 (1) Where a trade is carried on by persons in partnership, entitlement to relief or liability to charge under this Schedule is a joint entitlement or liability, and any claim for relief under this Schedule shall be a single claim made in the partnership name.
- (2) Where none of those persons is a company, entitlement to relief and liability to charge under this Schedule shall be ascertained and given effect as if the trade were carried on by an individual.
- (3) Where any of those persons is a company, entitlement to relief and liability to charge under this Schedule shall be ascertained as if the partnership were a company and shall be given effect in accordance with the following provisions of this paragraph.
- (4) A company's share in any such entitlement or liability in any accounting period of the partnership shall be determined according to the interests of the partners during that period, and shall be given effect as if the share derived from a trade carried on by the company alone in its corresponding accounting period or periods.

In this sub-paragraph "corresponding accounting period or periods" means the accounting period or periods of the company comprising or together comprising the accounting period of the partnership, and any necessary apportionment shall be made between corresponding accounting periods if more than one.

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- (5) The share in any such entitlement or liability of the partner or partners other than companies shall be given effect as if that share derived from a trade carried on by him, or, as the case may be, by them in partnership, otherwise than in partnership with a company.

Successions

- 20 (1) The provisions of this paragraph apply—
- (a) where the whole or part of a trade carried on by one company (" the predecessor ") is transferred to another company ("the successor") and section 252 of the Taxes Act (company reconstructions) has effect in relation to that event; or
 - (b) where the whole of a trade carried on by an individual or by persons in partnership (" the predecessor ") is transferred to a company resident in the United Kingdom ("the successor ") and at the date of the transfer not less than three-quarters of the ordinary share capital of the company is held by that individual or those persons,
- and, in either case, the trading stock is transferred at cost or at market value.
- (2) Where the whole of a trade is transferred and the predecessor and successor so elect, then, for the purposes of this Schedule—
- (a) the trading stock transferred shall be treated both as forming part of the predecessor's closing stock in his period of account which ends with or includes the date of transfer, and as forming part of the successor's opening stock in his period of account which begins with or includes the date of transfer ; and
 - (b) in ascertaining in that or any later period of account the amount of unrecovered past relief allowed to a person in respect of the trade, the successor shall be treated as having carried on the trade since the predecessor began (or is himself treated, by virtue of this sub-paragraph or of any other provision of this Schedule, as having begun) to do so.
- (3) Where part of a trade is transferred and the predecessor and successor so elect, then, for the purposes of this Schedule, the predecessor shall be treated as having carried on in the period of account during or at the end of which the transfer occurs a separate trade consisting of the part transferred; and all necessary apportionments between the two parts of the trade (including the apportionment of unrecovered past relief allowed for the trade) shall be made by reference to the respective values of the trading stock of each part immediately after the transfer.
- (4) An election under this paragraph shall be by notice in writing signed by both the predecessor and the successor and sent to the inspector within two years after the date of the transfer.
- 21 (1) Subject to the provisions of this paragraph, where there is a change in the persons engaged in carrying on a trade, this Schedule applies as if the trade had been permanently discontinued at the date of the change and a new trade had been then set up and commenced.

For the purposes of this paragraph, a change in the personal representatives of any person, or in the trustees of any trust, shall not be treated as a change in the persons carrying on any trade carried on by those personal representatives or trustees as such.

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- (2) Where there is a change of persons but—
- (a) a person engaged in carrying on the trade immediately before the change continues to be so engaged immediately after the change; and
 - (b) the trading stock of the trade immediately before the change is the trading stock immediately after the change,

an election may be made to the effect that sub-paragraph (1) shall not apply to the change.

- (3) An election under this paragraph must be made by all the persons engaged in carrying on the trade before the change ("the predecessors ") and all those so engaged immediately after the change (" the successors "), and be signed by them and sent to the inspector within two years after the date of the change.

Where those persons have elected under section 154(2) of the Taxes Act that the trade be treated as continuing for income tax purposes, they shall be treated as having also made an election under this paragraph.

- (4) In ascertaining for the purposes of this Schedule the amount of unrecovered past relief allowed to a person in respect of a trade where at an earlier date a change in the persons carrying on that trade has been the subject of an election under this paragraph, the successors (in relation to that change) shall be treated as having carried on the trade since the predecessors began (or are themselves treated, by virtue of this sub-paragraph or of any other provision of this Schedule, as having begun) to do so.

- (5) Where during a period of account there is a change in the persons engaged in carrying on a trade, and—

- (a) an election is made under this paragraph ; but
- (b) no election is made under section 154(2) of the Taxes Act in relation to that change,

any relief or charge under this Schedule in respect of that period of account shall be apportioned between the predecessors and successors according to the respective lengths of the parts of the period falling before and after the change, and for the purpose of giving effect to that relief or charge each of those parts shall be treated as if it were a separate period of account.

Adjustment for special circumstances

- 22 (1) Where any arrangements have been effected by a person carrying on a trade, or by him and other persons acting together, such as, in particular, the following—
- (a) any acquisition or disposal of trading stock otherwise than in the normal course of the trade in question ; or
 - (b) any change in the normal pattern or method of carrying on the trade; or
 - (c) any change in the date to which the accounts of the trade are made up; or
 - (d) any increase in the value of a person's trading stock which is associated with a decrease in the trading stock of another person connected with him (within the meaning of section 533(5) or (6) of the Taxes Act),

and it appears that the sole or main benefit which, but for this paragraph, might have been expected to accrue to that person was the obtaining of relief or the reduction of the amount of a charge under this Schedule, an adjustment shall be made under this paragraph.

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- (2) The adjustment is to substitute, for the purposes of this Schedule, for any opening or closing value of trading stock in any period of account which appears to have been affected by the arrangements, the value which it appears there would have been had those arrangements not been made.

Valuation of stock in certain cases

- 23 (1) For the purposes of this Schedule in ascertaining the entitlement of a person to relief, or his liability to a charge, in respect of any period of account—
- (a) in a case where at any time during the twelve months preceding the beginning of that period of account he was not carrying on the trade in question ; or
 - (b) in a case where during that period of account there was a major alteration in the conduct of the trade in question which resulted in an exceptional increase in his trading stock,
- he shall be treated as having at the beginning of that period of account trading stock of such value as may be attributed in accordance with this paragraph.
- (2) If for any of the purposes of this Schedule there falls to be ascertained the value of any trading stock at a date other than the beginning or end of a period of account and when no value was in fact determined, that value shall be such as may be attributed in accordance with this paragraph.
- (3) The value to be attributed is such value as is reasonable and just having regard to all the relevant circumstances of the case, and in particular—
- (a) to the opening and closing values of trading stock of the trade for that period of account;
 - (b) to movements during that period of account in the costs of items of a kind comprised in the person's trading stock during the period; and
 - (c) to changes during that period in the volume of the trade carried on by that person.

Discontinuity in stock values

- 24 (1) Where a person's closing stock value in a period of account is not calculated on the same basis as that used for the calculation of the opening stock value in that period, he shall be treated, for the purposes of this Schedule, as having at the beginning of that period trading stock of the amount he would have had if the basis of calculation had been that used for the closing stock value.
- (2) Where a person's opening stock value in a period of account (including a value he is treated as having by virtue of sub-paragraph (1) above or of any other provision of this Schedule) is less than the amount of unrecovered past relief allowed to him for that trade, he shall be treated, for the purposes of this Schedule, as having at the beginning of that period trading stock of an amount equal to the amount of unrecovered past relief.

Farm animals

- 25 (1) Animals treated as trading stock under Schedule 6 to the Taxes Act (farm animals etc.) shall, subject to the provisions of this paragraph, be so treated for the purposes of this Schedule.

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- (2) Where a person makes an election for the herd basis under that Schedule which takes effect during a period of account, animals forming part of a herd with respect to which the election has effect shall be treated for the purposes of this Schedule as not having been trading stock of that person at any time during that period.
- (3) Where a person makes an election for the herd basis under that Schedule then at the end of the last period of account not affected by the election (hereafter referred to as "the point of election ") the unrecovered past relief allowed to him for the fanning or other trade in question (including the relief in respect of that period of account) shall be apportioned between the herd and the rest of his trading stock by reference to their respective values at the point of election, and in subsequent periods of account that part attributed to the herd is recoverable in accordance with the following provisions of this paragraph.
- (4) A charge by way of recovery of relief shall be made where in a period of account for which the election has effect there is a reduction of the number of animals in the herd and—
 - (a) in the case of the first period in respect of which such a charge arises, the number at the end of that period is less than the number of animals in the herd at the point of election (that difference being referred to hereafter as "the relevant number "); or
 - (b) in the case of any subsequent period in respect of which such a charge arises, the number at the end of that period is less than the number of animals in the herd at the end of the last preceding period of account in respect of which such a charge arose (that difference being referred to hereafter as "the relevant number ").

This paragraph also applies (subject to sub-paragraph (6) below) where the person ceases to keep the herd and the first-mentioned number in paragraph (a) or (b) above is accordingly nil.

- (5) The amount on which the charge to be made is the amount which bears to the whole amount of unrecovered past relief attributed to the herd at the point of election, the same proportion as the relevant number of animals in relation to the period of account in question bears to the number of animals in the herd at the point of election.
- (6) Where a herd is sold as a whole and another production herd of the same class is acquired, this paragraph applies as if those herds were the same herd.
- (7) A charge under this paragraph shall be treated for all purposes as if it were a charge by way of recovery of relief under paragraph 2 or 10 above falling to be made for the farming or other trade in question, and shall be given effect accordingly.
- (8) In this paragraph "herd" and "production herd" have the same meaning as in Schedule 6 to the Taxes Act, and this paragraph applies (as does that Schedule), with the necessary adaptations, to animals or other creatures kept singly as it applies in relation to herds.

Meaning of " past relief "

- 26 (1) References in this Schedule to " past relief", in relation to a trade carried on by any person in any period of account, are to the aggregate amount of the following reliefs allowed to him (or treated as allowed to him)—

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- (a) Schedule 10 relief (as defined in paragraph 18 above) allowed for that trade ;
and
 - (b) relief under Part I or Part II of this Schedule allowed for that trade in respect
of earlier periods of account.
- (2) The amount of unrecovered past relief in any period of account is that aggregate
amount less the aggregate of the amounts on which charges by way of recovery of
relief have been made on that person for that trade in respect of earlier periods of
account.

Application to professions and foreign trades etc.

- 27 (1) The foregoing provisions of this Schedule have effect, with the necessary
modifications, in relation to professions and vocations chargeable under Case II of
Schedule D as they have effect in relation to trades chargeable under Case I of that
Schedule.
- (2) The foregoing provisions of this Schedule (including sub-paragraph (1) of this
paragraph) have effect, with the necessary modifications, in relation to trades,
professions and vocations carried on outside the United Kingdom and chargeable
under Case V of Schedule D otherwise than on a remittance basis as they have effect
in relation to trades, professions and vocations chargeable under Case I or Case II of
that Schedule, except that where, in charging the income from that trade, profession
or vocation, a deduction of one quarter of the amount of that income falls to be
allowed under section 23(3) of the Finance Act 1974 (income charged to income tax
otherwise than on remittance basis) the amount of relief under this Schedule shall be
confined to three-quarters of the amount which would have been applicable had the
trade, profession or vocation been chargeable under the said Case I or Case II.

Interpretation

- 28 (1) In this Schedule " period of account" means a period for which an account is made
up in relation to the trade, profession or vocation in question.
- (2) For the purposes of this Schedule a source of income is "within the charge to" income
tax or corporation tax if that tax is chargeable on the income arising from it, or would
be so chargeable if there were any such income, and references to a person or to
profits or gains, being within the charge to tax shall be similarly construed.
- 29 (1) Subject to the provisions of this paragraph, in this Schedule " trading stock" means
property of any description, whether real or personal, being either—
- (a) property such as is sold in the ordinary course of the trade, profession
or vocation in question, or would be so sold if it were mature or if its
manufacture, preparation or construction were complete ; or
 - (b) materials such as are used in the manufacture, preparation or construction of
any such property as is referred to in paragraph (a) above,
and includes work in progress.
- (2) Sub-paragraph (1) above does not apply to—
- (a) securities, which for this purpose includes stocks and shares; or
 - (b) land, other than such as is ordinarily sold in the course of the trade, profession
or vocation only—

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- (i) after being developed by the person carrying on the trade, profession or vocation, or
 - (ii) in the case of a company which is a member of a group, for the purpose of being developed by another company in that group ; or
 - (c) goods which the person carrying on the trade, profession or vocation has let on hire or hire-purchase.
- (3) In sub-paragraph (2) above, references to development are references to the construction or substantial reconstruction of buildings on the land in question and "group" shall be construed in accordance with section 272 of the Taxes Act.
- (4) For the purposes of this Schedule the value of a person's trading stock at any time shall be reduced to the extent to which payments on account have been made at or before that time in respect of that stock.
- (5) References in this Schedule to trading stock are to the trading stock brought into account in computing the profits or gains of a trade, profession or vocation in accordance with Case I or, as the case may be, Case II of Schedule D.
- (6) Where a person not resident in the United Kingdom carries on a trade partly within the United Kingdom and partly abroad, references in this Schedule to his trading stock are to the stock attributable to that part of the trade within the charge to United Kingdom tax.
- 30 In this Schedule " work in progress " means—
- (a) any services performed in the ordinary course of the trade, profession or vocation, the performance of which was partly completed at the material time and for which it would be reasonable to expect that a charge will subsequently be made; and
 - (b) any article produced, and any such material as is used, in the performance of any such services.
- 31 (1) In this Schedule " relevant income " in relation to a person carrying on a trade, profession or vocation, means the income from that trade, profession or vocation computed in accordance with the rules applicable to Case I or, as the case may be, Case II of Schedule D.
- (2) In computing, for the purposes of this Schedule, the relevant income for any period of account—
- (a) no account shall be taken of any set-off or reduction of income by virtue of section 168, 171, 174, 177 or 178 of the Taxes Act, in respect of losses ;
 - (b) no deduction or addition shall be made by virtue of any provision of this Schedule, in respect of any relief or charge; and
 - (c) no account shall be taken of any reduction in the value of trading stock directed by section 18 of the Finance Act 1975 or Schedule 10 to the Finance (No. 2) Act 1975
- but there shall be taken into account any deduction or addition in respect of capital allowances and balancing charges referable to that period of account.
- (3) In a case falling within Part I of this Schedule, the capital allowances and balancing charges referable to a period of account are—
- (a) the first year and initial allowances claimed for expenditure incurred in that period ;
 - (b) balancing allowances and charges on disposals in that period ; and

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- (c) the appropriate fraction of the writing down allowances for the year which in relation to that period of account is the relevant year of assessment for the purposes of the said Part I.
- (4) The appropriate fraction mentioned in sub-paragraph (3)(c) is the fraction of which the denominator is the number of months during which the trade was carried on in the relevant year of assessment and the numerator is the number of months during which the trade was carried on in the period of account.
- For the purposes of this sub-paragraph fractions of a month shall be disregarded.
- (5) In a case falling within Part II of this Schedule the capital allowances referable to a period of account are the allowances (less any balancing charges) for the accounting period or periods constituting that period of account.
- (6) In a case falling within Part III of this Schedule the relevant income for the base period there referred to is the aggregate amount of the relevant income for each of the periods of account comprising that period, and the capital allowances and balancing charges referable to each such period of account shall be ascertained as if those periods were periods to which Part I or, as the case may be, Part II of this Schedule applied.
- 32 Any reference in this Schedule to a period ending in another period includes a reference to a period ending on the same day as the other period.

SCHEDULE 6

Section 57.

SECTIONS TO BE SUBSTITUTED FOR SECTION 20 OF TAXES MANAGEMENT ACT 1970

“20 Power to call for documents of taxpayer and others.

- (1) Subject to this section, an inspector may by notice in writing require a person to deliver to him such documents as are in the person's possession or power and as (in the inspector's reasonable opinion) contain, or may contain, information relevant to any tax liability to which the person is or may be subject, or to the amount of any such liability.
- (2) Subject to this section, the Board may by notice in writing require a person to deliver, to a named officer of theirs, such documents as are in the person's possession or power and as (in the Board's reasonable opinion) contain, or may contain, information relevant to any tax liability to which he is or may be subject, or to the amount of any such liability.
- (3) Subject to this section, an inspector may, for the purpose of enquiring into the tax liability of any person (" the taxpayer "), by notice in writing require any of the persons who in relation to the taxpayer are subject to this subsection to deliver to the inspector or, if the person to whom the notice is given so elects, to make available for inspection by a named officer of the Board, such documents as are in his possession or power and as (in the inspector's reasonable opinion) contain, or may contain, information relevant to any tax liability to which the taxpayer is or may be, or may have been, subject, or to the amount of any such liability.
- (4) The persons so subject are—
- (a) the taxpayer's spouse, and any son or daughter of his ;

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- (b) in so far as the inspector's enquiries relate to liability of the taxpayer in respect of income, profits or gains that were, or may have been, derived from—
 - (i) any business (past or present) carried on by the taxpayer or his spouse, or
 - (ii) any business (past or present) with whose management either of them was concerned at a material time,any person who is carrying on a business, or was doing so at a material time, and any company whether carrying on a business or not.
- (5) For the purposes of subsection (4) above, every director of a company is to be taken as being concerned with the management of any business carried on by the company ; and a material time is any time which (in the inspector's reasonable opinion) is, or may have been, material in the ascertainment of any past or present tax liability of the taxpayer.
- (6) The persons who may be treated as " the taxpayer " under subsections (3) and (4) include a company which has ceased to exist and an individual who has died; and in relation to such an individual the references in subsection (4) to the spouse are then instead to the widow or widower (the circumstance that she or he may have re-married being immaterial for the purposes of those subsections).
- (7) Notices under this section are not to be given by an inspector unless he is authorised by the Board for its purposes; and—
 - (a) a notice is not to be given by him except with the consent of a General or Special Commissioner; and
 - (b) the Commissioner is to give his consent only on being satisfied that in all the circumstances the inspector is justified in proceeding under this section.
- (8) The references in subsections (1), (2) and (3) above to documents are to those specified or described in the notice in question ; and—
 - (a) the notice shall require them to be delivered or (as the case may be) made available within such time as may be there specified; and
 - (b) the person to whom they are delivered or made available may take copies of, or extracts from them;and a notice under subsection (3) shall name the taxpayer with whose liability the inspector (or, as the case may be, the Board) is concerned.
- (9) To the extent specified in section 20B below, the above provisions are subject to the restrictions of that section.

20A Power to call for papers of tax accountant.

- (1) Where after the passing of the Finance Act 1976 a person—
 - (a) is convicted of an offence in relation to tax (whenever committed) by or before any court in the United Kingdom ; or
 - (b) has awarded against him a penalty incurred by him (whether before or after the passing of that Act) under section 99 of this Act,and he has stood in relation to others as tax accountant, an inspector authorised by the Board for the purpose of this section may by notice in writing require the person to deliver to him such documents as are in his possession or power and as (in the inspector's reasonable opinion) contain information relevant to any tax liability to which any client of his is or has been, or may be or have been, subject, or to the amount of any such liability.

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For this purpose section 20(8) above applies, substituting " the client " for " the taxpayer."

- (2) Subsection (1) above does not have effect in relation to a person convicted or penalised as there mentioned for so long as an appeal is pending against the conviction or award ; and—
 - (a) for this purpose an appeal is to be treated as pending (where one is competent but has not been brought) until the expiration of the time for bringing it or, in the case of a conviction in Scotland, until the expiration of 28 days from the date of conviction ; and
 - (b) references here to appeal include further appeal but, in relation to the award of a penalty, do not include appeal against the amount of the penalty.
- (3) A notice is not to be given to any person under this section unless with the consent of the appropriate judicial authority ; and that authority is to give his consent only on being satisfied that in all the circumstances the inspector is justified in so proceeding.
- (4) The power to give a notice under this section, by reference to a person's conviction or the award against him of a penalty, ceases at the expiration of the period of 12 months beginning with the date on which it was first exercisable in his case by virtue of that conviction or award.
- (5) To the extent specified in section 20B below, the above provisions are subject to the restrictions of that section.

20B Restrictions on powers under ss. 20 and 20A.

- (1) Before a notice is given to a person by an inspector under section 20(1) or (3), or under section 20A, the person must have been given a reasonable opportunity to deliver (or, in the case of section 20(3), to deliver or make available) the documents in question ; and the inspector must not apply for consent under section 20(7) or, as the case may be, section 20A(3), until the person has been given that opportunity.
- (2) A notice under section 20(1) does not oblige a person to deliver documents relating to the conduct of any pending appeal by him ; a notice under section 20(3) does not oblige a person to deliver or make available documents relating to the conduct of a pending appeal by the taxpayer ; and a notice under section 20A does not oblige a person to deliver documents relating to the conduct of a pending appeal by the client.

" Appeal" means appeal relating to tax.
- (3) An inspector cannot under section 20(1) or (3), or under section 20A(1), give notice to a barrister, advocate or solicitor, but the notice must in any such case be given (if at all) by the Board ; and accordingly in relation to a barrister, advocate or solicitor for references in section 20(3) and (4) and section 20A to the inspector there are substituted references to the Board.
- (4) To comply with a notice under section 20(1) or section 20A(1), and as an alternative to delivering documents to comply with a notice under section 20(3), copies of documents may be delivered instead of the originals ; but—
 - (a) the copies must be photographic or otherwise by way of facsimile ; and
 - (b) if so required by the inspector (or, as the case may be, the Board) in the case of any documents specified in the requirement, the originals must be made

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available for inspection by a named officer of the Board (failure to comply with this requirement counting as failure to comply with the notice).

- (5) A notice under section 20(3), if given to a person who is carrying on a business or was doing so at any time material to the subject matter of the inspector's (or the Board's) enquiries, or if given to a company (whether carrying on a business or not), does not oblige the person or company to deliver or make available any document the whole of which originates more than 6 years before the date of the notice.
- (6) But subsection (5) does not apply where the notice is so expressed as to exclude the restrictions of that subsection ; and it can only be so expressed where—
 - (a) the notice being given by an inspector with consent under section 20(7), the Commissioner giving consent has also given approval to the exclusion ;
 - (b) the notice being given by the Board, they have applied to a General or Special Commissioner for, and obtained, that approval.

For this purpose the Commissioner gives approval only if satisfied, on the inspector's or the Board's application, that there is reasonable ground for believing that tax has, or may have been, lost to the Crown owing to the fraud of the taxpayer.

- (7) A notice under section 20(3) in relation to a taxpayer who has died cannot be given to a person by virtue of her or his being the taxpayer's widow, widower, son or daughter if more than 6 years have elapsed since the death.
- (8) A notice under section 20(3) or section 20A(1) does not oblige a barrister, advocate or a solicitor to deliver or make available, without his client's consent, any document with respect to which a claim to professional privilege could be maintained.
- (9) A notice under section 20(3) does not, in the case of a person who (in the course of a business carried on by him) has stood in relation to another as tax accountant, oblige that person to deliver or make available documents which are his (the accountant's) property and originate as working papers of that relationship.

20C Entry with warrant to obtain documents.

- (1) If the appropriate judicial authority is satisfied on information on oath given by an officer of the Board that—
 - (a) there is reasonable ground for suspecting that an offence involving any form of fraud in connection with, or in relation to, tax has been committed and that evidence of it is to be found on premises specified in the information; and
 - (b) in applying under this section, the officer acts with the approval of the Board given in relation to the particular case,the authority may issue a warrant in writing authorising an officer of the Board to enter the premises, if necessary by force, at any time within 14 days from the time of issue of the warrant, and search them.
- (2) Section 4A of the Inland Revenue Regulation Act 1890 (Board's functions to be exercisable by an officer acting under their authority) does not apply to the giving of Board approval under this section.
- (3) On entering the premises with a warrant under this section, the officer may seize and remove any things whatsoever found there which he has reasonable cause to believe may be required as evidence for the purposes of proceedings in respect of such an offence as is mentioned in subsection (1) above.

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But this does not authorise the seizure and removal of documents in the possession of a barrister, advocate or solicitor with respect to which a claim to professional privilege could be maintained.

- (4) Where entry to premises has been made with a warrant under this section, and the officer making the entry has seized any things under the authority of the warrant, he shall, if so requested by a person showing himself either—
- (a) to be the occupier of the premises ; or
 - (b) to have had the possession or custody of those things immediately before the seizure,
- provide that person with a list of them.
- (5) Where documents are seized which relate to any business, and it is shown that access to them is required for the continued conduct of the business, the officer who has seized them shall afford reasonable access to the documents to the person carrying on the business.

20D Interpretation of ss. 20 to 20C.

- (1) For the purposes of section 20A and 20C above, "the appropriate judicial authority" is—
- (a) in England and Wales, a Circuit judge ;
 - (b) in Scotland, a sheriff; and
 - (c) in Northern Ireland, a county court judge.
- (2) For the purposes of sections 20 and 20A, a person stands in relation to another as tax accountant at any time when he assists the other in the preparation of returns or accounts to be made or delivered by the other for any purpose of tax; and his clients are all those to whom he stands or has stood in that relationship.
- (3) In sections 20 and 20C above " business " includes trade, profession and vocation ; and in those sections and in section 20B " documents " includes books, accounts and other documents or records whatsoever.”

SCHEDULE 7

Section 64.

TAXATION OF DIRECTORS AND OTHERS IN RESPECT OF CARS

PART I

TABLES OF FLAT RATE CASH EQUIVALENTS

TABLE A

CARS WITH ORIGINAL MARKET VALUE UP TO
 £6,000 AND HAVING A CYLINDER CAPACITY

Cylinder capacity of car in cubic centimetres	Age of car at end of relevant year of assessment	
	Under 4 years	4 years or more
1,300 or less	£175	£120
More than 1,300, but not more than 1,800	£225	£150
More than 1,800	£350	£235

TABLE B

CARS WITH ORIGINAL MARKET VALUE UP TO
 £6,000 AND NOT HAVING A CYLINDER CAPACITY

Original market value of car	Age of car at end of relevant year of assessment	
	Under 4 years	4 years or more
Less than £2,000	£175	£120
£2,000 or more, but less than £3,000	£225	£150
£3,000 or more, but not more than £6,000	£350	£235

TABLE C

CARS WITH ORIGINAL MARKET VALUE MORE THAN £6,000

Original market value of car	Age of car at end of relevant year of assessment	
	Under 4 years	4 years or more
More than £6,000, but not more than £10,000	£500	£335
More than £10,000	£800	£535

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PART II

SUPPLEMENTARY PROVISIONS

Application of Tables A and B

- 1 (1) In the case of cars with an original market value of £6,000 or less, Table A applies to those having an internal combustion engine with one or more reciprocating pistons, and Table B applies to other cars.
- (2) A car's cylinder capacity is the cylinder capacity of its engine calculated as for the purposes of the Vehicles (Excise) Act 1971 or the Vehicles (Excise) Act (Northern Ireland) Act 1972.

Reduction for periods when car not available for use

- 2 (1) If for any part of the relevant year the car was unavailable, the cash equivalent is to be reduced by an amount which bears to the full amount of the equivalent (ascertained under Part I of this Schedule) the same proportion as the number of days in the year on which the car was unavailable bears to 365.
- (2) The car is to be treated as having been unavailable on any day if—
- (a) it was not made available to the employee until after that day, or it had ceased before that day to be available to him; or
 - (b) it was incapable of being used at all throughout a period of not less than 30 consecutive days of which that day was one.

Car used preponderantly for business purposes

- 3 (1) The cash equivalent derived from Table A, B or C is to be reduced (or, where paragraph 2 applies, further reduced) by half if it is shown to the inspector's satisfaction that the employee was required by the nature of his employment to make, and made use of the car preponderantly for business travel, which means that such travel must have amounted to at least 25,000 miles in the relevant year.
- (2) In relation to a car which for part of the year was unavailable in the sense of paragraph 2 above, the figure of 25,000 miles above mentioned is proportionately reduced.

Reduction for employee paying for use of car

- 4 If in the relevant year the employee was required, as a condition of the car being available for his private use, to pay any amount of money (whether by way of deduction from his emoluments or otherwise) for that use, the cash equivalent—
- (a) is to be reduced (or, if already reduced under the foregoing paragraphs, further reduced) by the amount so paid by the employee in or in respect of the year, or
 - (b) if that amount exceeds the equivalent shown in the applicable Table in Part I of this Schedule, is nil.

SCHEDULE 8

Section 66.

TAXATION OF BENEFIT FROM LOANS OBTAINED BY REASON OF EMPLOYMENT

PART I

MEANING OF " OBTAINED BY REASON OF EMPLOYMENT "

- 1 (1) The benefit of a loan is obtained by reason of a person's employment if it was made by his employer.
- (2) But this does not apply to a loan made by the employer, being an individual, and shown to have been made in the normal course of his domestic, family or personal relationships.
- 2 That benefit is so obtained if the loan was made by a company—
- (a) over which the employer had control,
 - (b) by which the employer (being a company) was controlled, or
 - (c) which was controlled by a person by whom the employer (being a company) was controlled.
- 3 That benefit is so obtained if—
- (a) the employer was or had control over, or was controlled by, a close company, and
 - (b) the loan was made by a person having a material interest in the close company or, the close company being controlled by another company, in that other company.
- 4 In this Part of this Schedule—
- (a) references to a loan being made by any person include references to his assuming the rights and liabilities of the person who originally made the loan and to his arranging, guaranteeing or in any way facilitating the continuation of a loan already in existence;
 - (b) " employer " includes a prospective employer ; and
 - (c) " company ", except as part of the expression " close company ", includes a partnership.

PART II

CALCULATION OF CASH EQUIVALENT OF LOAN BENEFIT

General

- 5 (1) The cash equivalent for any year of the benefit obtained from a loan is—
- (a) the amount of interest (calculated in accordance with paragraph 6 or 7 below) which would have been payable for that year had interest at the official rate been payable on the loan ; less
 - (b) the amount of interest actually paid on the loan for that year.
- (2) Where an assessment for any year in respect of a loan has been made or determined on the footing that the whole or part of the interest payable on the loan for that year was not in fact paid, but it is subsequently paid, then, on a claim in that behalf, the

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cash equivalent for that year shall be recalculated so as to take that payment into account and the assessment shall be adjusted accordingly.

- (3) All the loans between the same lender and borrower for which a cash equivalent falls to be ascertained and which are outstanding at any time, as to any amount, in any year are to be treated for the purposes of this Schedule as a single loan.

Normal method of calculation (averaging)

- 6 In the absence of a requirement or election that paragraph 7 below should apply, the amount of interest at the official rate payable on a loan for any year (" the relevant year ") shall be ascertained as follows:
- (a) take half the aggregate of—
 - (i) the maximum amount of the loan outstanding on 5th April preceding the relevant year or, if it was made in that year, on the date on which it was made, and
 - (ii) the maximum amount of the loan outstanding on 5th April in the relevant year or, if the loan was discharged in that year, the date of discharge ;
 - (b) multiply that figure by the number of whole months during which the loan was outstanding in that year, and divide by 12;
 - (c) multiply the result by the official rate of interest in force during the period when the loan was outstanding in that year or, if the official rate changed during that period, the average rate during that period ascertained by reference to the number of days in the period and the number of days for which each rate was in force.

For the purposes of this paragraph, months begin on the sixth day of the calendar month.

Election for alternative method of calculation

- 7 (1) For any year of assessment ("the relevant year") the alternative method of calculation set out in this paragraph applies if—
- (a) the inspector so requires, by notice in writing given to the employee, for the purpose of any assessment to income tax (or the adjustment of any such assessment in consequence of an appeal); or
 - (b) the employee so elects, by notice in writing given to the inspector within the time allowed by sub-paragraph (2) below.
- (2) An election by the employee must be made—
- (a) in a case where an assessment including the emoluments in question has been made on the basis of the normal method of calculation, within the time allowed for appealing against that assessment or such further time as the inspector may allow;
 - (b) where no such assessment has been made, within 6 years after the end of the relevant year of assessment.
- (3) The alternative method of calculating the amount of interest at the official rate payable on a loan for the relevant year is as follows—
- (a) take each period in the relevant year during which the official rate of interest remains the same ;

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- (b) for each such period take for each day in the period the maximum amount outstanding of the loan on that day, and add those amounts together ;
- (c) multiply that sum by the official rate in force during the period divided by 365; and
- (d) add together the resulting figures for each period in the relevant year.

PART III

EXCEPTIONS WHERE INTEREST ELIGIBLE FOR RELIEF

- 8 (1) In this Part of this Schedule " eligible for relief", in relation to interest, means eligible for relief under section 75 of the Finance Act 1972.
- (2) In determining for the purposes of this Part of this Schedule whether interest is eligible for relief there shall be disregarded the restriction imposed by section 75(3) of the Finance Act 1972 (which provides, in relation to certain loans taken out before 27th March 1974, that the first £35 of interest paid in any year is not eligible for relief).
- 9 Section 66(1) does not apply to a loan in any year—
- (a) for which interest is paid on the loan and the whole of that interest is eligible for relief, or
 - (b) for which no interest is paid on the loan but had interest been paid on it at the official rate the whole of that interest would have been eligible for relief.
- 10 Where for any year interest is paid on a loan and part of that interest is eligible for relief, the calculation of the cash equivalent under Part II of this Schedule is modified as follows:—
- (a) where paragraph 6 applies, the maximum amounts referred to in paragraph 6(a)(i) and (ii) shall be proportionately reduced by reference to the proportion which so much of the interest paid for that year as is not eligible for relief bears to the whole of the interest so paid ;
 - (b) where paragraph 7 applies, the maximum amounts referred to in paragraph 7(3)(b) shall be proportionally reduced by reference to the proportion which so much of the interest paid on each such amount for the day in question as is not eligible for relief bears to the whole of the interest so paid ; and
 - (c) the amount of interest eligible for relief shall be left out of account in ascertaining for the purposes of paragraph 5(1)(b) above the amount of interest paid for that year.
- 11 (1) Where for any year no interest is paid on a loan but had interest been paid on it at the official rate part of that interest would have been eligible for relief, the calculation of the cash equivalent under Part II of this Schedule shall be modified as provided by paragraph 10(a) or (b) above with the substitution for the references to the amounts of interest paid or not eligible for relief of references to the amounts (ascertained in accordance with the following provisions of this paragraph) which would have been paid or would not have been eligible for relief.
- (2) For the purposes of paragraph 10(a) as applied by this paragraph, the whole amount of interest at the official rate which would have been paid for any year shall be taken to be the amount payable for that year calculated in accordance with paragraph 6

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(disregarding paragraph 10); and the amount of that interest which would not have been eligible for relief shall be ascertained—

- (a) by finding that amount on the assumption that the amount referred to in paragraph 6(a)(i) was the amount outstanding for the whole year ;
 - (b) by finding that amount on the assumption that the amount referred to in paragraph 6(a)(ii) was the amount outstanding for the whole year ; and
 - (c) by adding together the resulting figures and dividing by 2.
- (3) For the purposes of paragraph 10(b) as applied by this paragraph, the amount of interest which would have been paid and the amount of it which would not have been eligible for relief shall be ascertained on the assumption that interest at the official rate was paid daily throughout the year on the maximum amount outstanding on each day.

SCHEDULE 9

Section 72.

AMENDMENTS OF TAX ACTS CONSEQUENT ON PART III, CHAPTER II

PART I

REPLACEMENT OF SECTION 15 OF THE [TAXES MANAGEMENT ACT 1970 \(C. 9\)](#)

Taxes Management Act 1970 (c. 9)

- 1 For section 15 of the Taxes Management Act 1970 (return of employees' emoluments, etc.) there shall be substituted the following section—

“15 Return of employees emoluments, etc.

- (1) Every employer, when required to do so by notice from an inspector, shall, within the time limited by the notice, prepare and deliver to the inspector a return relating to persons who are or have been employed by him, containing the information required under the following provisions of this section.
- (2) An employer shall not be required to include in his return information relating to a year of assessment beginning more than six years before the year of assessment in which the notice is given.
- (3) A notice under subsection (1)—
 - (a) shall specify the employees for whom a return is to be made and may, in particular, specify individuals (by name or otherwise) or all employees of an employer or all his employees who are in director's or higher-paid employment; and
 - (b) shall specify the years of assessment or other periods with respect to which the information is to be provided.
- (4) A notice under subsection (1) may require the return to state the name and place of residence of an employee to whom it relates.

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- (5) A notice under subsection (1) may require the return to contain, in respect of an employee to whom it relates, particulars of the payments made to him in respect of his employment including—
- (a) payments to him in respect of expenses (including sums put at his disposal and paid away by him),
 - (b) payments made on his behalf and not repaid, and
 - (c) payments to him for services rendered in connection with a trade or business, whether the services were rendered in the course of his employment or not.
- (6) Where, for the purposes of his return, an employer apportions expenses incurred partly in or in connection with a particular matter and partly in or in connection with other matters—
- (a) the return shall contain a statement that the sum included in the return is the result of such an apportionment; and
 - (b) if required to do so by notice from the inspector, he shall prepare and deliver to the inspector, within the time limited by the notice, a return containing full particulars as to the amount apportioned and the manner in which, and the grounds on which, the apportionment has been made.
- (7) A notice under subsection (1) may require the return—
- (a) to state in respect of an employee to whom it relates whether any benefits are or have been provided for him (or for any other person) by reason of his employment, such as may give rise to charges to tax under section 196 of the principal Act, section 36 or 37 of the Finance (No. 2) Act 1975 or sections 61 to 68 of the Finance Act 1976 (miscellaneous benefits in cash or in kind) ; and
 - (b) if such benefits are or have been provided, to contain such particulars of those benefits as may be specified in the notice.
- (8) Where such benefits are provided the notice may, without prejudice to subsection (7)(b), require the return to contain the following particulars—
- (a) where the benefits are or have been provided by the employer, particulars of the cost of providing them; and
 - (b) where the benefits are or have been provided otherwise than by the employer himself, the name and business address of any person who has (either by arrangement with the employer, or to his knowledge) provided them.
- (9) Where it appears to an inspector that a person has, in any year of assessment, been concerned in providing benefits to or in respect of employees of another, the inspector may at any time up to 6 years after the end of that year of assessment by notice require him to deliver to the inspector, within the time limited by the notice, such particulars of those benefits as may be specified in the notice (so far as known to him) and to include with those particulars the names and addresses (so far as known to him) of the employees concerned.
- (10) Where the employer is a body of persons, the secretary of the body or other officer (by whatever name called) performing the duties of secretary shall be treated as the employer for the purposes of this section. Provided that,

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where the employer is a body corporate, that body corporate, as well as the secretary or other officer, shall be liable to a penalty for failure to comply with this section.

(11) In this section—

- (a) " employee " means an office holder or employee whose emoluments fall to be assessed under Schedule E, and related expressions are to be construed accordingly; and
- (b) " director's or higher-paid employment" has the same meaning as in Chapter II of Part III of the Finance Act 1976.”.

2 For the year 1976-77 the section substituted by paragraph 1 above has effect as if the provisions of sections 64 and 68 of, and Schedule 7 to, this Act were in operation for that year.

3 In section 98(3) of the Taxes Management Act 1970, the reference in the Table to section 200 of the Taxes Act shall be omitted.

Income and Corporation Taxes Act 1970 (c. 10)

4 The following provisions and passages in the Taxes Act are hereby repealed—

- (a) in section 195, subsection (2) ;
- (b) in section 196(1), the words "and section 15 of the Taxes Management Act 1970 " ;
- (c) section 200.

Finance Act 1974 (c. 30)

5 In section 24 of the Finance Act 1974 (returns relating to persons treated as employees) for the words from " except paragraph (b)" to " are performed ;" there shall be substituted the words " shall apply as if the person for whose benefit the duties were performed were the employer, but only so as to require him to make a return of the name and place of residence of the person performing the duties ; ".

Savings

6 Nothing in this Part of this Act shall prejudice the validity of anything done before the passing of this Act for the purposes of section 15 of the Taxes Management Act 1970 or section 200 of the Taxes Act, including any notice given, return made or proceedings taken, and anything so done shall be complied with and proceeded with, and proceedings for failure to comply with those sections may be instituted or continued, as if this Part of this Act had not been passed.

PART II

OTHER AMENDMENTS

7 The amendments set out in this Part of this Schedule have effect for 1977-78 and subsequent years.

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Capital Allowances Act 1968 (c. 3)

- 8 In section 33 of the Capital Allowances Act 1968 (balancing allowances and charges), in paragraph (b) of the proviso to subsection (2) for the words " Part VIII" to the end there shall be substituted the words " Part III of the Finance Act 1976 ".
- 9 In section 34 of that Act (notional sales), in subsection (3), for the words " Part VIII of the principal Act" there shall be substituted the words " Part III of the Finance Act 1976 ".

Taxes Management Act 1970 (c. 9)

- 10 (1) In section 35(2) of the Taxes Management Act 1970, paragraph (a) shall be omitted.
- (2) Sub-paragraph (1) has effect in relation to income assessable for 1977-78 and subsequent years.
- 11 In Schedule 3 to that Act (rules for assigning proceedings to Commissioners), after paragraph 5A there shall be inserted—

“5B. An appeal against the decision of an inspector under section 65 of the Finance Act 1976.	The place where the employees concerned (or most of them) are employed.”
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Income and Corporation Taxes Act 1970 (c. 10)

- 12 In section 75 of the Taxes Act (sporting rights), in subsection (2), for the words from "section 196" to the end there shall be substituted the words " section 61 of the Finance Act 1976 ".
- 13 In section 185 of that Act (accommodation occupied by holder of office or employment), in subsection (4) for the words " 198(1) below " there shall be substituted the words " Chapter II of Part III of the Finance Act 1976 ".
- 14 (1) Sections 195 to 199 and 201 to 203 of that Act are hereby repealed.
- (2) Where there was in force under section 199 a notification that an inspector was satisfied that certain payments or other benefits provided by an employer would not result in additional tax liability under Chapter II of Part VIII of that Act, that notification shall, subject to the following provisions of this paragraph, continue in force as if made under section 70 of this Act in relation to tax liability under Chapter II of Part III of this Act.
- (3) Such a notification does not continue in force so far as it relates to benefits or facilities chargeable to tax under sections 64 to 68 of this Act.
- (4) The inspector may, if in his opinion there is reason to do so, by notice in writing served on the persons to whom the notification was given, revoke a notification continued in force by this paragraph, either from the date of its original making or as from such later date as may be specified in the notice; and then all such income tax becomes chargeable (whether under Chapter II of Part VII of the Taxes Act or Chapter II of Part III of this Act), and all such returns are to be made by that person and by the employees for whom the benefits or facilities are provided, as would have been chargeable or would have had to be made in the first instance if the notification had never been given or, as the case may be, it had ceased to have effect on the specified date.

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- 15 In section 284(2) of the Taxes Act (close company distributions), for the proviso there shall be substituted—
- “Provided that this subsection shall not apply to expense incurred in or in connection with the provision—
- (a) for a person employed in director's or higher-paid employment (within Chapter II of Part III of the Finance Act 1976) of such benefits as are mentioned in any of sections 61 to 68 of that Act; or
 - (b) for the spouse, children or dependants of a person employed by the company of any pension, annuity on that person's death or retirement.”.
- 16 In that section of that Act, for subsection (3) there shall be substituted the following subsection—
- “(3) The amount of the expense to be taken into account under subsection (2) above as a distribution shall be the same as would under Chapter II of Part III of the Finance Act 1976 be the cash equivalent of the resultant benefit to the participator.”.

SCHEDULE 10

Section 73.

RELIEF FOR BUSINESS PROPERTY

Preliminary

- 1 In this Schedule "transfer of value" includes a distribution payment made and a capital distribution treated as made, and references to the amount transferred by a transfer of value and to a transferor shall be construed as including respectively the amount of such a payment or distribution and the trustees of the settlement concerned.

Nature of relief

- 2 (1) Where the whole or part of the value transferred by a transfer of value is attributable to the value of any relevant business property and the transfer is made after 6th April 1976, the whole or that part of the value transferred shall be treated as reduced by 30 per cent., but subject to the following provisions of this Schedule.
- (2) For the purposes of this paragraph, the value transferred by a transfer of value shall be calculated as a value on which no tax is chargeable.

Relevant business property

- 3 (1) Subject to the following provisions of this paragraph and to paragraphs 4, 5 and 8(3) below, in this Schedule "relevant business property" means, in relation to any transfer of value,—
- (a) property consisting of a business or interest in a business ;
 - (b) shares in or securities of a company which (either by themselves or together with other such shares or securities owned by the transferor) gave the transferor control of the company immediately before the transfer; and

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- (c) any land or building, machinery or plant which, immediately before the transfer, was used wholly or mainly for the purposes of a business carried on by a company of which the transferor then had control or by a partnership of which he then was a partner ;
and " business" includes a business carried on in the exercise of a profession or vocation, but does not include a business carried on otherwise than for gain.
- (2) Subject to sub-paragraph (3) below, a business or interest in a business, or shares in or securities of a company are not relevant business property, if the business or, as the case may be, the business carried on by the company, consists wholly or mainly of one or more of the following, that is to say, dealing in securities, stocks or shares, land or buildings or making or holding investments.
- (3) Sub-paragraph (2) above—
- (a) does not apply to any property if the business concerned is that of a jobber (as defined in section 477 of the Taxes Act) or discount house and is carried on in the United Kingdom, and
- (b) does not apply to shares in or securities of a company if the business of the company consists wholly or mainly in being a holding company of one or more companies whose business does not fall within that sub-paragraph.
- (4) Where any property would be relevant business property in relation to a transfer of value but a binding contract for its sale has been entered into at the time of the transfer, it is not relevant business property in relation to the transfer unless—
- (a) the property is a business or interest in a business and the sale is to a company which is to carry on the business and is made in consideration wholly or mainly of shares in or securities of that company ; or
- (b) the property is shares in or securities of a company and the sale is made for the purpose of reconstruction or amalgamation.
- (5) Shares in or securities of a company are not relevant business property in relation to a transfer of value if at the time of the transfer a winding-up order has been made in respect of the company or the company has passed a resolution for voluntary winding-up or is otherwise in process of liquidation, unless the business of the company is to continue to be carried on after a reconstruction or amalgamation and the reconstruction or amalgamation either is the purpose of the winding-up or liquidation or takes place not later than one year after the transfer of value.
- (6) Land, a building, machinery or plant owned by the transferor and used wholly or mainly for the purposes of a business carried on as mentioned in sub-paragraph (1) (c) above is not relevant business property in relation to a transfer of value, unless the transferor's interest in the business is or, as the case may be, shares or securities of the company carrying on the business immediately before the transfer are, relevant business property in relation to the transfer.

Minimum period of ownership

- 4 (1) Property is not relevant business property in relation to a transfer of value unless—
- (a) it was owned by the transferor throughout the two years immediately preceding the transfer ; or
- (b) it replaced other property and it, the other property and any property directly or indirectly replaced by the other property were owned by the transferor for

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periods which together comprised at least two years falling within the five years immediately preceding the transfer of value ;

and, in the case of paragraph (b) above, any other property concerned was such that, had the transfer of value been made immediately before the property was replaced, that property would (apart from this paragraph) have been relevant business property in relation to the transfer.

- (2) Subject to sub-paragraph (3) below, in a case falling within sub-paragraph (1)(b) above relief under this Schedule shall not exceed what it would have been had the replacement or any one or more of the replacements not been made.
 - (3) For the purposes of sub-paragraph (2) above changes resulting from the formation, alteration or dissolution of a partnership or from the acquisition of a business by a company controlled by the former owner of the business shall be disregarded.
 - (4) For the purposes of this paragraph, where the transferor became entitled to any property on the death of another person—
 - (a) he shall be deemed to have owned it from the date of the death ; and
 - (b) if that other person was his spouse he shall also be deemed to have owned it for any period during which the spouse owned it.
- 5 (1) Where—
- (a) the whole or part of the value transferred by a transfer of value (in this paragraph referred to as the earlier transfer) was eligible for relief under this Schedule (or would have been so eligible if such relief had been capable of being given in respect of transfers of value made at that time) ; and
 - (b) the whole or part of the property which, in relation to the earlier transfer, was relevant business property became, through the earlier transfer, the property of the person or of the spouse of the person who is the transferor in relation to a subsequent transfer of value; and
 - (c) that property or part, or any property directly or indirectly replacing it would (apart from paragraph 4 above) have been relevant business property in relation to the subsequent transfer of value ; and
 - (d) either the earlier transfer was, or the subsequent transfer of value is, a transfer made on the death of the transferor ;
- the property which would have been relevant business property but for paragraph 4 above shall be relevant business property notwithstanding that paragraph.
- (2) Where the property which, by virtue of sub-paragraph (1) above, is relevant business property replaced the property or part referred to in paragraph (c) of that sub-paragraph, relief under this Schedule shall not exceed what it would have been had the replacement or any one or more of the replacements not been made, but paragraph 4(3) above shall apply with the necessary modifications for the purposes of this sub-paragraph.
 - (3) Where, under the earlier transfer, the amount of the value transferred which was attributable to the property or part referred to in sub-paragraph (1)(c) above was part only of its value, a like part only of the value which (apart from this sub-paragraph) would fall to be reduced under this Schedule by virtue of this paragraph shall be so reduced.

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Value of business

- 6 For the purposes of this Schedule the value of a business or of an interest in a business shall be taken to be the value which would be its net value if determined under paragraph 14(2) of Schedule 4 to the Finance Act 1975.

Value of shares in or securities of certain companies

- 7 Where a company is a member of a group and the business of any other company which is a member of the group falls within paragraph 3(2) above, then, unless either—
- (a) that business also falls within paragraph 3(3) above, or
 - (b) that business consists wholly or mainly in the holding of land or buildings wholly or mainly occupied by members of the group whose business either does not fall within paragraph 3(2) above or falls within both that paragraph and paragraph 3(3) above,
- the value of shares in or securities of the company shall be taken for the purposes of this Schedule to be what it would be if that other company were not a member of the group.

Exclusion of value of excepted assets

- 8 (1) In determining for the purposes of this Schedule what part of the value transferred by a transfer of value is attributable to the value of any relevant business property so much of the last-mentioned value as is attributable to any excepted assets within the meaning of sub-paragraph (2) below shall be left out of account.
- (2) An asset is an excepted asset in relation to any relevant business property if it was not either used wholly or mainly for the purposes of the business concerned throughout the whole or the last two years of the relevant period defined in sub-paragraph (5) below, or required at the time of the transfer for future use for those purposes ; but where the business concerned is carried on by a company which is a member of a group, the use of an asset for the purposes of a business carried on by another company which at the time of the use and immediately before the transfer was also a member of that group shall be treated as use for the purposes of the business concerned, unless that other company's membership of the group falls to be disregarded under paragraph 7 above.
- (3) Sub-paragraph (2) above does not apply in relation to an asset which is relevant business property by virtue only of paragraph 3(1)(c) above, but an asset is not relevant business property by virtue only of that paragraph unless either—
- (a) it was used as mentioned in that paragraph throughout the two years immediately preceding the transfer of value ; or
 - (b) it replaced another asset so used and it and the other asset and any asset directly or indirectly replaced by that other asset were so used for periods which together comprised at least two years falling within the five years immediately preceding the transfer of value ;
- but in a case where paragraph 5 above applies this condition shall be treated as satisfied if the asset (or it and the asset or assets replaced by it) was or were so used throughout the period between the earlier and the subsequent transfer mentioned in that paragraph (or throughout the part of that period during which it or they were owned by the transferor or the transferor's spouse).

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- (4) Where part but not the whole of any land or building is used exclusively for the purposes of any business and the land or building would, but for this sub-paragraph, be an excepted asset, or, as the case may be, prevented by sub-paragraph (3) above from being relevant business property, the part so used and the remainder shall for the purposes of this paragraph be treated as separate assets, and the value of the part so used shall (if it would otherwise be less) be taken to be such proportion of the value of the whole as may be just.
- (5) For the purposes of this paragraph the relevant period, in relation to any asset, is the period immediately preceding the transfer of value during which the asset (or, if the relevant business property is an interest in a business, a corresponding interest in the asset) was owned by the transferor or, if the business concerned is that of a company, was owned by that company or any other company which immediately before the transfer of value was a member of the same group.
- (6) For the purposes of this paragraph an asset shall be deemed not to have been used wholly or mainly for the purposes of the business concerned at any time when it was used wholly or mainly for the personal benefit of the transferor or of a person connected with him.

Avoidance of double relief

- 9 So much of the value transferred by a transfer of value as is attributable to shares in or securities of a company which would not have been sufficient, without any other property, to give the transferor control of the company immediately before the transfer shall not be reduced under this Schedule, if the value of the shares or securities is taken, by virtue of paragraph 9A of Schedule 10 to the Finance Act 1975, to be less than the value previously determined.
- 10 Where any part of the value transferred by a transfer of value is reduced under Schedule 8 to the Finance Act 1975 by reference to the agricultural value of any property, or would be so reduced but for paragraph 1(2A) thereof, such part of the value transferred as is or would be so reduced under that Schedule shall not be reduced under this Schedule.
- 11 Where the value transferred by a transfer of value is reduced under paragraph 4 of Schedule 9 to the Finance Act 1975 by reference to the tax chargeable on the disposal of any trees or underwood, the value to be reduced under paragraph 2 above shall be the value as reduced under the said paragraph 4 (but subject to paragraph 2(2) above).
- 12 Where, under section 22(5) of the Finance Act 1975, any value is included in the value of a person's estate immediately before his death, the value so included shall not be reduced under this Schedule.

Meaning of " group ", " holding company ", " subsidiary " and " contro"l

- 13 (1) For the purposes of this Schedule a company and all its subsidiaries are members of a group, and " holding company " and " subsidiary " have the same meanings as in section 154 of the Companies Act 1948.
- (2) Paragraph 13(7) of Schedule 4 to the Finance Act 1975 (control of company) applies for the purposes of this Schedule.

SCHEDULE 11

Section 76.

WORKS OF ART, HISTORIC BUILDINGS ETC.: CONSEQUENTIAL AMENDMENTS

The Finance Act 1965

- 1 (1) For sections 31 and 32 of the Finance Act 1965 there shall be substituted

“31 Works of art etc.

- (1) A gain accruing on the disposal of an asset by way of gift shall not be a chargeable gain if the asset is property falling within sub-paragraph (2) of paragraph 13 of Schedule 6 to the Finance Act 1975 (gifts for public benefit) and the Treasury give a direction in relation to it under sub-paragraph (1) of that paragraph.
- (2) A gain shall not be a chargeable gain if it accrues on the disposal of an asset with respect to which a capital transfer tax undertaking or an undertaking under the following provisions of this section has been given and—
- (a) the disposal is by way of sale by private treaty to a body mentioned in paragraph 12 of the said Schedule 6 (museums, etc) or is to such a body otherwise than by sale ; or
 - (b) the disposal is to the Board in pursuance of paragraph 17 of Schedule 4 to the said Act of 1975 or in accordance with directions given by the Treasury under section 50 or 51 of the Finance Act 1946 (acceptance of property in satisfaction of tax).
- (3) Subsection (4) below shall have effect in respect of the disposal of any asset which is property which has been or could be designated under section 77 of the Finance Act 1976, being—
- (a) a disposal by way of gift, including a gift in settlement ; or
 - (b) a disposal of settled property by the trustee on an occasion when, under section 25(3) or (4) of this Act, the trustee is deemed to dispose of and immediately re-acquire settled property,
- if the requisite undertaking described in the said section 77 (maintenance, preservation and access) is given by such person as the Treasury think appropriate in the circumstances of the case.
- (4) The person making a disposal to which subsection (3) above applies and the person acquiring the asset on the disposal shall be treated for all the purposes of this Part of this Act as if the asset was acquired from the one making the disposal for a consideration of such an amount as would secure that on the disposal neither a gain nor a loss would accrue to the one making the disposal.
- (5) If—
- (a) there is a sale of the asset and capital transfer tax is chargeable under section 78 of the Finance Act 1976 (or would be chargeable if a capital transfer tax undertaking as well as an undertaking under this section had been given); or
 - (b) the Treasury are satisfied that at any time during the period for which any such undertaking was given it has not been observed in a material respect,

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the person selling that asset or, as the case may be, the owner of the asset shall be treated for the purposes of this Part of this Act as having sold the asset for a consideration equal to its market value, and, in the case of a failure to comply with the undertaking, having immediately re-acquired it for a consideration equal to its market value.

- (6) The period for which an undertaking under this section is given shall be until the person beneficially entitled to the asset dies or it is disposed of, whether by sale or gift or otherwise ; and if the asset subject to the undertaking is disposed of—
- (a) otherwise than on sale ; and
 - (b) without a further undertaking being given under this section,

subsection (5) above shall apply as if the asset had been sold to an individual. References in this subsection to a disposal shall be construed without regard to any provision of this Part of this Act under which an asset is deemed to be disposed of.

- (7) Where under subsection (5) above a person is treated as having sold for a consideration equal to its market value any asset within section 77(1)(c), (d) or (e) of the Finance Act 1976, he shall also be treated as having sold and immediately re-acquired for a consideration equal to its market value any asset associated with it; but the Treasury may direct that the foregoing provisions of this subsection shall not have effect in any case in which it appears to them that the entity consisting of the asset and any assets associated with it has not been materially affected.

For the purposes of this subsection two or more assets are associated with each other if one of them is a building falling within the said section 77(1) (c) and the other or others such land or objects as, in relation to that building, fall within the said section 77(1)(d) or (e).

- (8) If in pursuance of subsection (5) above a person is treated as having on any occasion sold an asset and capital transfer tax becomes chargeable on the same occasion, then, in determining the value of the asset for the purposes of that tax, an allowance shall be made for the capital gains tax chargeable on any chargeable gain accruing on that occasion.

- (9) In this section "capital transfer tax undertaking" means an undertaking under sections 76 to 81 of the Finance Act 1976 or section 31 or 34 of the Finance Act 1975."

- (2) This paragraph does not affect the continued operation of sections 31 and 32 of the said Act of 1965, in the form in which they were before 13th March 1975, in relation to estate duty in respect of deaths occurring before that date.

The Finance Act 1975

- 2 In section 26(2) of the Finance Act 1975 after the words "of this Act" (where they first occur) there shall be inserted the words " or section 78 of the Finance Act 1976 ".

- 3 In paragraphs 2(7), 12(4) and 19(1)(c) of Schedule 4 to that Act after the words " of this Act" there shall be inserted the words " or section 78 of the Finance Act 1976 ".

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- 4 In paragraph 11(2) of Schedule 5 to that Act after the words " this Act" (in both places where they occur) there shall be inserted the words " or section 76 of the Finance Act 1976 ".
- 5 In paragraph 16 of Schedule 6 to that Act after the words " paragraphs 1 and 10 to 13 above " there shall be inserted the words " and sections 76 and 84 of the Finance Act 1976. "

The Finance (No. 2) Act 1975

- 6 Section 56 shall be omitted.

SCHEDULE 12

Sections 99 and 119.

TRANSFERS WITHIN THREE YEARS BEFORE DEATH

Interpretation

- 1 In this Schedule—
- " close company " has the same meaning as in section 39 of the Finance Act 1975 ;
 - " interest in land " does not include any estate, interest or right by way of mortgage or other security ;
 - " shares " includes securities ;
 - " the principal section " means section 99 of this Act;
- and expressions used in the principal section have the same meanings as in that section.

Shares—capital receipts

- 2 (1) If the transferred property consists of shares and at any time before the relevant date the transferee or his spouse becomes entitled to a capital payment in respect of them, then for the purposes of the principal section the market value of the transferred property on the relevant date shall (except where apart from this paragraph it reflects a right to the payment) be taken to be increased by an amount equal to the payment.
- (2) If at any time before the relevant date the transferee or his spouse receives or becomes entitled to receive in respect of the transferred property a provisional allotment of shares and disposes of the rights, the amount of the consideration for the disposal shall be treated for the purposes of this paragraph as a capital payment in respect of the transferred property.
- (3) In this paragraph "capital payment" means any money or money's worth which does not constitute income for the purposes of income tax.

Payments of calls

- 3 If the transferred property consists of shares and at any time before the relevant date the transferee or his spouse becomes liable to make a payment in pursuance of a call in respect of them, then for the purposes of the principal section the market value of the transferred property on the relevant date shall (except where apart from

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this paragraph it reflects the liability) be taken to be reduced by an amount equal to the payment.

Reorganisation of share capital etc.

- 4 (1) This paragraph has effect where the transferred property consists of shares in relation to which there occurs before the relevant date a transaction to which paragraph 4 of Schedule 7 to the Finance Act 1965 applies or would apply but for section 53 of this Act, that is to say—
- (a) a reorganisation, within the meaning of that paragraph, or reduction of the share capital of a company; or
 - (b) the conversion of securities within the meaning of paragraph 5 of that Schedule ; or
 - (c) the issue by a company of shares in exchange for shares in another company in such circumstances that paragraph 6 of that Schedule applies ; or
 - (d) the issue by a company of shares under such an arrangement as is referred to in paragraph 7 of that Schedule ;
- or any transaction relating to a unit trust scheme which corresponds to any of the transactions referred to in paragraphs (a) to (d) above and to which paragraph 4 of that Schedule applies by virtue of section 45(8) of the Finance Act 1965.
- (2) In the following provisions of this paragraph "the original shares " and " the new holding " shall be construed in accordance with the said paragraph 4.
- (3) Where this paragraph has effect the original shares and the new holding shall be treated as the same property for the purposes of the principal section and this Schedule.
- (4) Where this paragraph has effect and, as part of or in connection with the transaction concerned, the transferee or his spouse becomes liable to give any consideration for the new holding or any part of it, then for the purposes of the principal section the market value of the transferred property on the relevant date shall (except where apart from this paragraph it reflects the liability) be taken to be reduced by an amount equal to that consideration.
- (5) For the purposes of sub-paragraph (4) above, there shall not be treated as consideration given for the new holding or any part of it—
- (a) any surrender, cancellation or other alteration of any of the original shares or of the rights attached thereto, or
 - (b) any consideration consisting of any application, in paying up the new holding or any part of it, of assets of the company concerned or of any dividend or other distribution declared out of those assets but not made.

Transfers of value etc. by close companies

- 5 (1) This paragraph applies where the transferred property consists of shares in a close company and at any time after the chargeable transfer and before the relevant date there is a relevant transaction in relation to the shares ; and for this purpose " relevant transaction " means a transaction which is—
- (a) the making of a transfer of value by the company, or
 - (b) an alteration in so much of the company's share or loan capital as does not consist of shares quoted on a recognised stock exchange or an alteration in

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- any rights attaching to shares in or debentures of the company which are not so quoted,
but which does not give rise to an adjustment, under any of the preceding paragraphs of this Schedule, in the market value of the transferred property on the relevant date.
- (2) Subject to sub-paragraphs (3) and (4) below, where this paragraph applies the market value of the transferred property on the relevant date shall for the purposes of the principal section be taken to be increased by an amount equal to the difference between—
- (a) the market value of the transferred property at the time of the chargeable transfer, and
 - (b) what that value would have been if the relevant transaction had occurred before rather than after that time.
- (3) Where the relevant transaction is the making by the company of a transfer of value by which the value of the estate of the person who made the chargeable transfer or, if his spouse is domiciled in the United Kingdom, his spouse is increased by any amount, the increase provided for by sub-paragraph (2) above shall be reduced by that amount'.
- (4) Where the market value of the transferred property at the time of the chargeable transfer is less than it would have been as mentioned in sub-paragraph (2) above, that sub-paragraph shall apply as if, instead of providing for an increase, it provided for the market value on the relevant date to be reduced to what it would have been if the relevant transaction had not occurred.

Interests in land

- 6 (1) Where the transferred property is an interest in land in relation to which the conditions mentioned in sub-paragraph (2) below are not satisfied, then, subject to sub-paragraphs (3) and (4) below, the market value of the transferred property on the relevant date shall for the purposes of the principal section be taken to be increased by an amount equal to the difference between—
- (a) the market value of the interest at the time of the chargeable transfer, and
 - (b) what that market value would have been if the circumstances prevailing on the relevant date and by reason of which the conditions are not satisfied had prevailed at the time of the chargeable transfer.
- (2) The conditions referred to in sub-paragraph (1) above are—
- (a) that the interest was the same in all respects and with the same incidents at the time of the chargeable transfer and on the relevant date, and
 - (b) that the land in which the interest subsists was in the same state and with the same incidents at the time of the chargeable transfer and on the relevant date.
- (3) If after the date of the chargeable transfer but before the relevant date compensation becomes payable under any enactment to the transferee or his spouse—
- (a) because of the imposition of a restriction on the use or development of the land in which the interest subsists, or
 - (b) because the value of the interest is reduced for any other reason,
- the imposition of the restriction or the other cause of the reduction in value shall be ignored for the purposes of sub-paragraphs (1) and (2) above, but the market value of the interest on the relevant date shall be taken to be increased by an amount equal to the amount of the compensation.

Status: This is the original version (as it was originally enacted).

- (4) Where the market value of the interest at the time of the chargeable transfer is less than it would have been as mentioned in sub-paragraph (1) above, that sub-paragraph shall apply as if, instead of providing for an increase, it provided for the market value on the relevant date to be reduced to what it would have been if the change in circumstances by reason of which the conditions mentioned in sub-paragraph (2) above are not satisfied had not occurred.

Leases

- 7 (1) Where the transferred property is the interest of a lessee under a lease the duration of which at the time of the chargeable transfer does not exceed fifty years, then for the purposes of the principal section the market value of the interest on the relevant date shall be taken to be increased by an amount equal to the appropriate fraction of the market value of the interest at the time of the chargeable transfer.

- (2) In sub-paragraph (1) above, " the appropriate fraction" means the fraction—

$$\frac{P(1) - P(2)}{P(1)}$$

where

P(1) is the percentage that would be derived from the Table in paragraph 1 of Schedule 8 to the Finance Act 1965 (capital gains: leases) for the duration of the lease at the time of the chargeable transfer, and

P(2) is the percentage that would be so derived for the duration of the lease on the relevant date.

Other property

- 8 (1) Where the transferred property is neither shares nor an interest in land and the condition mentioned in sub-paragraph (2) below is not satisfied in relation to it, then, subject to sub-paragraph (3) and paragraph 9 below, the market value of the property on the relevant date shall for the purposes of the principal section be taken to be increased by an amount equal to the difference between—

- (a) the market value of the property at the time of the chargeable transfer, and
- (b) what that value would have been if the circumstances prevailing at the relevant date and by reason of which the condition is not satisfied had prevailed at the time of the chargeable transfer.

- (2) The condition referred to in sub-paragraph (1) above is that the transferred property was the same in all respects at the time of the chargeable transfer and on the relevant date.

- (3) Where the market value of the transferred property at the time of the chargeable transfer is less than it would have been as mentioned in sub-paragraph (1) above, that sub-paragraph shall apply as if, instead of providing for an increase, it provided for the market value on the relevant date to be reduced to what it would have been if the property had remained the same in all respects as it was at the time of the chargeable transfer.

- 9 Where the transferred property is neither shares nor an interest in land and during the period between the time of the chargeable transfer and the relevant date benefits

in money or money's worth are derived from it which exceed a reasonable return on its market value at the time of the chargeable transfer, then—

- (a) any effect of the benefits on the transferred property shall be ignored for the purposes of paragraph 8 above ; but
- (b) the market value of the transferred property on the relevant date shall be taken for the purposes of the principal section to be increased by an amount equal to the said excess.

SCHEDULE 13

Section 101.

FALLS IN VALUE OF LAND AFTER DEATH [PROVISIONS ADDED TO SCHEDULE 10 TO FINANCE ACT 1975]

“PART III

VALUATION OF INTERESTS IN LAND SOLD WITHIN THREE YEARS OF DEATH

Interpretation

31 (1) In this Part of this Schedule—

" the appropriate person ", in relation to any interest in land comprised in a person's estate immediately before his death, means the person liable for tax attributable to the value of that interest or, if there is more than one such person and one of them is in fact paying the tax, that person;

" interest in land " does not include any estate, interest or right by way of mortgage or other security ;

" sale price ", in relation to any interest in land, means the price for which it is sold or, if greater, the best consideration that could reasonably have been obtained for it at the time of the sale ;

" sale value ", in relation to any interest in land, means its sale price as increased or reduced under the following provisions of this Part of this Schedule ;

" value on death ", in relation to any interest in land comprised in a person's estate immediately before his death, means the value which, apart from this Part of this Schedule (and apart from paragraph 9A above) would be its value as part of that estate for the purposes of tax.

(2) For the purposes of this Part of this Schedule—

- (a) the personal representatives of the deceased, and
- (b) the trustees of a settlement,

shall each be treated as a single and continuing body of persons (distinct from the persons who may from time to time be the personal representatives or trustees).

The relief

32 (1) Where—

Status: This is the original version (as it was originally enacted).

- (a) an interest in land is comprised in a person's estate immediately before his death and is sold by the appropriate person within the period of three years immediately following the date of the death, and
- (b) the appropriate person makes a claim under this paragraph stating the capacity in which he makes it,

the value for the purposes of tax of that interest and of any other interest in land comprised in that estate and sold within that period by the person making the claim acting in the same capacity shall, subject to the following provisions of this Part of this Schedule, be its sale value.

(2) Sub-paragraph (1) above shall not apply to an interest if its sale value would differ from its value on death by less than the lower of—

- (a) £1,000, and
- (b) 5 per cent. of its value on death.

(3) Sub-paragraph (1) above shall not apply to an interest if its sale is—

- (a) a sale by a personal representative or trustee to—
 - (i) a person who, at any time between the death and the sale, has been beneficially entitled to, or to an interest in possession in, property comprising the interest sold, or
 - (ii) the spouse or a child or remoter descendant of a person within sub-paragraph (i) above, or
 - (iii) trustees of a settlement under which a person within sub-paragraph (i) or (ii) above has an interest in possession in property comprising the interest sold ; or
- (b) a sale in connection with which the vendor or any person within sub-paragraph (i), (ii) or (iii) of paragraph (a) above obtains a right to acquire the interest sold or any other interest in the same land ;

and for the purposes of this sub-paragraph a person shall be treated as having in the property comprised in an unadministered estate (within the meaning of paragraph 22(2) of Schedule 5 to this Act) the same interest as he would have if the administration of the estate had been completed.

(4) In the following provisions of this Part of this Schedule, any reference to the interests to which a claim relates is a reference to the interests to which this paragraph applies by virtue of the claim.

Adjustment for changes between death and sale

- 33** (1) Where the conditions mentioned in sub-paragraph (2) below are not satisfied in relation to any interest to which the claim relates then, subject to sub-paragraphs (3) and (4) below, an addition shall be made to the sale price of the interest; and the amount of the addition shall be equal to the difference between—
- (a) the value on death of the interest, and
 - (b) what that value would have been if the circumstances prevailing at the date of the sale and by reason of which the conditions are not satisfied had prevailed immediately before the death.
- (2) The conditions referred to in sub-paragraph (1) above are—
- (a) that the interest was the same in all respects and with the same incidents at the date of the death and at the date of the sale ; and

- (b) that the land in which the interest subsists was in the same state and with the same incidents at the date of the death and at the date of the sale.
- (3) If after the date of the death but before the date of the sale compensation becomes payable under any enactment to the appropriate person or any other person liable for tax attributable to the value of the interest—
 - (a) because of the imposition of a restriction on the use or development of the land in which the interest subsists, or
 - (b) because the value of the interest is reduced for any other reason,the imposition of the restriction or the other cause of the reduction in value shall be ignored for the purposes of sub-paragraphs (1) and (2) above, but there shall be added to the sale price of the interest an amount equal to the amount of compensation.
- (4) Where the value on death of an interest is less than it would have been as mentioned in sub-paragraph (1) above, that sub-paragraph shall apply as if, instead of providing for an addition to be made to the sale price, it provided for that price to be reduced to what it would have been if the change in circumstances by reason of which the conditions mentioned in sub-paragraph (2) above are not satisfied had not occurred.

Leases

- 34** (1) Where the claim relates to an interest which is the interest of a lessee under a lease the duration of which at the date of the death does not exceed fifty years, an addition shall be made to the sale price of the interest; and the amount of the addition shall be equal to the appropriate fraction of the value on death of the interest.
- (2) In sub-paragraph (1) above, " the appropriate fraction " means the fraction—
- $$\frac{P(1) - P(2)}{P(1)}$$

where—

P(1) is the percentage that would be derived from the Table in paragraph 1 of Schedule 8 to the Finance Act 1965 (capital gains: leases) for the duration of the lease at the date of the death, and

P(2) is the percentage that would be so derived for the duration of the lease at the date of the sale.

Adjustment for valuation by reference to other interests

- 35** If in determining the value on death of any interest to which the claim relates, any other interests, whether in the same or other land, were taken into account, an addition shall be made to the sale price of the interest; and the amount of the addition shall be equal to the difference between the value on death of the interest and the value which would have been the value on death if no other interests had been taken into account.

Adjustment for certain sales and exchanges

- 36** (1) This paragraph applies where a person who makes a claim under paragraph 32 above, acting in the same capacity as that in which he makes the claim—
- (a) sells an interest to which paragraph 32 would apply but for sub-paragraph (3) of that paragraph, or

(b) within the period of three years immediately following the date of the death exchanges (with or without any payment by way of equality of exchange) any interest in land which was comprised in the deceased's estate immediately before his death,

and the sale price of the interest, or in the case of an exchange its market value at the date of the exchange, exceeds its value on death.

(2) Where this paragraph applies, an addition shall be made to the sale price of any interest to which the claim relates ; and the amount of the addition—

(a) if the claim relates to one interest only, shall be equal to the excess referred to in sub-paragraph (1) above, and

(b) if the claim relates to more than one interest, shall be equal to the appropriate fraction of that excess.

(3) In sub-paragraph (2) above "the appropriate fraction" in relation to any interest to which this claim relates is the fraction of which—

(a) the numerator is the difference between the value on death of that interest and its sale price as adjusted under paragraphs 33 to 35 above, and

(b) the denominator is the aggregate of that difference and the corresponding differences for all the other interests to which the claim relates ;

and the aggregate referred to in paragraph (b) above shall be calculated without regard to which is the greater, in the case of any particular interest, of its value on death and its sale price.

Adjustment for purchases

37 (1) This paragraph applies where a claim is made under paragraph 32 above and, at any time during the period beginning on the date of the death and ending four months after the last of the sales referred to in sub-paragraph (1) of that paragraph, the person making the claim purchases any interests in land in the same capacity as that in which he makes the claim.

(2) If the aggregate of the purchase prices of all the interests purchased as mentioned in sub-paragraph (1) above equals or exceeds the aggregate of the sale prices, as adjusted under paragraphs 33 to 35 above, of all the interests to which the claim relates, this Part of this Schedule shall not apply in relation to the claim ; but otherwise sub-paragraph (3) below shall have effect, and in that sub-paragraph "the appropriate fraction" means the fraction of which—

(a) the numerator is the aggregate of the said purchase prices, and

(b) the denominator is the aggregate of the said sale prices.

(3) Subject to sub-paragraph (4) below, where this sub-paragraph has effect an addition shall be made to the sale price of every interest to which the claim relates; and the amount of the addition shall be equal to the appropriate fraction of the difference between the value on death of the interest and its sale price as adjusted under paragraphs 33 to 36 above.

(4) Where the value on death of an interest is less than its sale price as adjusted under paragraphs 33 to 36 above, sub-paragraph (3) above shall apply as if it provided for a reduction instead of an increase in the sale price.

Status: This is the original version (as it was originally enacted).

Compulsory acquisition more than three years after death

- 38** (1) If after the end of the period of three years immediately following the date of the death an interest in land is acquired from the appropriate person in pursuance of a notice to treat served before the death or within that period by an authority possessing powers of compulsory acquisition, then, subject to the following sub-paragraphs, this Part of this Schedule shall apply in relation to the interest as it applies in relation to interests sold within that period.
- (2) Sub-paragraph (1) above shall not have effect in relation to an interest if its sale value would exceed its value on death.
- (3) In determining the period referred to in paragraph 37(1) above, no account shall be taken of the sale of an interest in relation to which sub-paragraph (1) above has effect; and if the claim relates only to such interests, paragraph 37 shall not apply in relation to the claim.

Supplementary

- 39** In any case where, for the purposes of this Part of this Schedule, it is necessary to determine the price at which any interest was purchased or sold or the best consideration that could reasonably have been obtained on the sale of any interest, no account shall be taken of expenses (whether by way of commission, stamp duty or otherwise) which are incidental to the sale or purchase.
- 40** (1) Subject to the following sub-paragraphs, the date on which an interest in land is sold or purchased by the appropriate person shall for the purposes of this Part of this Schedule be taken to be the date on which he enters into a contract to sell or purchase it.
- (2) If the sale or purchase of any interest by the appropriate person results from the exercise (whether by him or by any other person) of an option granted not more than six months earlier, the date on which the interest is sold or purchased shall be taken to be the date on which the option was granted.
- (3) If an interest is acquired from the appropriate person in pursuance of a notice to treat served by an authority possessing powers of compulsory acquisition, the date on which the interest is sold shall, subject to sub-paragraph (4) below, be taken to be the date on which compensation for the acquisition is agreed or otherwise determined (variations on appeal being disregarded for this purpose) or, if earlier, the date when the authority enter on the land in pursuance of their powers.
- (4) If an interest in land is acquired from the appropriate person—
- (a) in England, Scotland or Wales by virtue of a general vesting declaration within the meaning of Schedule 3 to the Town and Country Planning Act 1968 or, in Scotland, Schedule 24 to the Town and Country Planning (Scotland) Act 1972, or
- (b) in Northern Ireland, by way of a vesting order,
- the date on which it is sold by the appropriate person shall be taken to be the last day of the period specified in the declaration or, in Northern Ireland, the date on which the vesting order becomes operative.”

Status: This is the original version (as it was originally enacted).

SCHEDULE 14

Section 112.

SETTLED PROPERTY

Interpretation

1 References in the following provisions of this Schedule to sections or Schedules are, except where otherwise indicated, references to sections of or Schedules to the Finance Act 1975.

Capital distributions

2 In section 51(1), after the definition of " the Board " there shall be inserted—
 “" capital distribution " has the same meaning as in Schedule 5 to this Act, and includes a capital distribution treated as made by virtue of any provision of that Schedule ;”.

3 After subsection (2) of section 51 there shall be inserted—
 “(2A) Subsection (2) above shall not have effect in relation to capital distributions ; but, except where the context otherwise requires, references in this Part of this Act to chargeable transfers or to the values transferred by them shall be construed as including references to capital distributions or to the amounts on which tax is chargeable in respect of them.”

4 In paragraph 2(1) of Schedule 4, after paragraph (b) there shall be inserted the words
 “or
 (c) is liable as trustee of a settlement for tax on a capital distribution, or would be so liable if tax were chargeable on it;”.

5 At the end of paragraph 6 of Schedule 4 there shall be added—
 “(6) References in this paragraph to transfers of value or to the values transferred by them shall be construed as including references to capital distributions or to the amounts on which tax is chargeable in respect of them.”

6 (1) Paragraph 16 of Schedule 4 shall be amended as follows.
 (2) In sub-paragraph (5), for the words " transfer of value " there shall be substituted the words " chargeable transfer ".
 (3) For sub-paragraph (6) there shall be substituted—

 “(6) The reference in sub-paragraph (5) above to any previous chargeable transfer made by the same transferor means, in relation to a chargeable transfer which is a capital distribution, any previous capital distribution made out of property comprised in the same settlement other than a capital distribution treated as made under paragraph 12 of Schedule 5 to this Act.”

 (4) In sub-paragraph (7), after die word "day" there shall be inserted the words " and capital distributions made out of property comprised in the same settlement on the same day ".

7 At the end of paragraph 25 of Schedule 4 there shall be added—

Status: This is the original version (as it was originally enacted).

“(5) References in this paragraph to a transfer of value, or to the value transferred by a transfer of value, shall be construed as including references to a capital distribution or to the amount on which tax is chargeable in respect of a capital distribution.”

8 (1) In paragraph 12(3) of Schedule 5, for the words "next capital distribution " onwards there shall be substituted the words " next capital distribution made out of the property or, as the case may be, out of the part concerned, not being a capital distribution treated as made under that sub-paragraph. "

(2) At the end of paragraph 13(1) of Schedule 5 there shall be added the words " not being a capital distribution treated as made under paragraph 12 above ".

9 At the end of paragraph 11 of Schedule 10, there shall be added—

“(5) References in this paragraph to a transfer of value shall be construed as including references to a capital distribution.”

Interests in possession in Scotland

10 In paragraph 1(9) of Schedule 5, for the word " Schedule " there shall be substituted the words " Part of this Act " and for the words from " actually " to " that interest" there shall be substituted the words " by virtue of which the person in right of that interest is entitled to the enjoyment of the property or would be so entitled if the property were capable of enjoyment ".

Charge on capital distributions

11 In paragraph 6(5) of Schedule 5, for the words " ; and in relation " onwards there shall be substituted the words " or, in the case of a capital distribution treated as made under sub-paragraph (2) above or paragraph 15(3) below, any tax which is payable out of the property whose value is taken as the amount of the capital distribution ; and in relation to a capital distribution treated as made under sub-paragraph (3) above or paragraph 12 or 24(2) below, sub-paragraph (4)(a) above shall have effect as if the words " less the tax payable on it" were omitted ".

Settlor etc. becoming entitled to interest in possession

12 (1) Paragraph 6 of Schedule 5 shall have effect, and shall be deemed always to have had effect, as if after sub-paragraph (6) there were inserted—

“(6A) Where the person referred to in sub-paragraph (2) above is the settlor, the settlor's spouse or, if the settlor has died less than two years before the time there referred to, the settlor's widow or widower, and is domiciled in the United Kingdom at that time, that sub-paragraph shall have effect as if the reference in it to a capital distribution were a reference to a distribution payment to the settlor or, as the case may be, the settlor's spouse, widow or widower”.

(2) Paragraph 11(8) of Schedule 5 shall have effect, and shall be deemed always to have had effect, as if after the words " this sub-paragraph " in each place where they occur there were inserted the words " or paragraph 6(6A) above ".

Status: This is the original version (as it was originally enacted).

Non-resident beneficiaries

- 13 The following provisions shall cease to have effect—
- (a) in section 22(3)(a), the words from "and resident" to " occurred " ;
 - (b) in paragraph 4(6) of Schedule 5, the words from "and resident" to " end " ;
 - (c) in paragraph 6(6) of Schedule 5, the words from " and resident " to the end ;
 - (d) in paragraph 14(5) of Schedule 5, the words from "and resident" to the end.

Distribution payments made on same day

- 14 (1) After paragraph 10 of Schedule 5 there shall be inserted—
- “10A Where a capital distribution is made on the same day and out of property comprised in the same settlement as a distribution payment that is not a capital distribution, the capital distribution shall for the purpose of paragraphs 7 to 9 above be treated as made before the distribution payment.”.
- (2) This paragraph has effect in relation to distribution payments made after 15th April 1976.

Settlements of excluded property

- 15 (1) In determining for the purposes of any provision of Schedule 5 whether there has been a transfer of value which satisfies the conditions stated in sub-paragraph (2) of paragraph 11 of that Schedule or what is the relevant transfer within the meaning of that sub-paragraph in relation to any settlement, the fact that any property is excluded property shall be ignored.
- (2) This paragraph shall be deemed to have come into force on 16th April 1976.

Partially exempt transfers into settlement

- 16 In paragraph 11(2) of Schedule 5, after the words "where it was not a chargeable transfer" there shall be inserted the words " (or was a chargeable transfer of some only of the value transferred by it) ".

Periodic charge to tax

- 17 For paragraph 12(7) of Schedule 5 there shall be substituted—
- “(7) Paragraph 11 above shall apply for the interpretation of this paragraph as it applies for the interpretation of paragraphs 6 to 10, except that paragraph 11(4) shall be disregarded in determining in relation to any settled property whether the trustees are resident in the United Kingdom.”

Superannuation schemes

- 18 Paragraph 16(1) of Schedule 5 shall have effect, and shall be deemed always to have had effect, as if after the words "that Act applies " there were inserted the words " to any scheme approved under section 226 or 226A of that Act ".

Protective trusts

- 19 (1) In paragraph 18 of Schedule 5, for paragraph (a) of sub-paragraph (2) there shall be substituted—
- “(a) tax shall not be charged under paragraph 4(2) above on the coming to an end of the principal beneficiary's interest in the property if the property is then held on discretionary trusts to the like effect as those specified in paragraph (ii) of the said section 33(1)”.
- (2) This paragraph shall be deemed to have come into force on 16th April 1976.

Liability of settlor

- 20 Section 25(3)(d) (which imposes liability for tax on the settlor where the trustees are non-resident) shall not apply, and shall be deemed never to have applied, in relation to a settlement made before 11th December 1974 if—
- (a) the trustees were resident in the United Kingdom when the settlement was made, and
- (b) in the case of a chargeable transfer made after 10th December 1974, the trustees have not been resident in the United Kingdom at any time during the period between that date and the time of the transfer.

SCHEDULE 15

Section 132.

REPEALS

PART I

CUSTOMS AND EXCISE

Chapter	Short Title	Extent of Repeal
15 & 16 Geo. 6 & 1 Eliz. 2 c. 44.	The Customs and Excise Act 1952.	Section 34(1 A). In section 105(1) the word "spirits" where it first occurs. In section 160(1) the words "or retailer of". In section 307 the definition of "non-excisable cider".
1967 c. 54.	The Finance Act 1967.	In Schedule 6, paragraph 2.
1971 c. 12.	The Hydrocarbon Oil (Customs & Excise) Act 1971.	In Schedule 1, paragraph 6.

1. The repeals in section 307 of the Customs and Excise Act 1952 and section 15 of and Schedule 3 to the Finance (No. 2) Act 1975 take effect on 6th September 1976.

2. The repeals in section 34 of the Customs and Excise Act 1952, in the European Communities Act 1972 and in section 16 of the Finance (No. 2) Act 1975 take effect on the coming into force of the first regulations under section 15 of this Act.

Status: This is the original version (as it was originally enacted).

Chapter	Short Title	Extent of Repeal
1972 c. 68.	The European Communities Act 1972.	In Schedule 4, paragraph 2(2).
1973 c. 51.	The Finance Act 1973.	In section 1, in subsection (4) the words from " or any obligation " onwards and in subsection (5)(b) the words "the Hydrocarbon Oil (Customs & Excise) Act 1971 and" and " and substitute for any relief under the Act of 1971 such relief as may be specified in the order "
1975 c. 45.	The Finance (No. 2) Act 1975.	Section 7. In section 15(6) the definition of " non-excisable cider ". Section 16(6). In Schedule 3, in paragraph 44(d)(i) the words "and of " non-excisable cider " "

1. The repeals in section 307 of the Customs and Excise Act 1952 and section 15 of and Schedule 3 to the Finance (No. 2) Act 1975 take effect on 6th September 1976.
2. The repeals in section 34 of the Customs and Excise Act 1952, in the European Communities Act 1972 and in section 16 of the Finance (No. 2) Act 1975 take effect on the coming into force of the first regulations under section 15 of this Act.

PART II

VALUE ADDED TAX

Chapter	Short Title	Extent of Repeal
1972 c. 41.	The Finance Act 1972.	In section 31(1), the word " taxable ". In Schedule 3, paragraph 3.

The repeal in Schedule 3 to the Finance Act 1972 takes effect on the day referred to in section 20(3) of this Act.

PART III

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Chapter	Short Title	Extent of Repeal
1968 c. 3.	The Capital Allowances Act 1968.	Section 20(2) to (5). In section 24, in subsection (2), the words " by

Status: This is the original version (as it was originally enacted).

Chapter	Short Title	Extent of Repeal
		<p>virtue of section 20(3), or", in subsection (3) the words " section 20(4) or" and in subsection (4) the words " section 20(7) or, as the case may be ".</p> <p>In section 26(6) the words " section 20(4) or ".</p> <p>In section 31(1) the words " determined in accordance with the subsequent provisions of the said section 20 ".</p> <p>In Schedule 4—</p> <ul style="list-style-type: none">in paragraph 1, in sub-paragraph (2) the words "section 20(3) or" (in both places), "or under that subsection " and " as the case may be", in sub-paragraph (3) the words " section 20(4) or ", "section 281 or", "the said section 20(4) or " and " as the case may be ", and sub-paragraph (4);in paragraph 2, sub-paragraph (2), in sub-paragraph (4) the words "section 20(4) or, as the case may be" and "(2) or", in sub-paragraph (5)(a) the words " section 20(3) or ", in sub-paragraph (5) (b) the words "(2) or", "section 20(3) or ", " as the case may be " (where next occurring) and " sub-paragraph (2)(c) or, as the case may be ";in paragraph 3, in sub-paragraph (1) the words " section 281(2) or, as the case may be", in sub-paragraph (2) the words "281 or" and in sub-paragraph (3) the

Status: This is the original version (as it was originally enacted).

Chapter	Short Title	Extent of Repeal
1970 c. 9.	The Taxes Management Act 1970.	words "section 20(1) or, as the case may be,". In section 35(2), paragraph (a). In section 67(1) the words " or in the sheriff's small debt court, whichever is appropriate ", In the Table in section 98(3), in the first column, the reference to section 200 of the Taxes Act.
1970 c. 10.	The Income and Corporation Taxes Act 1970.	Section 24(2). In section 38(1), the proviso. Sections 195 to 203. Section 315(7) and (8). Section 473(2). In section 498(1), the proviso. Section 513. In Schedule 12, Parts I and II and, in Part III, paragraphs 1, 3(1) and (2), 4 and 5.
1972 c. 41.	The Finance Act 1972.	Section 68(2).
1973 c. 51.	The Finance Act 1973.	Section 42. Schedule 17.
1974 c. 30.	The Finance Act 1974.	Section 18.
1975 c. 7.	The Finance Act 1975.	In Schedule 12, paragraphs 14 and 15.
1975 c. 45.	The Finance (No. 2) Act 1975.	Section 30(1) and (2). Section 32. Section 35. In section 37(6) the words " and subsection (6)."." Section 56. Section 65. In Schedule 10, paragraphs 1(2)(b) and 6(2)(b). Schedule 11.

Status: This is the original version (as it was originally enacted).

1. The repeals in the Capital Allowances Act 1968 have effect for any new chargeable period within the meaning of section 39 of this Act.
2. The repeal in section 67(I) of the Taxes Management Act 1970 comes into force on 1st September 1976.
3. The following repeals have effect for 1977-78 and subsequent years—
 - (a) the repeal in section 35(2) of the Taxes Management Act 1970;
 - (b) the repeal of sections 195 to 199 of the Taxes Act (except the repeals mentioned in paragraph 4(a) and (b) of Schedule 9 to this Act); and
 - (c) the repeal of sections 201 to 203 of the Taxes Act.
4. In the case of the enactments mentioned in paragraphs 3, 4 and 14 of Schedule 9 to this Act, their repeal is subject as mentioned in paragraphs 6 and 14 of that Schedule.
5. In the case of the enactments mentioned in section 49(2)(a) to (c) of this Act, their repeal is subject as mentioned in section 49(7).
6. The repeal of section 68(2) of the Finance Act 1972 has effect as respects disposals after 15th April 1976.
7. The repeals in Schedule 12 to the Finance Act 1975 and of section 56 of the Finance (No. 2) Act 1975 come into force on 7th April 1976.
8. The repeal of section 24(2) of the Income and Corporation Taxes Act 1970 and section 32 of the Finance (No. 2) Act 1975 does not affect the operation of those provisions in relation to any allowance or benefit payable in respect of a period before the appointed day for the purposes of the Child Benefit Act 1975 and the Child Benefit (Northern Ireland) Order 1975.
9. The repeal of section 35 of the Finance (No. 2) Act 1975 has effect from 6th April 1976.

PART IV

LIFE POLICIES

Chapter	Short Title	Extent of Repeal
1970 c. 10.	The Income and Corporation Taxes Act 1970.	<p>In section 19, in subsection (2)(a)(iii) and (iv) the word " with "; and subsection (7).</p> <p>In section 20, in subsection (1), paragraph (a) and the words " on the amount of the premium paid by him or "; subsection (2); in subsection (4), the words " premiums or other"; in subsection (5), the words " premium or" and the proviso; and subsection (6).</p> <p>In section 21, in subsection (4), the words " premiums or " and the words following paragraph (b).</p> <p>In section 25, in subsection (2), the words " section 19 or ".</p> <p>In section 230(7)(b) the words " from income tax ".</p>

These repeals have effect for the year 1979-80 and subsequent years.

Status: This is the original version (as it was originally enacted).

Chapter	Short Title	Extent of Repeal
1971 c. 68. 1975 c. 7.	The Finance Act 1971. The Finance Act 1975.	In section 39(1)(c) the words " 19 or " In Schedule 1, paragraph 4(1)(d)(iii), and the word " and " preceding it. Section 33(3)(e). In section 9, in subsection (4), the words " increase in " in the second place where they occur.

These repeals have effect for the year 1979-80 and subsequent years.

PART V

CAPITAL TRANSFER TAX

Chapter	Short Title	Extent of Repeal
1975 c. 7.	The Finance Act 1975.	In section 22(3)(a), the words from " and resident" to " occurred " Section 39(7). Section 41. In Schedule 5— in paragraph 4(6), the words from " and resident" to "end"; in paragraph 6(6), the words from " and resident " to the end; paragraph 6(7); paragraph 12(8); in paragraph 14(5), the words from " and resident " to the end. In Schedule 6, paragraph 9 and in paragraph 15(3)(b) the words " is given subject to an interest reserved or created by the donor or " In Schedule 8, paragraphs 1(1)(a) and 9 and, in paragraph 10, the words from

The repeals in Schedule 8 to the Finance Act 1975 have effect in relation to chargeable transfers made after 6th April 1976.

Status: This is the original version (as it was originally enacted).

Chapter	Short Title	Extent of Repeal
		" and the multiplied " to the end.

The repeals in Schedule 8 to the Finance Act 1975 have effect in relation to chargeable transfers made after 6th April 1976.

PART VI

STAMP DUTY

Chapter	Short Title	Extent of Repeal
54 & 55 Vict. c. 39.	The Stamp Act 1891.	Section 115. Schedule 2.
10 & 11 Geo. 5. c. 18.	The Finance Act 1920.	Section 37(3).
2 & 3 Geo. 6. c. 41.	The Finance Act 1939.	Section 37.
9 & 10 Geo. 6. c. 64.	The Finance Act 1946.	Section 54(5).
10 & 11 Geo. 6. c. 17 (N.I.).	The Finance (No. 2) Act (Northern Ireland) 1946.	Section 25(5).
1963 c. 25.	The Finance Act 1963.	Section 58(1) and (3). Section 62(3).
1967 c. 54.	The Finance Act 1967.	Section 29(5)(a).
1970 c. 24.	The Finance Act 1970.	In section 33, in subsection (1) the words " being instruments executed for the purposes of stock exchange transactions as defined in section 4(1) of the Stock Transfer Act 1963 ", and subsection (3).
1970 c. 21 (N.I.).	The Finance Act (Northern Ireland) 1970.	Section 8.
1971 c. 68.	The Finance Act 1971.	Section 65.
S.I. 1972 No. 1100 (N.I. 11).	The Finance (Northern Ireland) Order 1972.	Article 11.
1974 c. 30.	The Finance Act 1974.	In Schedule 11, paragraphs 6, 7, 8, 16 and 17.

Status: This is the original version (as it was originally enacted).

PART VII

MISCELLANEOUS

Chapter	Short Title	Extent of Repeal
17 & 18 Geo. 5. c. 10.	The Finance Act 1927.	Section 53.
6 & 7 Geo. 6. c. 20 (N.I.).	The Finance (No. 2) Act (Northern Ireland) 1942.	Section 2.
1961 c. 10 (N.I.).	The Finance Act (Northern Ireland) 1961.	Section 13.
1968 c. 17 (N.I.).	The Finance Act (Northern Ireland) 1968.	Section 22.
1972 c. 41.	The Finance Act 1972.	In section 119(2)(a) the words " or section 39 of the Finance Act 1974 ".
1974 c. 30.	The Finance Act 1974.	Section 39(5). In section 44(2) the words " (subject to Schedule 5 to this Act) ". Schedule 5. In Schedule 6, paragraph 8(2).