



Finance Act 1970

1970 CHAPTER 24

PART II

INCOME TAX AND CORPORATION TAX

CHAPTER I

GENERAL

11 Charge of income tax for 1970-71

- (1) Income tax for the year 1970-71 shall be charged at the standard rate of 41-25 per cent, and, in the case of an individual whose total income exceeds £2,500, at such higher rates in respect of the excess over £2,000 as Parliament may hereafter determine.
- (2) Accordingly, in section 3(1) of the Taxes Act (effect of Act charging tax at a standard rate and, in the case of an individual whose total income exceeds a stated amount, at a higher rate or rates in respect of any part or parts of his income in excess of that amount) the words " in excess of that amount" shall be omitted.

12 Surtax rates for 1969-70

- (1) Subject to subsection (2) below, income tax for the year 1969-70 shall be charged, in the case of an individual whose total income exceeded £2,500, at a rate, for every £1 of each part specified in the following Table of the excess of that income over £2,000, equal to the standard rate for that year plus the additional rate so specified for that part.

TABLE

<i>Part of excess</i>	<i>Additional rate</i>
The first £500	10%
The next £500	12.5%

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<i>Part of excess</i>	<i>Additional rate</i>
The next £1,000	17.5%
The next £1,000	22.5%
The next £1,000	27.5%
The next £2,000	32.5%
The next £2,000	37.5%
The next £2,000	42.5%
The next £3,000	47.5%
The remainder	50%

- (2) An individual whose total income for the year 1969-70 did not exceed £2,681 shall be entitled to have the surtax chargeable by virtue of subsection (1) above reduced to an amount equal to 40 per cent, of the difference between his total income and £2,500.
- (3) By reason of subsection (1) above, in section 2(1) of the Income Tax Act 1952 (effect, for years preceding 1970-71, of Act charging tax at a standard rate and, in the case of an individual whose total income exceeds a stated amount, at a higher rate or rates in respect of any part or parts of his income in excess of that amount), the words " in excess of that amount" shall be omitted.

13 Charge of corporation tax for financial year 1969

Corporation, tax shall be charged for the financial year 1969 at the rate of 45 per cent.

14 Alterations of personal reliefs

- (1) For the year 1970-71 and subsequent years of assessment, Chapter II of Part I of the Taxes Act (personal reliefs) shall have effect subject to the following amendments:—
- (a) in section 8 (married and single relief)—
- (i) in subsection (1)(a) (married), for the reference to £375 there shall be substituted a reference to £465,
 - (ii) in subsection (1)(b) (single), for the reference to £255 there shall be substituted a reference to £325,
 - (iii) in subsection (2) (wife's earned income relief), for the reference to £255 there shall be substituted a reference to £325, and
 - (iv) in subsection (3) (amount of married relief in year of marriage), for the words "reduced by £10 for each month of the year ending before the date of the marriage " there shall be substituted " reduced, for each month of that year ending before the date of the marriage, by one-twelfth of the amount by which it exceeds the sum specified in paragraph (b) of that subsection ".
- (b) section 22 (reduced rate relief) shall cease to have effect, and, in section 5 (introductory), for the reference to sections 6 to 22 there shall be substituted a reference to sections 6 to 21;
- (c) in section 7 (relief for persons over 65 with small incomes)—
- (i) for the references to £425 and £680 (income limits for exemption) there shall be substituted references to £475 and £740,

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- (ii) for the reference to £265 (the excess over those limits beyond which relief by reduction of tax is excluded) there shall be substituted a reference to £255, and
 - (iii) for the reference to nine-twentieths (the fraction governing relief by reduction of tax) there shall be substituted a reference to 50 per cent.;
 - (d) in section 6(2) (relief for small incomes), for the reference to £710 (the income limit for marginal relief) there shall be substituted a reference to £750, and for the reference to one-half (the fraction governing marginal relief) there shall be substituted a reference to 55 per cent.;
 - (e) in section 16 (relief for dependent relative), for the reference in subsection (1) to £245 (lower income limit of dependent relative) there shall be substituted a reference to £260, for the references in subsections (1) and (2) to £320 (the normal higher income limit) there shall be substituted references to £335, and for the reference in subsection (2) to £355 (the higher income limit where the claimant is a woman other than a married woman living with her husband) there shall be substituted a reference to £370 ; and
 - (f) in section 14(1)(a) (additional relief for widows and others in respect of children: relief excluded in the case of a woman who is not a widow unless in full time occupation or totally incapacitated), the words from " except that it does not apply " to " physical or mental infirmity " shall be omitted.
- (2) The amounts of tax deductible or repayable under section 204 of the Taxes Act (pay as you earn) before 6th July 1970 shall be deemed not to have been affected by the provisions of subsection (1) above other than paragraph (e), but this subsection shall not prevent any necessary correction being made on or after that day by adjusting subsequent deductions or repayments under that section, or, if need be, by an assessment.

15 Increase in initial allowances for industrial buildings

- (1) In relation to capital expenditure incurred, at any time within the period beginning on 6th April 1970 and ending on 5th April 1972, on the construction of a building or structure in such circumstances that a person becomes entitled to an initial allowance within the meaning of section 1 of the Capital Allowances Act 1968, for the words " three-twentieths " in subsection (2) of that section (the rate of allowance) there shall be substituted—
- (a) in a case falling within subsection (2) below, the words " two-fifths " ; and
 - (b) in any other case, the words " three-tenths ".
- (2) The higher rate of initial allowance specified in subsection (1)(a) above applies if the building or structure concerned is situated in an area which is a development area or an intermediate area—
- (a) on the date on which the capital expenditure is incurred ; or
 - (b) if the contract under which the capital expenditure is incurred was entered into on or after 6th April 1970, on the date on which that contract was entered into; or if the building or structure concerned is situated in Northern Ireland.
- (3) For the purposes of subsection (2) above—
- " development area " has the same meaning as in Part I of the Local Employment Act 1960; and
 - " intermediate area " has the same meaning as in the Local Employment Act 1970.

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- (4) Expenditure shall not be treated for the purposes of this section as having been incurred after the date on which it was in fact incurred by reason only of section 1(6) of the Capital Allowances Act 1968 (expenditure incurred before trade began) or section 5(1) of that Act (purchase of unused buildings and structures).

16 Public transport undertakings

- (1) In computing for any accounting period (whether beginning before or after the commencement of this Act) the profits chargeable to corporation tax of a Passenger Transport Executive or of the London Transport Executive, there shall be left out of account—
- (a) any amounts paid to Passenger Transport Executives in pursuance of precepts issued under section 13 of the Transport Act 1968 ;
 - (b) any grants made to the London Transport Executive by the Greater London Council under section 3(1)(a) of the Transport (London) Act 1969.
- (2) In computing the profit or loss of a Passenger Transport Executive in its trade in the first accounting period ending after 5th April 1970, the Executive shall be treated as having incurred a loss equal to the aggregate of the income tax losses and allowances (as defined in subsection (3) below) of each local authority whose interests in a transport undertaking (in this section referred to in relation to the local authority as " the transferred undertaking ") were transferred to the Executive by virtue of an order under section 17 of the Transport Act 1968; and section 177(1) of the Taxes Act (set-off of losses against trading income in succeeding accounting periods) shall apply accordingly.
- (3) For the purposes of subsection (2) above the income tax losses and allowances of a local authority means the following losses and allowances attributable to the transferred undertaking namely—
- (a) those losses (if any) which were incurred in or before the year 1965-66 in carrying on the undertaking and which, apart from any provision of the Finance Act 1965 (and in particular section 66, which exempted a local authority from income tax and corporation tax) would have been available to the local authority for set-off for tax purposes in the following year of assessment against income arising from the undertaking; and
 - (b) so much of the allowances which by virtue of section 323 of the Income Tax Act 1952 were in the year 1965-66 available as a deduction in charging the profits or gains of the transferred undertaking for that year as, apart from any such provision as is referred to in paragraph (a) above, would have been available as such a deduction in the following year of assessment.
- (4) The provisions of Schedule 3 to this Act shall have effect in consequence of the transfer, under Part III of the Transport (London) Act 1969 of the property, rights, liabilities and functions of the London Transport Board to the London Transport Executive and London Country Bus Services Limited (being the subsidiary of the National Bus Company which is " the designated company " for the purposes of that Act).

17 Interest relief: loans for purchase or improvement of land

In section 57 of the Taxes Act (loans for purchase or improvement of land) after subsection (3) (restriction of relief on overdraft interest on money applied in improving land) insert—

“(3A) Subsection (3) above shall not apply where the loan is applied in improving land which is—

- (a) farm land or market garden land, or
- (b) woodlands which are managed on a commercial basis and with a view to the realisation of profits,

and in this subsection the definitions of " farm land " and " market garden land " in section 526(5) of this Act shall apply as if references to the United Kingdom included references to the Republic of Ireland”,

and paragraph 9(8) and (9) of Schedule 4 to this Act shall have effect for the purpose of making a corresponding amendment in section 19 of the Finance Act 1969.

18 Miscellaneous amendments of income tax and corporation tax law

Schedule 4 to this Act (which contains amendments of the Taxes Act and of the Capital Allowances Act 1968) shall have effect.

CHAPTER II

OCCUPATIONAL PENSION SCHEMES

19 Conditions for approval of schemes

(1) The Board shall approve any retirement benefits scheme for the purposes of this Chapter if the scheme satisfies all of the prescribed conditions, that is to say the conditions set out in subsection (2) below, and the conditions as respects benefits in Part I of Schedule 5 to this Act.

(2) The said conditions are—

- (a) that the scheme is bona fide established for the sole purpose of providing relevant benefits in respect of service as an employee (as defined in this Chapter), being benefits payable to, or to the widow, children or dependants or personal representatives of, the employee,
- (b) that the scheme is recognised by the employer and employees to whom it relates, and that every employee who is, or has a right to be, a member of the scheme has been given written particulars of all essential features of the scheme which concern him,
- (c) that there is a person resident in the United Kingdom who will be responsible for the discharge of all duties imposed on the administrator of the scheme under this Chapter,
- (d) that the employer is a contributor to the scheme,
- (e) that the scheme is established in connection with some trade or undertaking carried on in the United Kingdom by a person resident in the United Kingdom,
- (f) that, where the employer is a company, no service of a person, in whatever capacity, rendered by him while he is a controlling director of the company is taken into account for any of the purposes of the scheme,

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- (g) that in no circumstances, whether during the subsistence of the scheme or later, can any amount be paid by way of repayment of an employee's contributions under the scheme.
- (3) If in the opinion of the Board the facts concerning any scheme or its administration cease to warrant the continuance of their approval of the scheme, they may at any time by notice in writing to the administrator withdraw their approval on such grounds, and from such date, as may be specified in the notice.
- (4) Where an alteration has been made in a retirement benefits scheme, the scheme shall, for the purposes of this Chapter, be deemed to have become a new scheme coming into being on the date of the alteration, and accordingly no approval given as respects the scheme before the alteration shall apply after the date of the alteration:

 Provided that this subsection shall not apply to an alteration approved by the Board. "
- (5) For the purpose of determining whether a retirement benefits scheme, so far as it relates to a particular class or description of employees, satisfies or continues to satisfy the prescribed conditions that scheme shall be considered in conjunction with any other retirement benefits scheme or schemes relating to employees of that class or description, and, if those conditions are satisfied in the case of both or all of those schemes taken together, they shall be taken to be satisfied in the case of each of them but otherwise those conditions shall be taken to be satisfied in the case of none of them.
- (6) No approval shall be given as respects any period before 6th April 1970.

20 Discretionary approval

- (1) The Board may, if they think fit, having regard to the facts of a particular case, and subject to such conditions, if any, as they think proper to attach to the approval, approve a retirement benefits scheme for the purposes of this Chapter notwithstanding that it does not satisfy one or more of the prescribed conditions.
- (2) The Board may in particular approve by virtue of this section a scheme—
 - (a) which exceeds the limits imposed by the prescribed conditions as respects benefits for less than 40 years' service, or
 - (b) which exceeds the limits imposed by the prescribed conditions as respects benefits payable on the death of the employee, and in particular which provides a pension for the employee's widow, or
 - (c) which provides for the return in certain contingencies of employees' contributions, or
 - (d) which relates to a trade or undertaking carried on only partly in the United Kingdom, and by a person not resident in the United Kingdom.
- (3) In applying this section to an existing scheme the Board shall exercise their discretion, in such cases as appear to them appropriate, so as—
 - (a) to preserve benefits earned or rights arising out of service before approval under this Chapter or before the date on which section 23 of this Act comes into force, whichever is the earlier, and
 - (b) to preserve any rights to death-in-service benefits conferred by rules of the scheme in force on 26th February 1970.

21 Certain approved schemes: exemptions and reliefs

- (1) This section has effect as respects—
- (a) any approved scheme which is shown to the satisfaction of the Board to be established under irrevocable trusts, or
 - (b) any other approved scheme as respects which the Board, having regard to any special circumstances, direct that this section shall apply,
- and any scheme which is for the time being within paragraph (a) or (b) above is in this Chapter referred to as an " exempt approved scheme ".
- (2) Exemption from income tax shall, on a claim being made in that behalf, be allowed in respect of income derived from investments or deposits if, or to such extent as the Board are satisfied that, it is income from investments or deposits held for the purposes of the scheme.
- (3) Any sum paid by an employer by way of contribution under the scheme shall for the purposes of Case I or II of Schedule D, and of the provisions of Chapter I of Part) (II of the Taxes Act relating to expenses of management, be allowed to be deducted as an expense, or expense of management, incurred in the chargeable period in which the sum is paid:
- Provided that—
- (a) the amount of an employer's contributions which may be so deducted shall not exceed the amount contributed by him under the scheme in respect of employees in a trade or undertaking in respect of the profits of which the employer is assessable to tax (that is to say United Kingdom income tax or corporation tax),
 - (b) a sum not paid by way of an ordinary annual contribution shall for the purposes of this subsection be treated, as the Board may direct, either as an expense incurred in the chargeable period in which the sum is paid, or as an expense to be spread over such period of years as the Board think proper.
- (4) Any ordinary annual contribution paid under the scheme by an employee shall, in assessing tax under Schedule E, be allowed to be deducted as an expense incurred in the year of assessment in which the contribution is paid.
- (5) Relief shall not be given under section 19 or 20 of the Taxes Act (life assurance premiums and other payments) in respect of any payment in respect of which an allowance can be made under subsection (4) above.
- (6) There shall be exempt from tax chargeable under Case VII of Schedule D any gain accruing to a person from his acquisition and disposal of investments if, or to such extent as the Board are satisfied that, the investments are or were held by him or on his behalf for the purposes of the scheme.
- (7) For the purposes of capital gains tax a gain shall not be a chargeable gain where it accrues to a person on his disposal of investments if, or to such extent as the Board are satisfied that, those investments were held by him or on his behalf for the purposes of the scheme.
- (8) Nothing in this section shall be construed as affording relief in respect of any sums to be brought into account under section 314 of the Taxes Act (pension business of insurance companies).

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- (9) This section has effect only as respects income arising or gains accruing or contributions paid at a time when the scheme is an exempt approved scheme.
- (10) Neither section 208 nor 209 of the Taxes Act (relief for superannuation funds and statutory pension schemes) shall apply as respects an exempt approved scheme, and the said section 208 shall cease to have effect on 6th April 1972 or such later date as the Treasury may by order in a statutory instrument made before 6th April 1972 appoint.
- (11) Neither subsection (1) nor subsection (2) of section 220 of the Taxes Act (which will be superseded by section 23 of this Act) shall apply to an approved scheme.

22 Certain statutory schemes: exemptions and reliefs

- (1) This section has effect as respects any statutory scheme established under a public general Act.
- (2) Any contribution paid under the scheme by any officer or employee shall, in assessing tax under Schedule E, be allowed to be deducted as an expense incurred in the chargeable period for which the contribution is paid and relief shall not be given under section 19 or 20 of the Taxes Act in respect of any contribution allowable as a deduction under this subsection.
- (3) This section has effect subject to section 210 of the Taxes Act (disallowance of contributions for widows' and other pensions).
- (4) This section shall come into force on such date as the Treasury may by order in a statutory instrument appoint.

23 Taxation in respect of certain schemes

- (1) Subject to the provisions of this Chapter, where, pursuant to a retirement benefits scheme, the employer in any year of assessment pays a sum with a view to the provision of any relevant benefits for any employee of that employer, then (whether or not the accrual of the benefits is dependent on any contingency)—
 - (a) the sum paid, if not otherwise chargeable to income tax as income of the employee, shall be deemed for all the purposes of the Income Tax Acts to be income of that employee for that year of assessment and assessable to tax under Schedule E, and
 - (b) where the payment is made under such an insurance or contract as is mentioned in section 19 of the Taxes Act, relief, if not otherwise allowable, shall be given to that employee under the said section 19 in respect of the payment to the extent, if any, to which such relief would have been allowable to him if the payment had been made by him and the insurance or contract under which the payment is made had been made with him.
- (2) Subject to the provisions of this Chapter, where—
 - (a) the circumstances in which any relevant benefits under a retirement benefits scheme are to accrue are not such as will render the benefits assessable to income tax under Schedule E as emoluments of the employee in respect of whom the benefits are paid, and
 - (b) the provision of those benefits is not, or is not fully, secured by the payment of sums by the employer with a view to the provision of those benefits,

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then (whether or not the accrual of the benefits is dependent on any contingency) an amount equal to the cost, estimated in accordance with subsection (3) below, of securing the provision by a third person of the benefits or, as the case may be, of the benefits so far as not already secured by the payment of such sums as are mentioned in subsection (1) above, shall be deemed for all purposes of the Income Tax Acts to be income of the employee for the year or years of assessment specified in the said subsection (3) and assessable to income tax under Schedule E.

- (3) The cost referred to in subsection (2) above shall be estimated either—
- (a) as an annual sum payable in each year of assessment in which the scheme in question is in force or the employee is serving, up to and including the year of assessment in which the benefits accrue or there ceases to be any possibility of the accrual thereof, or
 - (b) as a single sum payable in the year of assessment in which falls the date when the employee acquired the right to the relevant benefits, or the date when he acquired the right to any increase in the relevant benefits,
- as may be more appropriate in the circumstances of the case.
- (4) Where the employer pays any sum as mentioned in subsection (1) above in relation to more than one employee, the sum so paid shall, for the purpose of that subsection, be apportioned among those employees by reference to the separate sums which would have had to be paid to secure the separate benefits to be provided for them respectively, and the part of the sum apportioned to each of them shall be deemed for that purpose to have been paid separately in relation to that one of them.
- (5) Any reference in this section to the provision for an employee of relevant benefits includes a reference to the provision of benefits payable to that employee's wife or widow, children, dependants or personal representatives.
- (6) This section shall come into force on 6th April 1972 or such later date as the Treasury may appoint by order in a statutory instrument made before 6th April 1972, and shall so come into force both for schemes set up before the date so appointed and schemes set up later.

24 Exceptions from charge to tax under last preceding section

- (1) Neither subsection (1) nor subsection (2) of the last preceding section shall apply where the retirement benefits scheme in question is—
- (a) an approved scheme, or
 - (b) a statutory scheme, or
 - (c) a scheme set up by a Government outside the United Kingdom for the benefit, or primarily for the benefit, of its employees.
- (2) Neither subsection (1) nor subsection (2) of the last preceding section shall apply for any year of assessment where, apart from those subsections, the employee is not assessable to tax for that year under Case I or II of Schedule E in respect of the emoluments of his employment.
- (3) Where, in respect of the provision for an employee of any relevant benefits, a sum has been deemed to be income of his by virtue either of subsection (1) or subsection (2) of the last preceding section, and subsequently the employee proves to the satisfaction of the Board that no payment in respect of, or in substitution for, the benefits has been made and that some event has occurred by reason of which no such payment will be

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made, and makes application for relief under this subsection within six years from the time when that event occurred, the Board shall give relief in respect of tax on that sum by repayment or otherwise as may be appropriate; and if the employee satisfies the Board as aforesaid in relation to some particular part of the benefits but not the whole thereof, the Board may give such relief as may seem to them just and reasonable.

25 Definition of retirement benefits scheme

- (1) In this Chapter " retirement benefits scheme " means, subject to the provisions of this section, a scheme for the provision of benefits consisting of or including relevant benefits, but does not include any national scheme providing such benefits.
- (2) References in this Chapter to a scheme include references to a deed, agreement, series of agreements, or other arrangements providing for relevant benefits notwithstanding that it or they relates or relate only to—
 - (a) a small number of employees, or to a single employee, or
 - (b) the payment of a pension starting immediately on the making of the arrangements.
- (3) The Board may, if they think fit, treat a retirement benefits scheme relating to employees of two or more different classes or descriptions as being for the purposes of this Chapter two or more separate retirement benefits schemes relating respectively to such one or more of those classes or descriptions of those employees as the Board think fit.
- (4) For the purposes of this section, and of any other provision of this Chapter—
 - (a) employees may be regarded as belonging to different classes or descriptions if they are employed by different employers, and
 - (b) a particular class or description of employee may consist of a single employee, or any number of employees, however small.

26 Interpretation and supplemental

- (1) In this Chapter, except where the context otherwise requires—
 - " administrator " in relation to a retirement benefits scheme means the person or persons resident in the United Kingdom having the management of the scheme;
 - " approved scheme " means a retirement benefits scheme for the time being approved by the Board for the purposes of this Chapter ;
 - " controlling director " means a director of a company, the directors whereof have a controlling interest therein, who is the beneficial owner of, or able either directly or through the medium of other companies or by any other indirect means to control, more than five per cent, of the ordinary share capital of the company;
 - " director " in relation to a company includes—
 - (a) in the case of a company the affairs whereof are managed by a board of directors or similar body, a member of that board or similar body,
 - (b) in the case of a company the affairs whereof are managed by a single director or similar person, that director or person,
 - (c) in the case of a company the affairs whereof are managed by the members themselves, a member of that company, and includes a person who is to be or has been a director;

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- " employee "—
- (a) in relation to a company, includes any officer of the company, any director of the company and any other person taking part in the management of the affairs of the company, and
 - (b) in relation to any employer, includes a person who is to be or has been an employee, and " employer " and other cognate expressions shall be construed accordingly;
- " exempt approved scheme " has the meaning given by section 21(1) of this Act;
- " pension " includes annuity ;
- " relevant benefits " means any pension, lump sum, gratuity or other like benefit given or to be given on retirement or on death, or in anticipation of retirement, or, in connection with past service, after retirement or death, or to be given on or in anticipation of or in connection with any change in the nature of the service of the employee in question, except that it does not include any benefit which is to be afforded solely by reason of the disablement by accident of a person occurring during his service or of his death by accident so occurring and for no other reason ;
- " service " means service as an employee of the employer in question and other expressions, including " retirement ", shall be construed accordingly ;
- " statutory scheme " means a retirement benefits scheme established by or under any enactment—
- (a) the particulars of which are set out in any enactment, or in regulations made under any enactment, or
 - (b) which has been approved as an appropriate scheme by a Minister or government department (including a Northern Ireland Minister or government department).
- (2) Any reference in this Chapter to the provision of relevant benefits, or of a pension, for employees of an employer includes a reference to the provision thereof by means of a contract between the administrator or the employer and a third person.
- (3) Schedule 5 to this Act shall have effect for supplementing this Chapter, which is there referred to as the principal Chapter, and that Schedule shall be construed as one with this Chapter.