Finance Act 2003

2003 CHAPTER 14

PART 9

MISCELLANEOUS AND SUPPLEMENTARY PROVISIONS

Provisions consequential on changes to company law

195 Companies acquiring their own shares

(1) This section applies for the purposes of the Taxes Acts and the Inheritance Tax Act 1984 (c. 51) where a company acquires any of its own shares (whether by purchase, the issuing of bonus shares or otherwise).

(2) The acquisition of any of those shares by the company is not to be treated as the acquisition of an asset.

(3) The company is not, by virtue of the acquisition or holding of any of those shares or its being entered in the company's register of members in respect of any of them, to be treated as a member of itself.

(4) Subject to subsection (5)—

(a) the company's issued share capital is to be treated as if it had been reduced by the nominal value of the shares acquired,

(b) such of those shares as are not cancelled on acquisition are to be treated as if they had been so cancelled, and

(c) any subsequent cancellation by the company of any of those shares is to be disregarded (and, accordingly, is not the disposal of an asset and does not give rise to an allowable loss within the meaning of the Taxation of Chargeable Gains Act 1992 (c. 12)).

(5) Where the shares are issued to the company as bonus shares, subsection (4)(a) and (b) does not apply and the shares are to be treated as if they had not been issued.

(6) Where, disregarding subsections (2) to (5)—

(a) a company holds any of its own shares, and

(b) the company issues bonus shares in respect of those shares or any class of those shares ("the existing shares"),

nothing in this section prevents the existing shares being the company's holding of shares for the purposes of the application of section 126 of the Taxation of Chargeable Gains Act 1992 (application of sections 127 to 131 of that Act (company reorganisations etc)).

(7) In subsection (6) the reference to the application of section 126 of the Taxation of Chargeable Gains Act 1992 does not include a reference to the application of that section in a modified form by virtue of any enactment relating to chargeable gains.

(8) Where a company disposes of any of its own shares to a person in circumstances where, but for subsections (2) to (5), it would be regarded as holding the shares immediately before the disposal—

(a) subsections (4)(b) and (c) and (5) cease to apply in relation to the shares disposed of ("the relevant shares"),

(b) the relevant shares are to be treated as having been issued as new shares to that person by the company at the time of the disposal (and not as having been disposed of by the company at that time),

(c) that person is to be treated as having subscribed for the relevant shares,

(d) an amount equal to the amount or value of the consideration (if any) payable for the disposal of the relevant shares is to be treated as the amount subscribed for those shares,

(e) if the amount or value of that consideration does not exceed the nominal value of those shares, the share capital of those shares is to be treated for the purposes of Part 6 of the Taxes Act 1988 as if it were an amount equal to the amount or value of that consideration, and

(f) if the amount or value of that consideration exceeds their nominal value, the relevant shares are to be treated as if they had been issued at a premium representing that excess.

(9) Where—

(a) a company purchases its own shares, and

(b) the price payable by a company for the shares is taken into account in computing the profits of the company which are chargeable to tax in accordance with the provisions of the Taxes Act 1988 applicable to Case I or II of Schedule D,

subsections (2) to (7) do not apply and subsection (8) does not apply in relation to any disposal by the company of any of the shares.

(10) Schedule 40 to this Act (which makes amendments relating to the acquisition and disposal by a company of its own shares) has effect.

(11) For the purposes of this section—

(a) a company issues "bonus shares" if it issues share capital as paid up otherwise than by the receipt of new consideration (within the meaning of section 254 of the Taxes Act 1988), and

(b) "the Taxes Acts" has the same meaning as in the Taxes Management Act 1970 (c. 9),

and in this section references to a "company" are to a company with a share capital.

(12) The preceding provisions of this section and the provisions of Schedule 40 to this Act have effect in relation to any acquisition of shares by a company on or after such day as the Treasury may by order made by statutory instrument appoint.

196 Companies in administration

Schedule 41 to this Act (provisions relating to the treatment, for tax purposes, of companies in administration) has effect.

International matters

197 Exchange of information between tax authorities of member States

(1) No obligation as to secrecy imposed by statute or otherwise precludes the Commissioners or an authorised officer of the Commissioners from disclosing to the competent authorities of another member State any information required to be so disclosed by virtue of the Mutual Assistance Directive.

(2) Neither the Commissioners nor an authorised officer shall disclose any information in pursuance of the Mutual Assistance Directive unless satisfied that the competent authorities of the other State are bound by, or have undertaken to observe, rules of confidentiality with respect to the information that are not less strict than those applying to it in the United Kingdom.

(3) Nothing in this section permits the Commissioners or an authorised officer of the Commissioners to authorise the use of information disclosed by virtue of the Mutual Assistance Directive otherwise than for the purposes of taxation or to facilitate legal proceedings for failure to observe the tax laws of the receiving State.

(4) In this section—

"the Commissioners" means the Commissioners of Inland Revenue or the Commissioners of Customs and Excise;

the "Mutual Assistance Directive" means Council Directive 77/799/EEC, as amended by Council Directives 79/1070/EEC and 92/12/EEC.

(5) The Treasury may by order make such provision amending the definition of the "Mutual Assistance Directive" in subsection (4) as appears to them appropriate for the purpose of giving effect to any Council Directive adopted after 16th April 2003 amending or replacing the Mutual Assistance Directive.

(6) An order under subsection (5) shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.

(7) In section 48 of the Value Added Tax Act 1994 (c. 23) (VAT representatives)—

(a) in subsection (1B) (meaning of "the mutual assistance provisions") for paragraphs (a) and (b) substitute—

"(a) section 134 of the Finance Act 2002 and Schedule 39 to that Act (recovery of taxes etc due in other member States);

(b) section 197 of the Finance Act 2003 (exchange of information between tax authorities of member States);";

(b) after subsection (8) insert—

"(9) The Treasury may by order amend the definition of "the mutual assistance provisions" in subsection (1B) above.".

198 Arrangements for mutual exchange of tax information

(1) In the following provisions (which confer power to make arrangements for the exchange of information necessary for carrying out the tax laws of the UK and the territory to which the arrangements relate) for "necessary for carrying out" substitute "foreseeably relevant to the administration or enforcement of".

(2) The provisions are—

sections 788(2) and 815C(1) of the Taxes Act 1988 (income tax, capital gains tax and corporation tax), and

sections 158(1A) and 220A(1) of the Inheritance Tax Act 1984 (c. 51) (inheritance tax).

(3) Any reference in arrangements made before the passing of this Act, or in any Order in Council under which such arrangements have effect, to information necessary for the carrying out of the tax laws of the United Kingdom or the territory to which the arrangements relate shall be read as including any information foreseeably relevant to the administration or enforcement of the tax laws of the United Kingdom or, as the case may be, of that territory.

199 Savings income: Community obligations and international arrangements

(1) The Treasury may make regulations for implementing and for dealing with matters arising out of or related to—

(a) any Community obligation created with a view to ensuring the effective taxation of savings income under the law of the United Kingdom and the laws of the other member States, or

(b) any arrangements made with a territory other than a member State with a view to ensuring the effective taxation of savings income under the law of the United Kingdom and the law of the other territory.

(2) Regulations under this section may, in particular, require paying agents—

(a) to obtain and verify prescribed descriptions of information about the identity and residence of relevant payees to whom they make savings income payments, and

(b) to provide to the Inland Revenue (or an officer of the Inland Revenue) prescribed descriptions of information about relevant payees to whom they make savings income payments and about the savings income payments which they make to them.

(3) Regulations under this section may include provision for the inspection on behalf of the Inland Revenue of books, documents and other records of persons who are, or appear to an officer of the Inland Revenue to be, paying agents.

(4) Regulations under this section may include provision for notices under such regulations to be combined with notices under sections 17 and 18 of the Taxes Management Act 1970 (c. 9) (interest paid or credited by banks and others).

(5) Regulations under this section may include provision about the time at or within which, and the manner in which, any requirement imposed by such regulations is to be complied with.

(6) Regulations under this section may include provision for penalties for failure to comply with requirements imposed by such regulations (including provision applying any provision of the Taxes Management Act 1970 about the determination of penalties or any other matter relating to penalties); and in the first column of the Table in section 98 of that Act (penalties for failure to furnish information etc), insert at the appropriate place "Regulations under section 199 of the Finance Act 2003.".

(7) In this section "paying agents" means persons of a prescribed description who make savings income payments to other persons; and the descriptions of persons who may be prescribed as paying agents include, in particular, public officers and government departments.

(8) For the purposes of this section a person makes savings income payments to another person if the person—

(a) makes payments of savings income to the other person, or

(b) secures the payment of savings income for the other person.

(9) In this section "savings income" means interest (apart from interest of a prescribed description) or other sums of a prescribed description.

(10) In this section "relevant payees" means persons of a prescribed description who are resident (within the meaning of the regulations) in a prescribed territory and persons of any such other description as may be prescribed; and the only territories which may be prescribed are the other member States and territories with which arrangements such as are mentioned in subsection (1)(b) have been made.

(11) Regulations under this section—

(a) may make different provision for different cases or descriptions of case, and

(b) may include supplementary, incidental, consequential or transitional provision.

(12) The power to make regulations under this section is exercisable by statutory instrument.

(13) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons.

(14) In this section—

"the Inland Revenue" means the Commissioners of Inland Revenue, and

"prescribed" means prescribed by regulations under this section.

200 Controlled foreign companies: exempt activities

(1) Schedule 42 to this Act (which amends Part 2 of Schedule 25 to the Taxes Act 1988 (exempt activities)) shall have effect.

(2) The amendments made by that Schedule have effect in relation to accounting periods of a controlled foreign company beginning on or after 27th November 2002.

(3) In this section "accounting period" and "controlled foreign company" have the same meaning as in Chapter 4 of Part 17 of the Taxes Act 1988.

(4) This section shall be taken to have come into force on 27th November 2002.

201 Application of CFC provisions to Hong Kong and Macao companies

(1) In Part 2 (exempt activities) of Schedule 25 to the Taxes Act 1988 (cases where section 747(3) does not apply), in paragraph 5 insert after sub-paragraph (2)—

"(3) In the case of a controlled foreign company—

(a) which is, by virtue of section 749(5), presumed to be resident in a territory in which it is subject to a lower level of taxation,

(b) the business affairs of which are, throughout the accounting period in question, effectively managed in a special administrative region, and

(c) which is liable to tax for that period in that region,

references in the following provisions of this Part of this Schedule to the territory in which that company is resident shall be construed as references to that region.

(4) In sub-paragraph (3) above "special administrative region" means the Hong Kong or the Macao Special Administrative Region of the People's Republic of China.

(5) Where sub-paragraph (3) above applies, it applies in place of sub-paragraph (2).".

(2) This section shall be deemed to have had effect—

(a) as from 1st July 1997, so far as relating to the Hong Kong Special Administrative Region;

(b) as from 20th December 1999, so far as relating to the Macao Special Administrative Region.

Administrative matters

202 Deduction of tax from interest: recognised clearing houses etc

(1) Section 349 of the Taxes Act 1988 (payment of annual interest etc) is amended as follows.

(2) In subsection (3) (cases where obligation to make interest payments net of tax does not apply), at the end insert "or—

(j) to interest paid by a recognised clearing house or recognised investment exchange carrying on business as provider of a central counterparty clearing service, in the ordinary course of that business, on margin or other collateral deposited with it by users of the service; or

(k) to interest treated by virtue of section 730A(2)(a) or (b) (repos) as paid by a recognised clearing house or recognised investment exchange in respect of contracts made by it as provider of a central counterparty clearing service.".

(3) In subsection (6) (definitions), at the appropriate places insert—

""central counterparty clearing service" means the service provided by a clearing house or investment exchange to the parties to a transaction where there are contracts between each of the parties and the clearing house or investment exchange (in place of, or as an alternative to, a contract directly between the parties);";

""recognised clearing house" and "recognised investment exchange" have the same meaning as in the Financial Services and Markets Act 2000 (see section 285 of that Act);".

(4) This section applies in relation to payments of interest on or after 14th April 2003.

203 Authorised unit trusts: interest distributions paid gross

(1) Chapter 3 of Part 12 of the Taxes Act 1988 (unit trust schemes) is amended as follows.

(2) In section 468L(4) (obligation to deduct tax from interest distributions to be subject to provision made by sections 468M and 468N), for "sections 468M and 468N" substitute "section 468M".

(3) For sections 468M and 468N substitute—

"**468M Cases where no obligation to deduct tax**

(1) Where an interest distribution is made for a distribution period to a unit holder, any obligation to deduct under section 349(2) does not apply to the interest distribution if—

(a) the unit holder is a company or the trustees of a unit trust scheme, or

(b) either the residence condition or the reputable intermediary condition is on the distribution date fulfilled with respect to the unit holder.

(2) Section 468O makes provision about the circumstances in which the residence condition or the reputable intermediary condition is fulfilled with respect to a unit holder.".

(4) Section 468O (residence condition) is amended as follows.

(5) In subsection (1), for "sections 468M and 468N" substitute "section 468M".

(6) After that subsection insert—

"(1A) For the purposes of section 468M, the reputable intermediary condition is fulfilled with respect to a unit holder if—

(a) the interest distribution is paid on behalf of the unit holder to a company,

(b) the company either is subject to the EC Money Laundering Directive, or to equivalent non-EC provisions, or is an associated company resident in a regulating country or territory of a company which is so subject, and

(c) the trustees of the authorised unit trust have reasonable grounds for believing that the unit holder is not ordinarily resident in the United Kingdom.

(1B) For the purposes of subsection (1A)(b) above—

(a) a company is subject to the EC Money Laundering Directive if it is a credit institution or financial institution as defined by Article 1 of Directive 91/308/EEC, as amended by Directive 2001/97/EC,

(b) a company is subject to equivalent non-EC provisions if it is required by the law of any country or territory which is not a member State to comply with requirements similar to those which, under Article 3 of that Directive (as so amended), member States must ensure are complied with by credit institutions and financial institutions,

(c) a company is to be treated as another's associated company if it would be so treated for the purposes of Part 11 (see section 416), and

(d) a country or territory is a regulating country or territory if it either is a member State or imposes requirements similar to those which, under Article 3 of that Directive (as so amended), member States must ensure are complied with by credit institutions and financial institutions.

(1C) If Directive 91/308/EEC ceases to have effect, or is further amended, the Treasury may by order make consequential amendments in subsections (1A) and (1B) above.".

(7) In the sidenote, insert at the end "and reputable intermediary condition".

(8) In section 468P(1) (residence declarations)—

(a) for "468O" substitute "468O(1)", and

(b) for "subsections (2) to (4)" substitute "subsection (2) or (3)".

(9) After section 468P insert—

"**468PA Section 468O(1A): consequences of reasonable but incorrect belief**

Where—

(a) an interest distribution is made to a unit holder by the trustees of an authorised unit trust,

(b) the trustees, in reliance on the reputable intermediary condition being fulfilled with respect to the unit holder, do not comply with the obligation under section 349(2) to make a deduction from the interest distribution,

(c) that obligation would apply but for that condition being so fulfilled, and

(d) (contrary to the belief of the trustees) the unit holder is in fact ordinarily resident in the United Kingdom,

section 350 and Schedule 16 have effect as if that obligation applied.

468PB Regulations supplementing sections 468M to 468PA

(1) The Board may by regulations make provision for giving effect to sections 468M to 468PA.

(2) The regulations may, in particular, include provision modifying the application of those sections in relation to interest distributions made to or received under a trust.

(3) The regulations may, in particular, include provision for the giving by officers of the Board of notices requiring trustees of authorised unit trusts to supply information and make available books, documents and other records for inspection on behalf of the Board.

(4) The regulations may—

(a) make provision in relation to times before they are made,

(b) make different provision for different cases, and

(c) make such supplementary, incidental, consequential or transitional provision as appears to the Board to be appropriate.".

(10) Section 98 of the Taxes Management Act 1970 (c. 9) (penalties: provisions requiring information etc in response to notices) is amended as follows.

(11) In subsection (4A)(b), for "or (4D)" substitute ", (4D) or (4E)".

(12) After subsection (4D) insert—

"(4E) A payment is within this subsection if—

(a) it is an interest distribution made to a unit holder by the trustees of an authorised unit trust,

(b) the trustees, in purported reliance on the reputable intermediary condition being fulfilled with respect to the unit holder, do not comply with the obligation under section 349(2) of the principal Act to make a deduction from the interest distribution,

(c) that obligation would apply if that condition were not so fulfilled, and

(d) the trustees did not believe that the unit holder was not ordinarily resident in the United Kingdom or could not reasonably have so believed (so that that condition was not so fulfilled).

Expressions used in this subsection have the same meaning as in Chapter 3 of Part 12 of the principal Act.".

(13) In the first column of the Table, after the entry relating to regulations under section 431E(1) or 441A(3) of the principal Act, insert—

"section 468P(6);

regulations under section 468PB(3);".

(14) This section has effect in relation to interest distributions made on or after 16th October 2002.

204 Mandatory electronic payment by large employers

(1) The Commissioners of Inland Revenue ("the Commissioners") may make regulations requiring large employers, subject to such exceptions as may be specified, to use electronic means for the making of specified payments under legislation relating to any tax under the care and management of the Commissioners.

(2) In subsection (1) "large employer" means a person paying PAYE income to 250 or more recipients.

Regulations under this section may make provision as to the date or period by reference to which this is to be determined and the circumstances in which a person is to be treated as paying PAYE income to a recipient.

(3) Regulations under this section may make provision—

(a) as to conditions that must be complied with in connection with the use of electronic means for the making of any payment;

(b) for treating a payment as not having been made unless conditions imposed by any of the regulations are satisfied;

(c) for determining the time when payment is to be taken to have been made.

(4) Regulations under this section may also make provision (which may include provision for the application of conclusive or other presumptions) as to the manner of proving for any purpose—

(a) whether any use of electronic means for making a payment is to be taken as having resulted in the payment being made;

(b) the time of the making of any payment for the making of which electronic means have been used;

(c) any other matter for which provision may be made by regulations under this section.

(5) Regulations under this section may—

(a) allow any authorisation or requirement for which the regulations may provide to be given or imposed by means of a specific or general direction given by the Commissioners;

(b) provide that the conditions of any such authorisation or requirement are to be taken to be satisfied only where the Inland Revenue are satisfied as to specified matters.

(6) Regulations under this section may contain provision—

(a) requiring the Inland Revenue to notify persons appearing to them to be, or to have become, a person required to use electronic means for the making of any payments in accordance with the regulations;

(b) enabling a person so notified to have the question whether he is such a person determined in the same way as an appeal.

(7) Regulations under this section may confer power on the Commissioners to give specific or general directions—

(a) suspending, for any period during which the use of electronic means for the making of payments is impossible or impractical, any requirements imposed by the regulations relating to the use of such means;

(b) substituting alternative requirements for the suspended ones;

(c) making any provision that is necessary in consequence of the imposition of the substituted requirements.

(8) The power to make provision by regulations under this section includes power—

(a) to provide for a contravention of, or any failure to comply with, the regulations (a "default") to attract a surcharge of a specified amount;

(b) to provide that specified enactments relating to penalties imposed for the purposes of any taxation matter within the care and management of the Commissioners (including enactments relating to assessments, review and

appeal) apply, with or without modifications, in relation to surcharges under the regulations.

(9) The regulations may specify the surcharge for each default as—

(a) a specified percentage, depending on the circumstances but not exceeding 10%, of the amount of the payment to which the default relates, or

(b) a specified percentage, depending on the circumstances but not exceeding 0.83%, of the total amount of tax due for the accounting period, year of assessment or other specified period of twelve months during which the default occurred;

but, in either case, they may specify £30 if it is more.

(10) Regulations under this section may—

(a) make different provision for different cases;

(b) make such incidental, supplemental, consequential and transitional provision in connection with any provision contained in any of the regulations as the Commissioners think fit.

(11) Regulations under this section shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.

(12) In this section—

"the Inland Revenue" means—

(a) the Commissioners,

(b) any officer of the Commissioners, or

(c) any other person who for the purposes of electronic means of payment is acting under the authority of the Commissioners;

"legislation" means any enactment, Community legislation or subordinate legislation;

"specified" means specified by or under regulations under this section;

"subordinate legislation" has the same meaning as in the Interpretation Act 1978 (c. 30).

205 Use of electronic means of payment under other provisions

(1) Any power to make subordinate legislation for or in connection with the making of payments conferred in relation to a taxation matter on—

(a) the Commissioners of Inland Revenue, or

(b) the Treasury,

includes power to make any such provision in relation to the making of those payments as could be made in exercise of the power conferred by section 204.

(2) Provision as to means of payment made in exercise of the powers conferred by section 204 or subsection (1) above has effect notwithstanding so much of any enactment or subordinate legislation as would otherwise allow payment to be made by any other means.

(3) Expressions used in this section and section 204 have the same meaning in this section as in that section.

(4) Nothing in this section shall be read as restricting the generality of the power conferred by section 204.

206 Admissibility of evidence not affected by offer of settlement etc

(1) In section 105(1) of the Taxes Management Act 1970 (c. 9) (evidence in cases of fraudulent conduct), for paragraphs (a) and (b) and the word "that" preceding them substitute—

"(a) that where serious tax fraud has been committed the Board may accept a money settlement and that the Board will accept such a settlement, and will not pursue a criminal prosecution, if he makes a full confession of all tax irregularities, or

(b) that the extent to which he is helpful and volunteers information is a factor that will be taken into account in determining the amount of any penalty,".

(2) For the heading to that section substitute "**Admissibility of evidence not affected by offer of settlement etc**".

(3) In paragraph 3(1) of Schedule 18 to the Finance Act 1999 (c. 16) (which makes corresponding provision in relation to stamp duty), for paragraphs (a) and (b) substitute—

"(a) that where serious stamp duty fraud has been committed the Board may accept a money settlement and that the Board will accept such a settlement, and will not pursue a criminal prosecution, if he makes a full confession of all stamp duty irregularities, or

(b) that the extent to which he is helpful and volunteers information is a factor that will be taken into account in determining the amount of any penalty,".

(4) For the heading before that paragraph substitute "*Admissibility of evidence not affected by offer of settlement etc*".

(5) The above amendments have effect in relation to statements made, or documents produced, after the passing of this Act.

207 Consequential claims etc

(1) In Part 4 of the Taxes Management Act 1970 (assessment and claims), after section 43B insert—

"**43C Consequential claims etc**

(1) Where—

(a) a return is amended under section 28A(2)(b), 28B(2)(b) or 28B(4), and

(b) the amendment is made for the purpose of making good to the Crown any loss of tax attributable to fraudulent or negligent conduct on the part of the taxpayer or a person acting on his behalf,

sections 36(3) and 43(2) apply in relation to the amendment as they apply in relation to any assessment under section 29.

(2) Where—

(a) a return is amended under section 28A(2)(b), 28B(2)(b) or 28B(4), and

(b) the amendment is not made for the purpose mentioned in subsection (1)(b) above,

sections 43(2), 43A and 43B apply in relation to the amendment as they apply in relation to any assessment under section 29.

(3) References to an assessment in sections 36(3), 43(2), 43A and 43B, as they apply by virtue of subsection (1) or (2) above, shall accordingly be read as references to the amendment of the return.

(4) Where it is necessary to make any adjustment by way of an assessment on any person—

(a) in order to give effect to a consequential claim, or

(b) as a result of allowing a consequential claim,

the assessment is not out of time if it is made within one year of the final determination of the claim.

For this purpose a claim is not taken to be finally determined until it, or the amount to which it relates, can no longer be varied, on appeal or otherwise.

(5) In subsection (4) above "consequential claim" means any claim, supplementary claim, election, application or notice that may be made or given under section 36(3), 43(2) or 43A (as it applies by virtue of subsection (1) or (2) above or otherwise).".

(2) In section 43A of that Act (further assessments: claims etc), in subsection (2A) (elections to which extension of time limit does not apply) for the words from "an election under" to the end substitute "an election under—

(a) section 257BA of the principal Act (election as to transfer of married couple's allowance),

(b) Schedule 13B to that Act (elections as to transfer of children's tax credit), or

(c) section 35(5) of the Taxation of Chargeable Gains Act 1992 (election for assets to be re-based to 1982).".

(3) So far as it applies in relation to an amendment of a return, this section applies only where the notice of the amendment is issued after the day on which this Act is passed.

National Savings

208 Ordinary accounts and investment accounts

(1) The National Savings Bank Act 1971 (c. 29) is amended as follows.

(2) In section 3 (ordinary and investment deposits), after subsection (1) insert—

"(1A) But subsection (1) is subject to any provision made in relation to ordinary accounts or ordinary deposits by regulations under section 2 of this Act made by virtue of section 8(3) of this Act.".

(3) Section 6 (interest on investment deposits) is amended as follows.

(4) In subsection (2), for "Director of Savings may from time to time determine with the consent of the Treasury" substitute "Treasury may from time to time determine".

(5) After that subsection insert—

"(2ZA) The Treasury may determine that a rate of interest payable on investment deposits, or investment deposits of a particular description, is to be a rate produced by the operation of a formula involving the movement of an index or indices or any other factor.".

(6) In subsection (3), after "description" insert "(other than one occasioned by the operation of a formula)".

(7) After that subsection insert—

"(4) In the case of an alteration in a rate of interest not affecting deposits received before it is made, any notice of the alteration required to be given by subsection (3) above may be given after the alteration is made.".

(8) Section 8 (regulations as to particular matters) is amended as follows.

(9) In subsection (1), after paragraph (b) insert—

"(ba) for the issuing of cards for use in making investment deposits or in withdrawing cash from investment accounts (or both) and regulating the use of such cards;".

(10) After subsection (2) insert—

"(3) Regulations under section 2 of this Act may also make provision—

(a) prohibiting the opening of ordinary accounts after a prescribed date;

(b) prohibiting the opening of investment accounts of a prescribed description after a date prescribed in relation to that description of accounts;

(c) prohibiting the making of ordinary deposits after a prescribed date;

(d) prohibiting the making of deposits in investment accounts of a prescribed description after a date prescribed in relation to that description of accounts;

(e) requiring the withdrawal of all of the money deposited in any dormant account of a prescribed description if any of the money deposited in it is withdrawn after a date prescribed in relation to that description of account;

(f) for the transfer to investment accounts of a prescribed description of deposits in dormant accounts of a prescribed description;

(g) for the transfer to a special Director's account of deposits in dormant accounts of a prescribed description or in accounts to which deposits have been transferred pursuant to provision made by virtue of paragraph (f) above.

(4) In subsection (3) above—

"dormant account" means an account in which deposits may not be made because of provision made by virtue of paragraph (c) or (d) of that subsection; and

"special Director's account" means an investment account in the name of the Director of Savings in which deposits are held on behalf of the persons entitled to them.".

(11) After section 9 insert—

"**9A Investment account terms and conditions**

(1) Any provision which may be made in relation to investment deposits by regulations under section 2 of this Act may, in the case of deposits in investment accounts of any description first made available after the passing of the Finance Act 2003, be included instead in the terms and conditions of the accounts.

(2) Any provision included in the terms and conditions of investment accounts under subsection (1) above has effect subject to regulations under section 2 of this Act and orders under section 4 of this Act.

(3) In this section "terms and conditions" means terms and conditions set by the Treasury and published by Director of Savings in a manner approved by the Treasury.".

209 Abolition of accounting requirements relating to investment deposits

In section 120 of the Finance Act 1980 (c. 48) (investment deposits with National Savings Bank: accounting provisions etc), omit subsections (4) and (5) (which require the Director of Savings to keep an account of investment deposits etc and transmit annual statements to the Comptroller and Auditor General for examination etc).

Other financial matters

210 Payments for service of national debt

(1) Section 15 of the National Loans Act 1968 (c. 13) (payments for service of national debt) is amended as follows.

(2) In subsection (1) (payments to be made out of Consolidated Fund into National Loans Fund), for "charges on the National Loans Fund for the service of national debt over" substitute "payments out of the National Loans Fund—

(a) which represent interest on liabilities of the National Loans Fund, or

(b) which, in the opinion of the Treasury, ought to be treated in the same way as payments which represent such interest,

over".

(3) Omit subsection (3) (which defines "charges on the National Loans Fund for the service of national debt").

(4) In paragraph 13 of Schedule 5A to that Act (Debt Management Account: payments to be made out of National Loans Fund into Debt Management Account), omit sub-paragraph (2) (payments to be treated as charges on the National Loans Fund for the service of national debt).

211 Definition of liabilities and assets of National Loans Fund

In section 19(4) of the National Loans Act 1968 (c. 13) (which defines as the liabilities of the National Loans Fund the nominal amount of the debt outstanding to it and as its assets its balance and loans etc outstanding to it), for the words from "of the National

Loans Fund" onwards substitute "and assets of the National Loans Fund shall be as determined by the Treasury.".

212 Accounts of Consolidated Fund and National Loans Fund

(1) Section 21 of the National Loans Act 1968 (accounts of Consolidated Fund and National Loans Fund) is amended as follows.

(2) In subsection (1) (annual accounts of payments in and out), for the words from "in such form" onwards substitute "an account relating to the Consolidated Fund, and an account relating to the National Loans Fund, in such form and containing such information as the Treasury consider appropriate.".

(3) Omit subsection (3) (statements of additional information regarding transactions, assets and liabilities of Consolidated Fund and National Loans Fund).

(4) Subsection (2) has effect for the financial year ending with 31st March 2004 and subsequent financial years.

(5) Subsection (3) has effect for such financial year as the Treasury may by order made by statutory instrument appoint and subsequent financial years.

213 Debt Management Account: abolition of borrowing cap

In Schedule 5A to the National Loans Act 1968 (Debt Management Account), omit paragraph 8 (borrowings otherwise than from National Loans Fund not to exceed total standing to credit of that Account in that Fund and at Bank of England).

214 Payments in error from or to National Loans Fund

In paragraph 11 of Schedule 5A to the National Loans Act 1968 (c. 13) (payments between National Loans Fund and Debt Management Account in respect of difference between assets and liabilities of that Account), insert at the end—

"(4) If any amount paid under sub-paragraph (1A) or (3) above should not have been paid, the Treasury may repay the whole or any part of it.".

Supplementary

215 Interpretation

In this Act "the Taxes Act 1988" means the Income and Corporation Taxes Act 1988 (c. 1).

216 Repeals

(1) The enactments mentioned in Schedule 43 to this Act (which include provisions that are spent or of no practical utility) are repealed to the extent specified.

(2) The repeals specified in that Schedule have effect subject to the commencement provisions and savings contained or referred to in the notes set out in that Schedule.

217 Short title

This Act may be cited as the Finance Act 2003.