



Finance (No. 2) Act 1987

1987 CHAPTER 51

PART I

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

PROFIT-RELATED PAY

Preliminary

1—17.^{F1}

Textual Amendments

F1 Ss. 1–17 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#)

CHAPTER II

PERSONAL PENSION SCHEMES

18—
57.^{F2}

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

Textual Amendments

F2 Ss. 18–57 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#); See [Finance Act 1988 \(c. 39, SIF 63:1, 2\)](#), s. 54 for changes to ss. 20(3), 54(1)(3), 55 and 56(1)(2) regarding commencement date of personal pension schemes.

CHAPTER III

GENERAL

58— ^{F3}
63.

Textual Amendments

F3 Ss. 58–63 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#); See [Finance Act 1988 \(c. 39, SIF 63:1, 2\)](#), s. 65, [Sch. 6 para. 3\(6\)](#)—abolition of Schedule D election for commercial woodlands.

^{F4}**64**

Textual Amendments

F4 S. 64 repealed (6.4.1992 with effect as mentioned in s. 289(1), 1992 c. 12) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), s. 290, [Sch.12](#) (with ss. 60, 201(3), [Sch. 11 paras. 22, 26\(2\), 27](#))

65— **Controlled foreign companies: acceptable distribution policy.**
68. ^{F5}

Textual Amendments

F5 Ss. 65–68 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#)

Miscellaneous

69 Disclosure of employment information obtained from Inland Revenue.

- (1) Section 58 of the ^{M1}Finance Act 1969 (disclosure of information for statistical purposes by Board of Inland Revenue) shall be amended in accordance with this section.
- (2) At the end of subsection (4) (cases in which information obtained under the section may be disclosed by officers of the Department of Employment or Manpower Services Commission to other persons) there shall be added “or

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

- (c) to an authorised officer of any body specified in the first column of the following Table for the purposes of functions of that body under any enactment specified in relation to it in the second column of the Table.

TABLE

<i>Body</i>	<i>Enactment</i>
A local education authority in England and Wales.	Section 8 of the M2 Employment and Training Act 1973.
An education authority in Scotland.	Section 126 of the M3 Education (Scotland) Act 1980.
The Northern Ireland Training Authority.	The M4 Industrial Training (Northern Ireland) Order 1984.
A local planning authority within the meaning of the M5 Town and Country Planning Act 1971 and any board which exercises for any area the functions of such an authority.	Part II of the Town and Country Planning Act 1971.
A planning authority as defined in section 172(3) of the M6 Local Government (Scotland) Act 1973.	Part II of the M7 Town and Country Planning (Scotland) Act 1972.
The Welsh Development Agency.	The M8 Welsh Development Agency Act 1975.
The Scottish Development Agency.	The M9 Scottish Development Agency Act 1975.
The Development Board for Rural Wales.	The M10 Development of Rural Wales Act 1976.
The Highlands and Islands Development Board.	The M11 M12 Highlands and Islands Development (Scotland) Acts 1965 and 1968.

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

<p>A development corporation within the meaning of the ^{M13} New Towns Act 1981.</p>	<p>Section 4 of the New Towns Act 1981.</p>
<p>A development corporation within the meaning of the ^{M14} New Towns (Scotland) Act 1968.</p>	<p>Section 3 of the New Towns (Scotland) Act 1968.</p>
<p>A new town commission within the meaning of the ^{M15} New Towns Act (Northern Ireland) 1965.</p>	<p>Section 7 of the New Towns Act (Northern Ireland) 1965.”</p>

(3) In subsection (6) for the words “or paragraph (b) of subsection (4)” there shall be substituted “ paragraph (b) or paragraph (c) of subsection (4) above ”.

Marginal Citations

M1 1969 c. 32.
M2 1973 c. 50.
M3 1980 c. 44.
M4 S.I. 1984/1159 (N.I. 9).
M5 1971 c. 78.
M6 1973 c. 65.
M7 1972 c. 52.
M8 1975 c. 70.
M9 1975 c. 69.
M10 1976 c. 75.
M11 1965 c. 46.
M12 1968 c. 51.
M13 1981 c. 64.
M14 1968 c. 16.
M15 1965 c. 13 (N.I).

70, 71. ^{F6}

Textual Amendments

F6 Ss. 70, 71, 74–77 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#); See [Finance Act 1988 \(c. 39, SIF 63:1, 2\)](#), s. 60 for amendments to s. 70 for years 1985–86 to 1987–88

72 ^{F7}

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

Textual Amendments

F7 S. 72 repealed by [Capital Allowances Act 1990 \(c. 1, SIF 63:1\)](#), s. 164(4)(5), **Sch. 2**

^{F8}**73**

Textual Amendments

F8 S. 73 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), s. 290, **Sch.12** (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

CHAPTER IV

CAPITAL GAINS

Companies' chargeable gains

74— General rules.

77. ^{F9}

Textual Amendments

F9 Ss. 70, 71, 74–77 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, **Sch. 31**; See [Finance Act 1988 \(c. 39, SIF 63:1, 2\)](#), s. 60 for amendments to s. 70 for years 1985–86 to 1987–88

Miscellaneous

78 ^{F10}

Textual Amendments

F10 S. 78 repealed by [Finance Act 1989 \(c. 26\)](#) ss. 140(6), 187(1), Sch. 17 Pt VII for cases determined in relation to disposals on or after 14.3.1989.

^{F11}**79**

Textual Amendments

F11 S. 79 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), s. 290, **Sch.12** (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

F12 80

Textual Amendments
F12 S. 80 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by Taxation of Chargeable Gains Act 1992 (c. 12), s. 290, Sch.12 (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

F13 81

Textual Amendments
F13 S. 81 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by Taxation of Chargeable Gains Act 1992 (c. 12), s. 290, Sch.12 (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

CHAPTER V

TAXES MANAGEMENT PROVISIONS

Company returns

F14 82

Textual Amendments
F14 S. 82 repealed (31.7.1998) by 1998 c. 36, s. 165, Sch. 27 Pt. III Group 28

F15 83

Textual Amendments
F15 S. 83 repealed (31.7.1998) by 1998 c. 36, s. 165, Sch. 27 Pt. III Group 28

84 (1) F16

(4) At the end of section 70 of the Management Act (evidential certificates) there shall be inserted the following subsection—

“(5) Where an amount has been assessed by way of penalty under section 94 of this Act and either no appeal has been brought against that assessment or the amount assessed has been confirmed or varied on appeal,—

(a) a certificate of an inspector or other officer of the Board that an amount is due by way of penalty under that section, and

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

- (b) a certificate of a collector that payment of that amount has not been made to him or, to the best of his knowledge and belief, to any other collector, or to a person acting on his behalf or on behalf of another collector,

shall be sufficient evidence that the amount mentioned in the certificates is unpaid and is due to the Crown; and any document purporting to be such a certificate as is mentioned in this subsection shall be deemed to be such a certificate unless the contrary is proved.”

(5) ^{F17}

(9) This section has effect with respect to penalties incurred after the appointed day.

Textual Amendments

F16 S. 84(1)–(3) repealed by Finance Act 1989, s. 187, Sch. 17 Pt. VIII

F17 S. 84(5)–(8) repealed by Finance Act 1989, s. 187, Sch. 17 Pt. VIII

Modifications etc. (not altering text)

C1 Taxes Management Act 1970 (c. 9, SIF 63:1), s. 70(5) repealed by Finance Act 1989, s. 187, Sch. 17 Pt. VIII

85 Interest on overdue corporation tax etc.

With respect to accounting periods ending after the appointed day, after section 87 of the Management Act there shall be inserted the following section—

“87A Interest on overdue corporation tax etc.

- (1) Corporation tax shall carry interest at the [^{F18}rate applicable under section 178 of the Finance Act 1989] from the date when the tax becomes due and payable (in accordance with section [^{F19}10] of the principal Act) until payment.
- (2) Subsection (1) above applies even if the date when the tax becomes due and payable (as mentioned in that subsection) is a non-business day within the meaning of section 92 of the ^{M16}Bills of Exchange Act 1882.
- (3) In relation to corporation tax assessed by virtue of section [^{F20}346(2) or 347(1) of the principal Act, section 267(3C) or 278(5) of the Income and Corporation Taxes Act 1970][^{F21}, section 96(8) of the Finance Act 1990] or section 87(4) of the ^{M17}Capital Gains Tax Act 1979 (which enable unpaid corporation tax assessed on a company to be assessed on other persons in certain circumstances), the reference in subsection (1) above to the date when the tax becomes due and payable is a reference to the date when it became due and payable by the company.
- (4) [^{F22}Subject to subsection (7) below] in any case where—
- (a) there is in any accounting period of a company (in this subsection referred to as “the later period”) an amount of surplus advance corporation tax, as defined in subsection (3) of section [^{F23}239 of the principal Act], and

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

- (b) pursuant to a claim under the said subsection (3), the whole or any part of that amount is treated for the purposes of the said section [F²³239] as discharging liability for an amount of corporation tax for an earlier accounting period (in this subsection referred to as “the earlier period”), and
- (c) disregarding the effect of the said subsection (3), an amount of corporation tax for the earlier period would carry interest in accordance with this section,

then, in determining the amount of interest payable under this section on corporation tax unpaid for the earlier period, no account shall be taken of any reduction in the amount of that tax which results from the said subsection (3) except so far as concerns interest for any time after the date on which any corporation tax for the later period became due and payable (as mentioned in subsection (1) above).

- (5) A sum assessed on a company by such an assessment as is referred to in [F²⁴section 252(5) of the principal Act] (recovery of payment of tax credit or interest on such a payment) shall carry interest at the [F²⁵rate applicable under section 178 of the Finance Act 1989] from the date when the payment of tax credit or interest was made until the sum assessed is paid.”

[F²⁶(6) In any case where—

- (a) on a claim under section 393A(1) of the principal Act, the whole or any part of a loss incurred in an accounting period (“the later period”) has been set off for the purposes of corporation tax against profits of a preceding accounting period (“the earlier period”);
- (b) the earlier period does not fall wholly within the period of twelve months immediately preceding the later period; and
- (c) if the claim had not been made, there would be an amount or, as the case may be, an additional amount of corporation tax for the earlier period which would carry interest in accordance with this section,

then, for the purposes of the determination at any time of whether any interest is payable under this section or of the amount of interest so payable, the amount mentioned in paragraph (c) above shall be taken to be an amount of unpaid corporation tax for the earlier period except so far as concerns interest for any time after the date on which any corporation tax for the later period became (or, as the case may be, would have become) due and payable as mentioned in subsection (1) above.

(7) Where, in a case falling within subsection (6)(a) and (b) above—

- (a) there is in the earlier period, as a result of the claim under section 393A(1) of the principal Act, an amount of surplus advance corporation tax, as defined in subsection (3) of section 239 of that Act; and
- (b) pursuant to a claim under the said subsection (3), the whole or any part of that amount is to be treated for the purposes of the said section 239 as discharging liability for an amount of corporation tax for an accounting period before the earlier period,

the claim under the said subsection (3) shall be disregarded for the purposes of subsection (6) above but subsection (4) above shall have effect in relation to that claim as if the reference in the words after paragraph (c) to the later period within the meaning of subsection (4) above were a reference to the period which, in relation to the claim under the said section 393A(1), would be the later period for the purposes of subsection (6) above.]

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

Textual Amendments

- F18** Finance Act 1989, s. 179(1)(b) and **S.I. 1989/1298**. Previously “prescribed rate”. And see **S.I. 1989/1297** for regulations made, and interest rate set, under Finance Act 1989, s. 178
- F19** **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 29 para. 10(4)(a)**. Previously “243(4)”
- F20** **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 29 para. 10(4)(b)**. Previously “266(2), section 267(3C), section 277(1) or section 278(5) of the Taxes Act”.
- F21** Finance Act 1990, s. 96(12)
- F22** **S. 85**: words in s. 87A(4) of **Taxes Management Act 1970 (c. 9)** inserted (27.7.1993) by 1993 c. 34, s. 120, **Sch. 14**, para. 4 (1)
- F23** **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 29 para. 10(4)(c)(d)**. Previously “85 of the Finance Act 1972” and “85” respectively.
- F24** **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 29 para. 10(4)(d)**. Previously “subsection (2) of section 102 of the Finance Act 1972”
- F25** Finance Act 1989, s. 179(1)(b), **S.I. 1989/1298**. Previously “prescribed rate”. And see **S.I. 1989/1297** for regulations made and interest rate set under Finance Act 1989, s. 178
- F26** **S. 85**: s. 87A(6) of **Taxes Management Act 1970 (c. 9)** substituted (27.7.1993) by 1993 c. 34, s. 120, **Sch. 14**, para. 4(2)

Modifications etc. (not altering text)

- C2** The appointed day for the purposes of s. 85 is 30.9.1993, see **S.I. 1992/3066**, art. 2(2)(a)

Marginal Citations

- M16** 1882 c. 61.
M17 1979 c. 14.

86 Supplementary provisions as to interest on overdue tax.

- ^{F27}(1)
- (2) In section 86 of the Management Act (interest on overdue tax), subsection (2)(d) and paragraph 5 of the Table (which relate to assessed corporation tax) shall be omitted.
- (3) References to section 86 of the Management Act in—
- (a) sections 70(2) and 92 of that Act (evidence, and remission of interest in certain cases), and
- ^{F28}(b)
- shall include a reference to section 87A of the Management Act.
- (4) In section 88 of the Management Act (interest on tax recovered to make good loss due to taxpayer’s fault)—
- (a) in subsection (2) (exclusion of certain non-assessed tax) after the words “in relation to” there shall be inserted “corporation tax or”; and
- (b) in subsection (5), paragraph (e) (which relates to corporation tax) shall be omitted.
- (5) In section 91 of the Management Act (effect on interest of reliefs) after subsection (1) there shall be inserted the following subsections—

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

“(1A) Where interest is payable under section 87A of this Act in respect of an amount of corporation tax for an accounting period, and relief from tax is given by a discharge of any of that corporation tax—

- (a) such adjustment shall be made of the amount of interest payable under that section in respect of corporation tax for that accounting period, and
- (b) such repayment shall be made of any amounts of interest previously paid under that section in respect of that corporation tax,

as are necessary to secure that the total sum (if any) paid or payable under that section in respect of corporation tax for that accounting period is the same as it would have been if the tax discharged had never been charged.

(1B) Subsection (1A) above has effect subject to section 87A(4) of this Act.”

(6) At the beginning of subsection (2) of that section there shall be inserted the words “ Subject to subsection (2A) below ” and at the end of that subsection there shall be added the following subsection—

“(2A) In any case where—

- (a) relief from corporation tax is given to any person by repayment, and
- (b) that tax was paid for an accounting period ending after the day which is the appointed day for the purposes of section [F29]10 of the principal Act],

that person shall be entitled to require that the amount repaid shall be treated for the purposes of this section, so far as it will go, as if it were a discharge of the corporation tax charged on him for that period.”

(7) This section has effect with respect to accounting periods ending after the appointed day.

Textual Amendments

- F27** S. 86(1) repealed (11.5.2001 with effect as mentioned in Sch. 33 Pt. 2(14) note 2 of the amending Act) by 2001 c. 9, s. 110, **Sch. 33 Pt. 2(14)**
- F28** S. 86(3)(b) repealed (with effect in accordance with s. 381(1) of the commencing Act) by **Taxation (International and Other Provisions) Act 2010 (c. 8)**, s. 381(1), **Sch. 10 Pt. 12** (with **Sch. 9 paras. 1-9, 22**)
- F29** **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 29 para. 10(6)**. Previously “90 of the Finance (No. 2) Act 1987”.

Modifications etc. (not altering text)

- C3** The appointed day for the purposes of s. 86 is 30.9.1993, see S.I. 1992/3066, art. 2(2)(a)

87 Interest on tax overpaid.

F30

Textual Amendments

- F30** S. 87 repealed by **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 31**

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

F31 88

Textual Amendments

F31 S. 88 repealed (31.7.1998) by 1998 c. 36, s. 165, **Sch. 27 Pt. III** Group 28

89 **F32**

Textual Amendments

F32 S. 89 repealed by Finance Act 1989 (c. 26) s. 187(1), Sch. 17, Pt X

Miscellaneous

90 **F33**

Textual Amendments

F33 S. 90 repealed by Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, **Sch. 31**

91 Close companies: loans to participators.

- (1) In section 109 of the Management Act (close companies: loans to participators) subsection (2) shall be omitted.
- (2) In subsection (3) of that section for “88” there shall be substituted “ 87A ” and for the words from “charged” onwards there shall be substituted “ under the said section [^{F34}419] became due and payable shall be that determined in accordance with subsection [^{F34}(3)] of that section ”.
- (3) After subsection (3) of that section there shall be inserted the following subsection—

“(3A) If there is such a repayment of the whole or any part of a loan or advance as is referred to in subsection [^{F34}(4)] of section [^{F34}419] of the principal Act, interest under section 87A of this Act on so much of the tax under the said section [^{F34}419] as is referable to the amount repaid shall not be payable in respect of any period after the date on which the repayment was made.”
- (4) This section has effect with respect to loans or advances made (or treated as made) in any accounting period ending after the appointed day.

Textual Amendments

F34 Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, **Sch. 29 para. 10(8)(a)(b)** from the day appointed under Finance (No. 2) Act 1987 (c. 51 SIF 63:1), ss. 91, 95

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I. (See end of Document for details)

Modifications etc. (not altering text)

C4 The appointed day for the purposes of s. 91 is 30.9.1993, see [S.I. 1992/3066](#), art. 2(2)(a)

92, 93. ^{F35}

Textual Amendments

F35 [Ss. 92, 93](#) repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#)

94 Failure to do things within a limited time.

In section 118(2) of the Management Act (cases where persons are deemed not to have failed to do things which are required to be done within a limited time), after the word “deemed”, in the second place where it occurs, there shall be inserted “ not to have failed to do it unless the excuse ceased and, after the excuse ceased, he shall be deemed ”.

95 Interpretation of Chapter V and consequential and supplementary provisions.

- (1) In this Chapter “the Management Act” means the ^{M18}Taxes Management Act 1970.
- (2) Subject to subsection (3) below, any reference in this Chapter to the appointed day is a reference to such day as the Treasury may by order made by statutory instrument appoint, and different days may be so appointed for different provisions of this Chapter.
- (3) No day may be appointed by virtue of subsection (2) above which falls earlier than 31st March 1992.
- (4) The provisions of Schedule 6 to this Act shall have effect, being provisions consequential on and supplementary to the provisions of this Chapter.

Modifications etc. (not altering text)

C5 Other provisions coming into force subsequent upon the making of an order:—Finance Act 1990, s. 91(2)(3)(5)–(7)—amendment of [Taxes Management Act 1970 \(c. 9, SIF 63:1\)](#), [s. 11](#) (corporation tax returns).

Marginal Citations

M18 [1970 c. 9.](#)

Changes to legislation:

There are currently no known outstanding effects for the Finance (No. 2) Act 1987, Part I.