

Finance Act 1977

CHAPTER 36

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ELIZABETH II



Finance Act 1977

1977 CHAPTER 36

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance. [29th July 1977]

Most Gracious Sovereign,

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

PART I

CUSTOMS AND EXCISE

1.—(1) In the Table in section 9 of the Finance (No. 2) Act 1975 (excise duty on spirits) for “24-6300” and “24-7050” there shall be substituted “27-0900” and “27-1650” respectively. Spirits, beer, wine, made-wine, cider and tobacco.

(2) In section 10(1) of that Act (excise duty on beer) for “£15-8400” and “£0-5280” there shall be substituted “£17-4240” and “£0-5808” respectively. 1975 c. 45.

(3) For the provisions of Schedule 4 to that Act (rates of excise duty on wine) there shall be substituted the provisions of Schedule 1 to this Act.

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(4) For the provisions of Schedule 5 to that Act (rates of excise duty on made-wine) there shall be substituted the provisions of Schedule 2 to this Act.

1976 c. 40.

(5) In section 2(1) of the Finance Act 1976 (excise duty on cider) for "£0.22" there shall be substituted "£0.242".

(6) The rates of the duties of customs and excise chargeable under the provisions of subsection (1) of section 8 of the said Act of 1976 and the provisions mentioned in subsection (2) of that section (customs and excise duties on tobacco) shall each be increased by £0.585 per pound; and as respects tobacco on which there have been paid duties of customs and excise at the said increased rates, the rates of drawback allowable under those provisions shall each be increased by the like amount per pound.

1973 c. 51.

(7) In section 1(4) of the Finance Act 1973 (power to make orders before 1st July 1977 for giving effect to Community obligations in respect of tobacco duties) for the words "1st July 1977" there shall be substituted the words "1st January 1978"; and subsection (6) above is without prejudice to the powers conferred by the said section 1(4).

S.I. 1976/2133.

(8) The Surcharge on Revenue Duties Order 1976 (the effect of which is substantially reproduced by subsections (1) to (6) above) shall cease to have effect.

(9) This section shall be deemed to have come into force on 30th March 1977.

Tobacco products.

2.—(1) For the Table in section 4(1) of the Finance Act 1976 there shall be substituted—

"TABLE

1. Cigarettes	...	...	An amount equal to 22 per cent. of the retail price plus £1.4100 per thousand cigarettes.
2. Cigars	...	...	£3.0415 per pound.
3. Hand-rolling tobacco	...	...	£3.8250 per pound.
4. Other smoking tobacco and chewing tobacco	...	...	£1.7050 per pound."

(2) For the purposes of paragraph 1 in the Table in the said section 4(1) any cigarette more than 9cm. long (excluding any filter or mouthpiece) shall be treated as if each 9cm. or part thereof were a separate cigarette; and for the purposes of section 6 of the said Act of 1976 (power to alter rates of duty) the percentage and the amount per thousand cigarettes in that paragraph shall be treated as separate rates of duty.

(3) The Tobacco Products Duty (Increase) Order 1976 shall cease to have effect.

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S.I. 1976/2134.

(4) The Treasury may by order provide that in the enactments relating to the duty charged by section 4 of the said Act of 1976 references to cigarettes, cigars, hand-rolling tobacco, other smoking tobacco and chewing tobacco shall or shall not include references to any product of a description specified in the order, being a product manufactured wholly or partly from tobacco or any substance used as a substitute for tobacco but not including products commonly known as herbal cigarettes or herbal smoking mixtures; and any such order may amend or repeal subsection (5) of that section.

(5) The power to make orders under subsection (4) above includes power to vary or revoke a previous order and shall be exercisable by statutory instrument.

(6) Subject to subsection (7) below, any order under subsection (4) above shall be laid before the House of Commons after being made; and unless it is approved by that House before the expiration of twenty-eight days beginning with the date on which it was made, it shall cease to have effect on the expiration of that period, but without prejudice to anything previously done thereunder or to the making of a new order.

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

(7) Subsection (6) above shall not apply to any order containing a statement by the Treasury that the order does not extend the incidence of the duty or involve a greater charge to duty or a reduction of any relief; and any such order shall be subject to annulment in pursuance of a resolution of the House of Commons.

(8) Subsections (1) to (3) above shall be deemed to have come into force on 4th April 1977.

3.—(1) As from 1st January 1978 no duties of customs or excise shall be charged under section 4 of the Finance Act 1964 and for the Table in section 4(1) of the Finance Act 1976 there shall be substituted—

			" TABLE	Replacement by tobacco products duty of other tobacco duties.
1. Cigarettes	...	...	An amount equal to 30 per cent. of the retail price plus £9.00 per thousand cigarettes.	1964 c. 49. 1976 c. 40.
2. Cigars	...	...	£9.50 per pound.	
3. Hand-rolling tobacco	£9.20 per pound.	
4. Other smoking tobacco and chewing tobacco	£7.30 per pound."	

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(2) If it is shown to the satisfaction of the Commissioners that any tobacco which has borne duty under section 4 of the said Act of 1964 on or after 10th May 1976 has been or will be used in the manufacture of tobacco products chargeable with duty under section 4 of the said Act of 1976 on or after the said 1st January, they shall make a repayment at the appropriate rate specified in Schedule 3 to this Act in respect of the duty borne by that tobacco as aforesaid; and the rate per pound at which drawback is allowable on tobacco in respect of which a repayment has been made under this subsection shall be reduced by an amount equal to the rate per pound at which the repayment was made.

(3) Drawback in respect of any duty charged under section 4 of the said Act of 1964 shall not be allowed by virtue of any event occurring after 30th June 1978; but if it is shown to the satisfaction of the Commissioners after that date—

(a) that any tobacco which has borne duty under that section has been used in the manufacture of products which have become unmerchantable through natural causes; and

(b) that no drawback or repayment in respect of the duty has been allowed or made under any other provision, the Commissioners shall repay the duty to the manufacturer, but any such repayment shall be conditional on the products being disposed of in such manner as the Commissioners may require.

1952 c. 44.

(4) Part V of the Customs and Excise Act 1952 (which contains provisions for the collection and management of the duties charged by section 4 of the said Act of 1964 and for the protection of the revenue arising from them) shall cease to have effect on 1st January 1978 except as respects drawback by virtue of events occurring on or before the date mentioned in subsection (3) above.

(5) In section 4(3) of the said Act of 1976 (regulations for the purposes of tobacco products duty) after paragraph (b) there shall be inserted—

“ (bb) for the registration of premises where—

- (i) tobacco products are manufactured;
- (ii) materials for the manufacture of such products are grown, produced, stored or treated; or
- (iii) refuse from the manufacture of such products is stored or treated,

and for regulating the storage and treatment in, and removal from, premises so registered of such materials and refuse;”.

4.—(1) The rate of the duty of excise charged by section 11 of the Finance (No. 2) Act 1975 (hydrocarbon oil etc.) shall differ according to whether the oil is light oil or heavy oil; and accordingly—

PART I
Hydrocarbon
oil etc.
1975 c. 45.

(a) in that section after the words “£0.3000 a gallon” there shall be inserted the words “in the case of light oil and £0.3500 a gallon in the case of heavy oil”;

(b) in the following provisions (under which duty is charged by reference to the duty on hydrocarbon oil), that is to say—

(i) section 6 of the Hydrocarbon Oil (Customs & Excise) Act 1971 (petrol substitutes and power methylated spirits);

(ii) section 3(3) and (4)(c) of the Finance Act 1971 and Article 3 of the Excise Duties (Gas as Road Fuel) Order 1972,

1971 c. 68.
S.I., 1972/567.

for the words “hydrocarbon oil” there shall be substituted the words “light oil”; and

(c) in section 92(2) of the Finance Act 1965 and section 14(2) of the Finance Act (Northern Ireland) 1966 (grants towards duty on bus fuel) for the words “hydrocarbon oil” there shall be substituted the words “heavy oil”.

(2) In section 9 of the Hydrocarbon Oil (Customs & Excise) Act 1971 (rebate on heavy oil) for the words “at a rate of 1p a gallon less than the rate at which the duty is for the time being chargeable” there shall be substituted the words “at a rate—

(a) in the case of kerosene other than aviation turbine fuel, of 1p a gallon less than the rate at which the duty is for the time being chargeable;

(b) in the case of aviation turbine fuel and heavy oil other than kerosene, of 2½p a gallon less than the rate at which the duty is for the time being chargeable.”

(3) The provisions of the said section 9 as amended by subsection (2) above shall become subsection (1) of that section and after those provisions there shall be added—

“ (2) In this section—

“aviation turbine fuel” means kerosene which is intended to be used as fuel for aircraft engines and is allowed to be delivered for that purpose without being marked in accordance with the regulations made for the purposes of this section;

“kerosene” means heavy oil of which more than 50 per cent. by volume distils at a temperature not exceeding 240°C.”

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(4) In section 12(1) of the said Act of 1971 (rebate on light oil for use as furnace fuel at a rate of 1p a gallon less than the rate at which the duty is charged) for "1p" there shall be substituted "2½p".

(5) This section shall be deemed to have come into force at 6 o'clock in the evening of 29th March 1977; but as respects the period beginning at that time and ending at 6 o'clock in the evening of 8th August 1977 the rate of the duty of excise charged by section 11 of the said Act of 1975 shall, notwithstanding subsection (1) above, be £0.3500 a gallon in the case of light oil as well as heavy oil and the provisions mentioned in paragraph (b) of that subsection shall have effect accordingly.

(6) The Commissioners may make repayments of duty at the rate of 5p a gallon under arrangements made by them for avoiding dislocation in the supply of petrol to retailers and distributors at the end of the period mentioned in subsection (5) above.

Vehicles
excise duty:
Great Britain.
1971 c. 10.

5.—(1) The Vehicles (Excise) Act 1971 shall be amended as follows.

(2) For the provisions of Part II of Schedules 1 to 5 (annual rates of duty) there shall be substituted the provisions set out in Schedule 4 to this Act.

(3) In subsection (5) of section 16 (rates of duty for trade licences), including that subsection as set out in paragraph 12 of Part I of Schedule 7, for "£20" and "£3.35" there shall be substituted respectively "£25" and "£5".

(4) In section 2(1)(b) (four month licence for vehicles with annual rate exceeding £8) for "£8" there shall be substituted "£18".

(5) This section has effect in relation to licences taken out after 29th March 1977.

Vehicles
excise duty:
Northern
Ireland.
1972 c. 10
(N.I.).

6.—(1) The Vehicles (Excise) Act (Northern Ireland) 1972 shall be amended as follows.

(2) For the provisions of Part II of Schedules 1 to 5 (annual rates of duty) there shall be substituted the provisions set out in Schedule 5 to this Act.

(3) In subsection (6) of section 16 (rates of duty for trade licences), including that subsection as set out in paragraph 12 of Part I of Schedule 9, for "£20" and "£3.35" there shall be substituted respectively "£25" and "£5".

(4) In section 2(1)(b) (four month licence for vehicles with annual rate exceeding £8) for "£8" there shall be substituted "£18".

(5) This section has effect in relation to licences taken out after 29th March 1977.

7.—(1) The Treasury may by order amend the customs and excise Acts for the purpose of—

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- (a) replacing any unit of measurement by a metric unit ;
- (b) replacing the proof system of ascertaining the alcoholic strength of spirits and other liquids by a system of measurement by reference to percentages of alcohol by volume ;
- (c) replacing any temperature expressed in degrees Fahrenheit by a temperature expressed in degrees Celsius ;
- (d) replacing any pressure expressed in atmospheres by a pressure expressed in millibars.

Units and methods of measurement in customs and excise Acts.

(2) Any amendment of an enactment under this section shall be such as to preserve the effect of the enactment except to such extent as the Treasury consider necessary to enable a substituted unit or method of measurement to be applied in a convenient and suitable manner.

(3) An order under this section may contain such transitional and other supplementary provisions as the Treasury think necessary.

(4) The power to make orders under this section includes power to vary or revoke a previous order and shall be exercisable by statutory instrument.

(5) Subject to subsection (6) below, any order under this section shall be laid before the House of Commons after being made ; and unless it is approved by that House before the expiration of twenty-eight days beginning with the date on which it was made, it shall cease to have effect on the expiration of that period, but without prejudice to anything previously done thereunder or to the making of a new order.

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

(6) Subsection (5) above shall not apply to any order containing a statement by the Treasury that the order does not involve a greater charge to duty or a reduction of any relief, drawback, rebate or allowance ; and any such order shall be subject to annulment in pursuance of a resolution of the House of Commons.

8.—(1) The Commissioners may, in accordance with subsection (2) below, make regulations applying in cases where any question as to the duties of customs chargeable on any goods depends on the use to be made of them.

Regulations where duty depends on use.

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(2) In cases in which a Community instrument makes provision for the purpose of securing that the relevant use is made of the goods, regulations under this section may make provision for any matter which under the instrument is required or authorised to be dealt with by the authorities of member States or which otherwise arises out of the instrument; and in other cases regulations under this section may make such provision for that purpose as appears to the Commissioners to be necessary or expedient.

1952 c. 44.

(3) Section 255A of the Customs and Excise Act 1952 (which makes provision for purposes including that mentioned in subsection (2) above) shall, with effect from such day as may be appointed by regulations under this section, be amended as follows—

- (a) for the words “on the use to be made of any goods or on any other matter” there shall be substituted the words “on any matter (other than the use to be made of the goods)”;
- (b) the words “for securing that the goods will be so used or otherwise” shall be omitted.

Forfeiture
of goods
relieved
from duty.

9.—(1) Section 257 of the Customs and Excise Act 1952 (forfeiture of goods relieved from duty) shall be amended in accordance with subsections (2) and (3) below.

(2) For subsection (1) there shall be substituted—

“ (1) Where—

- (a) any goods have been relieved from customs duty or have been charged with duty at a reduced rate; and
- (b) any condition or other obligation required to be complied with in connection with the relief or with the charge of duty at that rate is not complied with,

the goods shall be liable to forfeiture.”

(3) In subsection (2) for the words “the observance of the condition” there shall be substituted the words “compliance with the condition or obligation”.

1958 c. 6.
1964 c. 28.

(4) Section 10(2) of the Import Duties Act 1958 and paragraph 1(3)(b) of the Schedule to the Agriculture and Horticulture Act 1964 (which become unnecessary in consequence of the above amendments) shall cease to have effect.

Duties or
levies on goods
passing into
free circulation
etc.

10.—(1) In any case where—

- (a) goods which are not for the time being in free circulation in member States are imported into the United Kingdom from another member State, and

- (b) in accordance with the Treaties the goods either are allowed to be put on the market in the United Kingdom or to be destroyed or otherwise cease to be subject to special arrangements involving the suspension of, or the giving of relief from, duties or levies in another member State,

then, in such circumstances as may be prescribed, duties of customs or levies shall be charged on or in respect of the goods by virtue of this section.

(2) Any question whether goods are at any time in free circulation in member States shall be determined in accordance with the Treaties.

(3) The amount of the duty of customs or levy which, in any particular prescribed circumstances, is charged on or in respect of any goods by virtue of this section shall be such as, in accordance with the Treaties, may either be prescribed or determined in a prescribed manner.

(4) Duties of customs charged by virtue of this section shall be treated as Community customs duties charged under subsection (1) of section 5 of the European Communities Act 1972 and levies charged by virtue of this section shall be treated as agricultural levies, as defined in subsection (8) of section 6 of that Act; and the provisions of, and of the enactments referred to in, those sections shall apply accordingly. 1972 c. 68.

(5) In this section "prescribed" means prescribed by regulations made by the Commissioners.

(6) This section and, except in so far as any such regulations otherwise provide, any regulations made under it shall have effect in relation to goods imported into the United Kingdom on or after 1st July 1977.

11.—(1) This section applies where, in accordance with the Directive of the Council of the European Communities dated 15th March 1976 No. 76/308/EEC, an authority in a member State makes a request for the recovery in the United Kingdom of any sum claimed by that authority in that State. Recovery of duty etc. due in other member States.

(2) Subject to the following provisions, where this section applies the Commissioners or the Intervention Board for Agricultural Produce may recover the sum specified in the request as if it were a debt due to the Crown. O.J. No. L73/18.

(3) Proceedings for the recovery of any sum under this section shall be stayed if the defendant satisfies the court that proceedings relevant to his liability on the claim in relation to which the request has been made are pending, or are about to be

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instituted, before a court, tribunal or other competent body in the member State in question; but any such stay may be removed if the proceedings in the member State are not prosecuted or instituted with reasonable expedition.

(4) It shall be a defence to proceedings under this section for the defendant to show that a final decision on the claim has been given in his favour by a court, tribunal or other competent body in the member State in question; and if he shows that such a decision has been given in respect of part of the claim it shall be a defence to the proceedings in so far as they relate to that part.

(5) For the purposes of subsection (3) above proceedings shall be regarded as pending so long as an appeal may be brought against any decision in the proceedings; and for the purposes of subsection (4) above a final decision is one against which no appeal lies or against which an appeal lies within a period which has expired without an appeal having been brought.

(6) In proceedings under this section any averment in the pleadings that a request has been made as mentioned in subsection (1) above for the recovery of the sum which is the subject of the proceedings shall be conclusive evidence of that fact; and except as provided in subsection (4) above no question shall be raised in any such proceedings as to the defendant's liability on the claim in relation to which the request has been made.

(7) In relation to proceedings under this section in Scotland—

(a) the reference in subsection (3) above—

(i) to proceedings being stayed shall be construed as a reference to their being sisted;

(ii) to a stay being removed shall be construed as a reference to a sist being recalled; and

(b) the references in subsections (3), (4) and (6) above to a defendant shall be construed as references to a defender.

(8) This section shall not have effect in relation to a request for the recovery of any sum which became due before 15th March 1976.

Conditional
reliefs from
import duty.
1958 c. 6.

12.—(1) The following provisions of the Import Duties Act 1958 shall cease to have effect, that is to say—

(a) section 9 and Schedule 5 (drawback);

(b) paragraphs 1, 2, 3, 6, 7, 9, 10 and 11 of Schedule 3 (goods eligible for conditional relief).

(2) This section shall be deemed to have come into force on 1st July 1977.

13. The period after which orders of the Treasury under section 9 of the Finance Act 1961 may not be made or continue in force (which, by section 16 of the Finance Act 1976, was extended until the end of August 1977) shall extend until the end of August 1978 or such later date as Parliament may hereafter determine.

PART I
Continuation
of powers
under
Finance Act
1961 s. 9.
1961 c. 36.
1976 c. 40.

PART II

VALUE ADDED TAX

14.—(1) As from 1st January 1978, Part I of the Finance Act 1972 (which imposes the charge to value added tax) shall be amended as shown in Part I of Schedule 6 to this Act (these being amendments mainly to give effect to new Community provisions relating to the incidence and operation of the tax).

Restatement
of value
added tax.
1972 c. 41.

(2) As from that date, in consequence of subsection (1), that Part of the 1972 Act, and the other enactments and subordinate legislation mentioned in Part II of that Schedule, shall have effect subject to the amendments there specified; and Part III of the Schedule shall have effect for transitional purposes.

15.—(1) Paragraphs 1 and 2 of Schedule 1 to the Finance Act 1972 (liability to be registered) shall be amended as follows.

Registration
limits.

(2) In paragraph 1, in the provisions before the Table, for “£5,000” (in both places) there shall be substituted “£7,500” and in the second column of the Table for “1,750”, “3,000”, “4,250” and “5,000” there shall be substituted respectively “2,625”, “4,500”, “6,375” and “7,500”.

(3) In paragraph 2 for “£4,000” (in both places) there shall be substituted “£6,000”, and for “£1,250” there shall be substituted “£1,875”.

(4) In section 20(1) of that Act (registration of local authorities) for “£5,000” (in both places) there shall be substituted “£7,500”.

(5) In Schedule 2 to that Act, at the end of paragraph 3 (deemed supply of business assets, where business proprietor de-registered, except in certain cases), there shall be added—

“ or

(c) the tax on the deemed supply would be not more than £50 ”.

(6) Subsection (5) above shall not come into force until 5th August 1977, and subsections (1) to (4) not until 1st October 1977.

PART II
Goods
imported for
private
purposes.

16.—(1) Where, on or after 1st August 1977, goods are imported by a taxable person and—

(a) at the time of importation they belong wholly or partly to another person ; and

(b) the purposes for which they are to be used include private purposes either of himself or of the other,

tax paid or payable by the taxable person on the importation of the goods shall not be regarded as input tax to be deducted or credited under section 3 of the Finance Act 1972 ; but he may make a separate claim to the Commissioners for it to be repaid.

1972 c. 41.

(2) The Commissioners shall allow the claim if they are satisfied that to disallow it would result, in effect, in a double charge to tax ; and where they allow it they shall do so only to the extent necessary to avoid the double charge.

(3) In considering a claim under this section, the Commissioners shall have regard to the circumstances of the importation and, so far as appearing to them to be relevant, things done with, or occurring in relation to, the goods at any subsequent time.

(4) Any amount allowed by the Commissioners on the claim shall be paid by them to the taxable person.

(5) In section 40(1) of the Finance Act 1972 (appeal to VAT Tribunal) after paragraph (j) there shall be inserted—

“ (k) a claim by a taxable person under section 16 of the Finance Act 1977 ”.

(6) The reference above to a person's private purposes is to purposes which are not those of any business carried on by him.

PART III

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Charge of
income tax
for 1977-78.

17. Income tax for the year 1977-78 shall be charged at the basic rate of 34 per cent. ; and—

(a) in respect of so much of an individual's total income as exceeds £6,000 at such higher rates as are specified in the Table below ; and

(b) in respect of so much of the investment income included in an individual's total income as exceeds £1,500 at the additional rates of 10 per cent. for the first £500 of the excess and 15 per cent. for the remainder ;

except that, in the case of an individual who shows that, at any time within that year, his age or that of his wife living with him was sixty-five years or more, paragraph (b) above shall have effect with the substitution for the reference to £1,500 of a reference to £2,000.

PART III

TABLE

<i>Part of excess over £6,000</i>	<i>Higher rate</i>
The first £1,000	40 per cent.
The next £1,000	45 per cent.
The next £1,000	50 per cent.
The next £1,000	55 per cent.
The next £2,000	60 per cent.
The next £2,000	65 per cent.
The next £2,000	70 per cent.
The next £5,000	75 per cent.
The remainder	83 per cent.

18. Corporation tax shall be charged for the financial year 1976 at the rate of 52 per cent. Charge of corporation tax for financial year 1976.

19. The rate of advance corporation tax for the financial year 1977 shall be thirty-four sixty-sixths. Rate of advance corporation tax for financial year 1977.

20.—(1) The small companies rate for the financial year 1976 shall be 42 per cent., and for that year the fraction mentioned in subsection (2) of section 95 of the Finance Act 1972 (marginal relief for small companies) shall be four twenty-fifths. Corporation tax: small companies. 1972 c. 41.

(2) For the financial year 1976 and subsequent financial years subsection (3) of the said section 95 shall have effect with the substitution for any reference to £30,000 of a reference to £40,000 and with the substitution for any reference to £50,000 of a reference to £65,000.

(3) Where by virtue of subsection (2) above the said section 95 has effect with different relevant amounts in relation to different parts of the same accounting period, those parts shall be treated for the purposes of that section as if they were separate accounting periods, and the profits and income of the company for that period (as defined in that section) shall be apportioned between those parts.

PART III
Relief for
interest:
limit for
1977-78,
1974 c. 30.

21. In paragraph 5(1) of Schedule 1 to the Finance Act 1974 (limit on relief for interest on certain loans for purchase or improvement of land used as an only or main residence) the references to £25,000 shall have effect for the year 1977-78 as well as for previous years of assessment.

Alteration
of personal
reliefs.

22.—(1) In section 8 of the Taxes Act (personal reliefs)—

- (a) in subsection (1)(a) (married) for “£1,085” there shall be substituted “£1,295”;
- (b) in subsection (1)(b) (single) and (2) (wife’s earned income relief) for “£735” there shall be substituted “£845”;
- (c) in subsection (1A) (age allowance) for “£1,555” and “£1,010” there shall be substituted “£1,765” and “£1,120” respectively, and after the paragraphs in that subsection there shall be inserted the words “and for the purposes of this subsection a person who would have been of the age of sixty-five or upwards within the year of assessment if he had not died in the course of it shall be treated as having been of that age within that year.”;
- (d) in subsection (1B) for “£3,250” there shall be substituted “£3,500”;
- (e) in subsection (2)(b) (Category A retirement pension eligible for wife’s earned income relief) after the word “pension” there shall be inserted the words “or mobility allowance”.

(2) In the year 1978-79 and subsequent years the personal reliefs allowed in this section shall be changed by not less than the same percentage as the increase in the retail price index for the previous calendar year :

Provided that the Treasury may by order, subject to approval before coming into effect by resolution of the House of Commons, prescribe a lesser relief in respect of any financial year, so long as those reliefs are not less than the levels provided for in subsection (1) above.

(3) In section 14(2) and (3) of that Act (additional relief for widows and others in respect of children) for “£350” there shall be substituted “£450”; and in the year 1978-79 and subsequent years the additional relief allowed in this section shall be increased by not less than the same percentage as the increase in the retail price index for the previous calendar year :

Provided that the Treasury may by order, subject to approval before coming into effect by resolution of the House of Commons, prescribe a lesser relief in respect of any financial year, so long as that lesser relief is not less than £420.

23.—(1) In section 219(2) of the Taxes Act (social security benefits exempt from tax) the word “and” shall be omitted and after “1971” there shall be inserted the words “and payments of child benefit”. PART III
Child benefit
and other
benefits in
respect of
children.

(2) The amendments of the Income Tax Acts made by section 32(2), (3)(a) and (d), (4), (5) and (6) of the Finance Act 1976 shall not have effect. 1976 c. 40.

(3) Where for the year 1977-78 an individual is (or apart from this subsection would be) assessable to income tax in respect of payments in respect of a child, being payments to which this subsection applies, his income shall for the purposes of the Income Tax Acts be deemed to include only so much, if any, of the payments in respect of that child as exceeds £52 or, if the payments in question are payments for a part only of the year, a proportionate part of that amount.

(4) Subsection (3) above applies to payments by way of—

(a) child’s special allowance or guardian’s allowance under the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975 ; or 1975 c. 14.
1975 c. 15.

(b) an allowance under section 70 of either of those Acts ;
or

(c) an increase under Chapter III of Part II of either of those Acts of a widow’s allowance, widowed mother’s allowance, child’s special allowance, retirement pension or invalid care allowance.

(5) Subsections (1) and (2) above shall be deemed to have come into force on 4th April 1977.

24.—(1) Except in the case of a child to whom section 25 or 26 below applies, the appropriate amount to be deducted from the claimant’s total income under subsection (1) of section 10 of the Taxes Act (children) for the year 1977-78 shall, instead of being determined in accordance with subsection (3) of that section, be determined in accordance with subsections (2) and (3) below ; and in those subsections “first child” means a child shown by the claimant to be the only or eldest child in respect of whom he is entitled under that section to a deduction of an amount determined in accordance with those subsections. Child tax
allowances
for 1977-78.

(2) The appropriate amount for the child shall vary according to the age of the child at the commencement of the year of assessment and according to whether or not he is a first child and, subject to subsection (5) of the said section 10—

(a) for a child shown by the claimant to have been over the age of sixteen at the commencement of that year, shall be £261 in the case of a first child and £235 in the case of any other child :

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(b) for a child not so shown but shown by the claimant to have been then over the age of eleven, shall be £231 in the case of a first child and £205 in the case of any other child ;

(c) for a child not falling within the foregoing paragraphs, shall be £196 in the case of a first child and £170 in the case of any other child.

(3) Where the appropriate amount for a child is required to be apportioned under section 11 of the Taxes Act between two or more individuals and the child is the first child in relation to any but not each of them, that amount shall be determined as if he were the first child in relation to each of them.

Child tax allowances: children living abroad.

25.—(1) If in the case of a child in respect of whom a claim is made under section 10 of the Taxes Act (children) the claimant proves that the conditions in subsection (2) below are fulfilled, the appropriate amount to be deducted from the claimant's income under subsection (1) of that section for the year 1977-78 shall be determined in accordance with subsection (3) of that section as amended for the year 1976-77 by section 29(2) of the Finance Act 1976.

1976 c. 40.

(2) The conditions referred to in subsection (1) above are—

(a) that the child is outside the United Kingdom throughout the year of assessment (apart from any visit which does not exceed, or visits which together do not exceed, 30 days) and does not in that year normally live in a country or territory specified in subsection (3) below ; and

(b) that he is under the age of nineteen years at the end of that year ; and

(c) that no child benefit is paid in respect of the child for any week (as defined in the child benefit legislation) beginning in that year ; and

(d) that no child benefit for any such week is (or if a claim were made would be) payable in respect of the child by virtue of Part II of the Child Benefit (Residence and Persons Abroad) Regulations 1976 or Part II of the Child Benefit (Residence and Persons Abroad) Regulations (Northern Ireland) 1976.

S.I. 1976/963.

S.R. 1976/227.

(3) The countries and territories referred to in subsection (2)(a) above are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany (Federal Republic), Gibraltar, the Irish Republic, the Isle of Man, Israel, Italy, Jersey, Luxembourg, the Netherlands, New Zealand, Norway, Spain and Sweden.

26.—(1) If in the case of a child in respect of whom a claim is made under section 10 of the Taxes Act (children) the claimant proves that the conditions in subsection (2) below are fulfilled, the appropriate amount to be deducted from the claimant's income under subsection (1) of that section for the year 1977-78 and the three following years of assessment shall be determined in accordance with subsection (3) of that section as amended for the year 1976-77 by section 29(2) of the Finance Act 1976. PART III
Child tax
allowances:
students.
1976 c. 40.

(2) The conditions referred to in subsection (1) above are—

(a) that on 31st December 1976 the child was following a full-time course at a university, college, school or other educational establishment ; and

(b) that he was then over the age of nineteen years or that the course was an advanced course ; and

(c) that he is following such a course as is mentioned in paragraph (a) above in an academic year beginning in the year of assessment and either—

(i) is not in receipt of a grant from a government department or local authority or otherwise out of public funds in respect of that course for that academic year or any period determined by reference to it ; or

(ii) is in receipt of such a grant as aforesaid, being a grant which is calculated in accordance with provisions for taking account of parental income but the amount of which does not fall to be reduced under those provisions.

(3) In subsection (2)(b) above “ advanced course ” means—

(a) a course in preparation for a degree, a diploma of higher education, a higher national diploma or a teaching qualification ;

(b) a course of post-graduate or post-diploma instruction ;
or

(c) any other course, being a course of a standard above ordinary national diploma, general certificate of education (advanced level) or Scottish certificate of education (higher level) ;

and if any question arises whether a course falls within the above definition, the Board may consult the Secretary of State for Education and Science.

(4) In the application of subsection (3) above to Scotland and Northern Ireland the Secretary of State and the Department of Education for Northern Ireland shall respectively be substituted for the Secretary of State for Education and Science.

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(5) In its application to the year 1977-78 subsection (1) above shall have effect as if in subsection (2) above there were inserted after paragraph (c)(ii) the words " or

(iii) is in receipt of such a grant as is mentioned in subparagraph (i) above, being a grant under section 2 of the Education Act 1962, section 49(1) or 51(1)(c) of the Education (Scotland) Act 1962 or regulation 7 of the Students Awards Regulations (Northern Ireland) 1975."

1962 c. 12.
1962 c. 47.
S.R. 1975/314.

Retirement annuities.

27.—(1) Sections 227 and 228 of the Taxes Act (which prescribe limits subject to which relief is available for premiums paid under approved retirement annuity contracts etc.) shall be amended as follows—

- (a) in subsections (1A) and (1C) of section 227 and subsections (1) and (4) of section 228 for "£2,250", wherever it occurs, there shall be substituted "£3,000";
- (b) in subsections (1B) and (1C) of section 227 for "£750", wherever it occurs, there shall be substituted "£1,000"; and
- (c) in the Table in subsection (4) of section 228 for the second and third columns there shall be substituted—

<i>Sum</i>	<i>Percentage</i>
£3,600	18
£4,200	21
£4,800	24
£5,400	27
£6,000	30".

(2) This section does not affect relief for any year of assessment before the year 1977-78.

Maintenance payments.
1974 c. 30.

28. In section 15(1) of the Finance Act 1974 (maintenance payments up to £1,000 not to be investment income) for "£1,000" there shall be substituted "£1,500".

Increase in relief for savings bank interest.

29. Section 414(1) of the Taxes Act (relief from income tax on first £40 of certain savings bank interest) shall, for the year 1977-78 and subsequent years of assessment, have effect with the substitution of a reference to £70 for each reference to £40.

Job release schemes.

30.—(1) A payment on account of any allowance to which this section applies shall not be treated as income for any purposes of the Income Tax Acts.

(2) This section applies to any allowance paid since the beginning of 1977 by the Secretary of State or the Department of Manpower Services for Northern Ireland under any scheme of the kind described in the Job Release Act 1977, being a scheme which provides for the payment of allowances for periods beginning not earlier than one year before the date on which the recipient attains pensionable age as defined in that Act.

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1977 c. 8.

31.—(1) Schedule 7 to this Act shall have effect for affording relief from tax under Case I of Schedule E where the duties of an office or employment are performed wholly or partly outside the United Kingdom. Earnings from work done abroad.

(2) A deduction shall not be allowed in respect of the same emoluments both under Schedule 7 to this Act and paragraph 3 of Schedule 2 to the Finance Act 1974 (foreign emoluments); and paragraph 4 of Schedule 7 to this Act shall, with the necessary modifications, have effect in relation to the amount of emoluments to be excepted under paragraph 4 of the said Schedule 2 as it has effect in relation to the amount of emoluments in respect of which a deduction is allowed under paragraph 1 of the said Schedule 7. 1974 c. 30.

(3) In consequence of the foregoing provisions, the Income Tax Acts shall be amended as follows—

- (a) in Case I in paragraph 1 of Schedule E as set out in section 181(1) of the Taxes Act for the words from “subject, however, to the deduction or exception” onwards there shall be substituted the words “subject, however, to the deduction or exception provided for in Schedule 2 to the Finance Act 1974 if the emoluments are foreign emoluments and to the deduction provided for in Schedule 7 to the Finance Act 1977 if in the chargeable period he performs the duties of the office or employment wholly or partly outside the United Kingdom”;
- (b) in section 184(3) of the Taxes Act after the words “For the purposes of Cases I and II of Schedule E” there shall be inserted the words “, but subject to paragraph 7 of Schedule 7 to the Finance Act 1977,”;
- (c) in paragraph 16 of Schedule 8 to the Taxes Act after the words “the Finance Act 1974” there shall be inserted the words “or paragraph 1 of Schedule 7 to the Finance Act 1977”;
- (d) section 21(2) of the Finance Act 1974 and paragraphs 1 and 2 of Schedule 2 to that Act shall cease to have effect.

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(4) This section has effect for the year 1977-78 and subsequent years of assessment but without prejudice to any deduction—

- (a) under paragraph 1 of Schedule 7 to this Act for that or a subsequent year by virtue of a period falling partly in a year before the year 1977-78 ; or
- (b) under paragraph 1 of Schedule 2 to the said Act of 1974 for a year before the year 1977-78 by virtue of a period falling partly in that or a subsequent year.

Expenses in connection with work done abroad.

32.—(1) Subsections (2) and (3) below apply where a person (“ the employee ”) who is resident and ordinarily resident in the United Kingdom holds an office or employment (“ the overseas employment ”) the duties of which are performed wholly outside the United Kingdom and the emoluments from which are not foreign emoluments within the meaning of paragraph 1 of Schedule E.

(2) For the purposes of section 189(1) of the Taxes Act (deduction for certain expenses) there shall be treated as having been necessarily incurred in the performance of the duties of the overseas employment expenses of the employee in travelling from the United Kingdom to take up the overseas employment and in returning to the United Kingdom on its termination ; and if travel is partly for a purpose mentioned in this subsection and partly for another purpose this subsection applies only to such part of the expenses as is properly attributable to the former purpose.

(3) Where, for the purpose of enabling the employee to perform the duties of the overseas employment,—

- (a) board and lodging outside the United Kingdom is provided for him and the cost of it is borne by or on behalf of his employer ; or
- (b) he incurs expenses out of the emoluments of the employment on such board and lodging for himself and those expenses are reimbursed by or on behalf of his employer,

there shall be allowed, in charging tax under Case I of Schedule E on the emoluments from that employment, a deduction of an amount equal to so much of that cost or, as the case may be, those expenses as falls to be included in those emoluments.

Where board and lodging is partly for the purpose mentioned in this subsection and partly for another purpose, this subsection applies only to such part of the cost or expenses as is properly attributable to the former purpose.

(4) Subsection (5) below applies where a person resident and ordinarily resident in the United Kingdom—

- (a) holds two or more offices or employments the duties of one or more of which are performed wholly or partly outside the United Kingdom ; and
- (b) travels from one place having performed there duties of one office or employment to another place for the purpose of performing duties of another office or employment (the emoluments from which are not foreign emoluments within the meaning of paragraph 1 of Schedule E),

and either or both of those places is outside the United Kingdom.

(5) For the purposes of section 189(1) of the Taxes Act (deduction for certain expenses) expenses incurred by such a person on such travel shall be treated as having been necessarily incurred in the performance of the duties which he is to perform at his destination ; and if travel is partly for the purpose of performing those duties and partly for another purpose this subsection applies only to such part of the expenses as is properly attributable to the former purpose.

(6) Subsection (7) below applies where a person is absent from the United Kingdom for a continuous period of 60 days or more for the purpose of performing the duties of one or more offices or employments and applies to travel of the following descriptions between the United Kingdom and the place of performance of those duties, that is to say—

- (a) any journey by his spouse or any child of his—
 - (i) accompanying him at the beginning of the period of absence ; or
 - (ii) to visit him during that period ;
- (b) any journey by him at the end of that period to visit his spouse or any child of his ;
- (c) any return journey following a journey of a kind described in paragraph (a) or (b) above ;

but that subsection does not extend to more than two journeys in each direction by the same person in any year of assessment.

For the purposes of this subsection “ child ” includes a step-child, an adopted child and an illegitimate child but does not include a person who is aged 18 or over at the beginning of the outward journey.

(7) Where—

- (a) travel facilities are provided for any such journey and the cost of them is borne by or on behalf of the employer ; or

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- (b) expenses are incurred out of the emoluments of any such office or employment on any such journey and those expenses are reimbursed by or on behalf of the employer,

there shall be allowed, in charging tax under Case I of Schedule E on the emoluments from that office or employment, a deduction of an amount equal to so much of that cost or, as the case may be, those expenses as falls to be included in those emoluments.

(8) References in the Income Tax Acts to section 189 of the Taxes Act and to deductions allowable under Chapter I of Part VIII of that Act shall be construed as including a reference to subsections (3) and (7) above and to deductions allowable under those subsections.

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

Living accommodation provided for employee.

33.—(1) Subject to the provisions of this section, where living accommodation is provided for a person in any period by reason of his employment, and is not otherwise made the subject of any charge to him by way of income tax, he is to be treated for Schedule E purposes as being in receipt of emoluments of an amount equal to the value to him of the accommodation for the period, less so much as is properly attributable to that provision of any sum made good by him to those at whose cost the accommodation is provided.

(2) The value of the accommodation to the employee in any period is the rent which would have been payable for the period if the premises had been let to him at an annual rent equal to their annual value as ascertained under section 531 of the Taxes Act; but for a period in which those at whose cost the accommodation is provided pay rent at an annual rate greater than the annual value as so ascertained, the value of the accommodation to the employee is an amount equal to the rent payable by them for the period.

(3) From any amount to be treated as emoluments under subsection (1) above there are deductible under section 189 or 194(3) of the Taxes Act (necessary expenses etc.) such amounts (if any) as would have been so deductible if the accommodation had been paid for by the employee out of his emoluments.

(4) Subject to subsection (5), subsection (1) does not apply to accommodation provided for the employee in any of the following cases—

- (a) where it is necessary for the proper performance of the employee's duties that he should reside in the accommodation;

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(b) where the accommodation is provided for the better performance of the duties of his employment, and his is one of the kinds of employment in the case of which it is customary for employers to provide living accommodation for employees ;

(c) where, there being a special threat to his security, special security arrangements are in force and he resides in the accommodation as part of those arrangements ;

and in any such case there is no charge to tax under Schedule E (either by virtue of this section or under section 183 of the Taxes Act or otherwise) in respect of a liability for rates on the premises being discharged for or on behalf of the employee or the employee being reimbursed for the discharge of that liability.

(5) If the accommodation is provided by a company and the employee is a director of the company or of an associated company, then, except in a case where paragraph (c) of subsection (4) applies, no exemption is given by virtue of that subsection unless, for each employment of his which is employment as director of the company or an associated company, the following conditions are fulfilled, that is—

(a) he has no material interest in the company, and

(b) either his employment is as a full-time working director or the company is non-profit-making (meaning that neither does it carry on a trade, nor do its functions consist wholly or mainly in the holding of investments or other property) or is established for charitable purposes only.

(6) If by reason of a person's employment accommodation is provided for others being members of his family or household, he is to be treated under subsections (1) to (3) as if it were accommodation provided for him.

(7) For the purposes of this section, living accommodation provided for an employee, or for members of his family or household, by his employer is deemed to be provided by reason of his employment unless—

(a) the employer is an individual, and it can be shown that he makes the provision in the normal course of his domestic, family or personal relationships ; or

(b) the accommodation is provided by a local authority for an employee of theirs, and it can be shown that the terms on which it is provided are no more favourable than those on which similar accommodation is provided by the authority for persons who are not their employees but are otherwise similarly circumstanced.

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(8) For the purposes of this section—

(a) a company is an associated company of another if one of them has control of the other or both are under the control of the same person ; and

1976 c. 40.

(b) the following interpretative provisions of section 72 of the Finance Act 1976, that is to say, subsection (2) (“employment”), subsection (4) (“family or household”), subsections (8) to (10) (“director”, “full-time working director” and “material interest”) and subsection (11) (“control”, in relation to body corporate) apply as if this section were included in sections 60 to 71 of that Act.

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

Expense
connected
with living
accom-
modation.

34.—(1) After section 63 of the Finance Act 1976 (cash equivalent of benefits charged under section 61) there shall be inserted the following section :—

“Expense
connected
with living
accom-
modation.

63A.—(1) This section applies where, in the case of a person employed in director’s or higher-paid employment, living accommodation is provided by reason of the employment and, accordingly, a charge to tax would arise in his case under section 33 of the Finance Act 1977 (living accommodation for employees) but for the case being one of those specified in subsection (4) of that section (representative occupation).

(2) Where, by reason of expenditure incurred in one or more of the following, that is,—

(a) heating, lighting or cleaning the premises concerned ;

(b) repairs to the premises, their maintenance or decoration ;

(c) the provision in the premises of furniture, or other appurtenances or effects which are normal for domestic occupation,

or by reason of such expenditure being reimbursed to the employee, an amount falls to be included in the emoluments of his employment, that amount shall not exceed the limit specified in subsection (3).

(3) That limit is—

(a) 10 per cent. of the net amount of the emoluments of the employment or, if the accommodation is provided for a period of less than a year, so much of that percentage of

the net amount as is attributable to the period, less PART III

- (b) where the expenditure is incurred by a person other than the employee, so much as is properly attributable to the expenditure of any sum made good by the employee to that other.

(4) The net amount of the emoluments of a person's employment for the purposes of subsection (3) is the amount of those emoluments (leaving out of account the expenditure in question) after—

- (a) any capital allowance, and
 (b) any deductions allowable under Chapter I of Part VIII of the Taxes Act (Schedule E), section 208(1) of that Act (superannuation) or section 227(1) of that Act (retirement annuities) or section 21(4) or 22(2) of the Finance Act 1970 (approved 1970 c. 24. pension schemes) ;

and, for the purposes of this subsection, in the case of employment by a company there shall be taken into account, as emoluments of the employment, the emoluments of any employment by an associated company.

(5) For the purposes of subsection (4), a company is an associated company of another if one of them has control of the other or both are under the control of the same person.”.

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

35.—(1) For section 69 of the Finance Act 1976 (employments to be treated as “director’s or higher-paid”) the following section shall be substituted— Other amendments relating to benefits of employment. 1976 c. 40.

“Employments subject to ss. 60 to 67.

69.—(1) In this Chapter “director’s or higher-paid employment” means—

- (a) subject to subsection (5) below, employment as a director of a company ; or
 (b) employment with emoluments at the rate of £5,000 a year or more.

(2) For this purpose emoluments are to be calculated—

- (a) on the basis that they include all such amounts as come into charge under this Chapter or section 33 of the Finance Act

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1977 in the case of those in director's or higher-paid employment or under section 68 of this Act or under section 36 or 37 of the Finance (No. 2) Act 1975 (cash or other vouchers); and

(b) without any deduction under section 189, 192 or 194(3) of the Taxes Act (necessary expenses of employment etc.).

(3) But where a person is employed in two or more employments by the same employer and either—

(a) the total of the emoluments of those employments (applying this section) is at the rate of £5,000 a year or more; or

(b) one or more of those employments is (apart from this subsection) director's or higher-paid,

all the employments are to be treated as director's or higher-paid.

(4) All employees of a partnership or body over which an individual or another partnership or body has control are to be treated for the purposes of this section (but not for any other purpose) as if the employment were an employment by the individual or by that other partnership or body as the case may be.

(5) A person's employment is not director's or higher-paid by reason only of its being employment as a director of a company (without prejudice to its being so under subsection (1)(b) or (3)) if he has no material interest in the company and either—

(a) his employment is as a full-time working director; or

(b) the company is non-profit-making (meaning that neither does it carry on a trade, nor do its functions consist wholly or mainly in the holding of investments or other property) or is established for charitable purposes only.”

(2) In consequence of sections 33 and 34 above and of this section, the Tax Acts shall be amended as shown in Part I of Schedule 8 to this Act.

(3) Subsections (1) and (2) above have effect for the year 1977-78 and subsequent years of assessment; and, for the year 1978-79 and subsequent years of assessment, “£7,500” shall be substituted for “£5,000” in subsections (1)(b) and (3)(a) of section 69 of the Finance Act 1976.

(4) In Schedule 9 to the Finance Act 1976 (consequential amendments of enactments in connection with revised provisions relating to taxation of directors' benefits etc.), paragraph 15 (substitution of new proviso to section 284(2) of the Taxes Act, about close company distributions) shall be deemed to have been so enacted that in paragraph (b) of the substituted proviso, after the word "annuity" there were inserted the words "lump sum, gratuity or other like benefit to be given".

36.—(1) In Part II of Schedule 1 to the Finance Act 1974 (conditions of allowance of interest relief on loans for purchase or improvement of land), after paragraph 4 there shall be inserted—

"4A.—(1) Part I of Schedule 9 to the Finance Act 1972 shall nevertheless apply where the property concerned (that is, the land, caravan or house boat referred to in that Part)—

- (a) is, at the time the interest is paid, used by the borrower as a residence or, if it is paid less than twelve months after the date on which the loan is made, is so used by him within twelve months after that date ; or
- (b) is intended at that time to be used in due course as his only or main residence ;

and at that time he resides in living accommodation which is for him job-related.

(2) In the case of a borrower for whom there are two or more properties falling within sub-paragraph (1) above, he may not by virtue of this paragraph claim relief for any period under section 75 of the Finance Act 1972 in respect of more than one of them.

(3) Subject to sub-paragraph (4) below, living accommodation is job-related for a person if it is provided for him by reason of his employment, or for his spouse by reason of hers, in any of the following cases—

- (a) where it is necessary for the proper performance of the duties of the employment that the employee should reside in that accommodation ;
- (b) where the accommodation is provided for the better performance of the duties of the employment, and it is one of the kinds of employment in the case of which it is customary for employers to provide living accommodation for employees ;
- (c) where, there being a special threat to the employee's security, special security arrangements are in force and the employee resides in the accommodation as part of those arrangements.

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(4) The living accommodation is not job-related, except in a case where sub-paragraph (3)(c) above applies, if it is provided by a company and the employee is a director of the company or an associated company, unless the conditions of sub-paragraph (5) below are satisfied.

(5) Those conditions are that—

- (a) the company of which the employee is a director is one in which he or she has no material interest ; and
- (b) either the employment is as a full-time working director or the company is non-profit-making (meaning that neither does it carry on a trade, nor do its functions consist wholly or mainly in the holding of investments or other property) or is established for charitable purposes only.

(6) For the purposes of this paragraph—

- (a) a company is an associated company of another if one of them has control of the other or both are under the control of the same person ; and
- (b) the following interpretative provisions of section 72 of the Finance Act 1976, that is to say, subsection (2) (“ employment ”), subsections (8) to (10) “ director ”, “ full-time working director ” and “ material interest ”) and subsection (11) (“ control ”, in relation to body corporate) apply as if this paragraph were included in sections 60 to 71 of that Act.

(7) Only interest paid on or after 6th April 1977 is eligible for relief by virtue of this paragraph.”

1974 c. 30. (2) In consequence of subsection (1) above, other provisions of Part II of Schedule 1 to the Finance Act 1974 shall be amended as shown in Part II of Schedule 8 to this Act.

Leave travel facilities for armed forces.

37.—(1) No charge to Schedule E tax shall arise in respect of travel facilities provided for members of the naval, military or air forces of the Crown going on, or returning from, leave.

(2) This applies whether the charge would otherwise have arisen under—

- 1975 c. 45. (a) section 36 of the Finance (No. 2) Act 1975 (certain vouchers treated as benefits in kind) ;
- 1976 c. 40. (b) section 61 of the Finance Act 1976 (benefits in kind for the higher-paid) ; or
- (c) Chapter I of Part VIII of the Taxes Act (charge to Schedule E tax) ;

and applies not only to travel vouchers and warrants for particular journeys but also to allowances and other payments for and in respect of leave travel, whether or not a warrant was available.

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(3) This section has effect for the year 1976-77 and subsequent years of assessment.

38.—(1) This section applies to any settlement in relation to which the Treasury have given a direction under section 84 of the Finance Act 1976 (maintenance funds for historic buildings). Maintenance funds for historic buildings. 1976 c. 40.

(2) The trustees of the settlement may elect that this subsection shall have effect in relation to any year of assessment, and if they do so—

(a) any income arising in that year from the property comprised in the settlement which, apart from this subsection, would be treated by virtue of Part XVI of the Taxes Act (settlements) as income of the settlor shall not be so treated ; and

(b) no sum applied in that year out of the property for the purposes mentioned in subsection (3)(a)(i) of the said section 84 (maintenance etc. of a building or land) shall be treated for any purposes of the Income Tax Acts as the income of any person—

(i) by virtue of any interest of that person in, or his occupation of, the building or land in question ; or

(ii) by virtue of section 451 of the Taxes Act (sums paid to settlor otherwise than as income).

(3) Where income arising from the property comprised in the settlement in a year of assessment for which no election is made under subsection (2) above is treated by virtue of the said Part XVI as income of the settlor, paragraph (b) of that subsection shall have effect in relation to any sums in excess of that income which are applied in that year as mentioned in that paragraph.

(4) Any election under subsection (2) above shall be by notice in writing to the Board in such form as the Board may require and shall be made within two years of the end of the year of assessment to which it relates.

(5) Where—

(a) circumstances obtain for part of a year of assessment by virtue of which income arising from property comprised in the settlement is treated as income of a settlor under the said Part XVI ; and

(b) no such circumstances obtain for the remainder of that year,

PART III

the foregoing provisions of this section shall apply as if each of those parts were a separate year of assessment and separate elections may be made accordingly.

Deduction
rate for sub-
contractors
in the con-
struction
industry.

1975 c. 45.

39. Subsection (4) of section 69 of the Finance (No. 2) Act 1975 (which requires deductions to be made from payments to certain sub-contractors in the construction industry) shall have effect in relation to payments made on or after 6th November 1977 with the substitution for “35 per cent.” of “34 per cent.”

Capital gains:
company
reconstructions
and
amalgamations
involving
exchange of
shares etc.

1965 c. 25.

40.—(1) In sub-paragraph (2) of paragraph 6 of Schedule 7 to the Finance Act 1965 (roll-over relief on exchange of shares) for the words “where the company issuing the shares or debentures has or in consequence of the exchange will have control of the other company” there shall be substituted the words “where the company issuing the shares or debentures holds or in consequence of the exchange will hold more than one quarter of the ordinary share capital of the other company”; and after that sub-paragraph there shall be inserted—

“(3) In this paragraph ‘ordinary share capital’ has the meaning given in section 526(5) of the Income and Corporation Taxes Act 1970.”

(2) Subject to subsection (3) below, neither the said paragraph 6 nor paragraph 7 of the said Schedule 7 (reconstructions and amalgamations) shall apply to any issue by a company of shares in or debentures of that company in exchange for or in respect of shares in or debentures of another company unless the exchange, reconstruction or amalgamation in question is effected for bona fide commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of liability to capital gains tax or corporation tax.

(3) Subsection (2) above shall not affect the operation of paragraph 6 or 7—

(a) in any case where the person to whom the shares or debentures are issued does not hold more than 5 per cent. of, or of any class of, the shares in or debentures of the second company mentioned in that subsection; or

(b) in any case where, before the issue is made, the Board have, on the application of either company mentioned in that subsection, notified the company that the Board are satisfied that the exchange, reconstruction or amalgamation will be effected for bona fide

commercial reasons and will not form part of any such scheme or arrangements as are there mentioned.

PART III

(4) Any application under subsection (3)(b) above shall be in writing and shall contain particulars of the operations that are to be effected and the Board may, within thirty days of the receipt of the application or of any further particulars previously required under this subsection, by notice require the applicant to furnish further particulars for the purpose of enabling the Board to make their decision; and if any such notice is not complied with within thirty days or such longer period as the Board may allow, the Board need not proceed further on the application.

(5) The Board shall notify their decision to the applicant within thirty days of receiving the application or, if they give a notice under subsection (4) above, within thirty days of the notice being complied with.

(6) If the Board notify the applicant that they are not satisfied as mentioned in subsection (3)(b) above or do not notify their decision to the applicant within the time required by subsection (5) above, the applicant may within thirty days of the notification or of that time require the Board to transmit the application, together with any notice given and further particulars furnished under subsection (4) above, to the Special Commissioners; and in that event any notification by the Special Commissioners shall have effect for the purposes of subsection (3)(b) above as if it were a notification by the Board.

(7) If any particulars furnished under this section do not fully and accurately disclose all facts and considerations material for the decision of the Board or the Special Commissioners, any resulting notification that the Board or Commissioners are satisfied as mentioned in subsection (3)(b) above shall be void.

(8) If any tax assessed on a person (the chargeable person) by virtue of subsection (2) above is not paid within six months from the date when it is payable, any other person who—

(a) holds all or any part of the shares or debentures that were issued to the chargeable person; and

(b) has acquired them without there having been, since their acquisition by the chargeable person, any disposal of them not falling within paragraph 20 of Schedule 7 to the Finance Act 1965 or section 273 of the Taxes Act (disposals between spouses or members of a group of companies),

may, at any time within two years from the time when the tax became payable, be assessed and charged (in the name of the chargeable person) to all or, as the case may be, a corresponding

PART III

part of the unpaid tax ; and a person paying any amount of tax under this subsection shall be entitled to recover a sum of that amount from the chargeable person.

1968 c. 44.
1971 c. 68.

(9) In this section references to shares or debentures include references to any interests or options to which the provisions mentioned in subsection (2) above apply by virtue of paragraph 15 of Schedule 12 to the Finance Act 1968 or section 58(4) of the Finance Act 1971 ; and for the purposes of subsection (3)(a) above shares or debentures held by persons connected with the person there mentioned shall be treated as held by him.

(10) This section applies where the shares or debentures are issued after 19th April 1977 and section 279 of the Taxes Act shall apply only if the earlier occasion mentioned in that section fell on or before that date.

Capital gains:
company
reconstructions
and
amalgamations
involving
transfer of
business assets.

41.—(1) In section 267 of the Taxes Act (relief where reconstruction or amalgamation involves transfer of business assets) after subsection (3) there shall be inserted—

“(3A) This section does not apply unless the reconstruction or amalgamation is effected for bona fide commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of liability to corporation tax, capital gains tax or income tax ; but the foregoing provisions of this subsection shall not affect the operation of this section in any case where, before the transfer, the Board have, on the application of the acquiring company, notified the company that the Board are satisfied that the reconstruction or amalgamation will be effected for bona fide commercial reasons and will not form part of any such scheme or arrangements as aforesaid.

Subsections (4) to (7) of section 40 of the Finance Act 1977 shall have effect in relation to this subsection as they have effect in relation to subsection (3)(b) of that section.

(3B) Where, if the company making the disposal had not been wound up, tax could have been assessed on it by virtue of subsection (3A) above, that tax may be assessed and charged (in the name of the company making the disposal) on the company to which the disposal is made.

(3C) If any tax assessed on a company (the chargeable company) by virtue of subsection (3A) or (3B) above is not paid within six months from the date when it is payable, any other person who—

(a) holds all or any part of the assets in respect of which the tax is charged ; and

- (b) either is the company to which the disposal was made or has acquired the assets without there having been any subsequent disposal not falling within this section or section 273 below,

PART III

may, within two years from the time when the tax became payable, be assessed and charged (in the name of the chargeable company) to all or, as the case may be, a corresponding part of the unpaid tax ; and a person paying any amount of tax under this section shall be entitled to recover a sum of that amount from the chargeable company.”.

(2) This section applies where the transfer takes effect after 19th April 1977.

42.—(1) For section 268 of the Taxes Act (postponement of charge on transfer of assets to non-resident company) there shall be substituted—

“ Post-ponement of charge on transfer of assets to non-resident company.

268A.—(1) This section applies where a company resident in the United Kingdom carries on a trade outside the United Kingdom through a branch or agency and—

Capital gains: transfers of assets to non-resident companies.

- (a) that trade, or part of it, together with the whole assets of the company used for the purposes of the trade or part (or together with the whole of those assets other than cash) is transferred to a company not resident in the United Kingdom ;
- (b) the trade or part is so transferred wholly or partly in exchange for securities consisting of shares, or of shares and loan stock, issued by the transferee company to the transferor company ;
- (c) the shares so issued, either alone or taken together with any other shares in the transferee company already held by the transferor company, amount in all to not less than one quarter of the ordinary share capital of the transferee company ; and
- (d) either no allowable losses accrue to the transferor company on the transfer or the aggregate of the chargeable gains so accruing exceeds the aggregate of the allowable losses so accruing.

(2) In any case to which this section applies the transferor company may claim that Part III of the

PART III
1965 c. 25.

Finance Act 1965 shall have effect in accordance with the following provisions.

(3) Any allowable losses accruing to the transferor company on the transfer shall be set off against the chargeable gains so accruing and the transfer shall be treated as giving rise to a single chargeable gain equal to the aggregate of those gains after deducting the aggregate of those losses and—

(a) if the securities are the whole consideration for the transfer, the whole of that gain shall be treated as not accruing to the transferor company on the transfer but an equivalent amount (“the deferred gain”) shall be brought into account in accordance with subsections (4) and (5) below ;

(b) if the securities are not the whole of that consideration—

(i) paragraph (a) above shall apply to the appropriate proportion of that gain ; and

(ii) the remainder shall be treated as accruing to the transferor company on the transfer.

In paragraph (b)(i) above “the appropriate proportion” means the proportion that the market value of the securities at the time of the transfer bears to the market value of the whole of the consideration at that time.

(4) If at any time after the transfer the transferor company disposes of the whole or part of the securities held by it immediately before that time, the consideration received by it on the disposal shall be treated as increased by the whole or the appropriate proportion of the deferred gain so far as not already taken into account under this subsection or subsection (5) below.

In this subsection “the appropriate proportion” means the proportion that the market value of the part of the securities disposed of bears to the market value of the securities held immediately before the disposal.

(5) If at any time within six years after the transfer the transferee company disposes of the whole or part of the relevant assets held by it immediately before that time there shall be deemed to accrue to the transferor company as a chargeable gain on that

occasion the whole or the appropriate proportion of the deferred gain so far as not already taken into account under this subsection or subsection (4) above.

In this subsection "relevant assets" means assets the chargeable gains on which were taken into account in arriving at the deferred gain and "the appropriate proportion" means the proportion which the chargeable gain so taken into account in respect of the part of the relevant assets disposed of bears to the aggregate of the chargeable gains so taken into account in respect of the relevant assets held immediately before the time of the disposal.

(6) There shall be disregarded—

(a) for the purposes of subsection (4) above any disposal to which section 273 of this Act applies; and

(b) for the purposes of subsection (5) above any disposal to which that section would apply apart from section 272(1)(a) or (2) of this Act;

and where a person acquires securities or an asset on a disposal disregarded for the purposes of subsection (4) or (5) above (and without there having been a previous disposal not so disregarded) a disposal of the securities or asset by that person shall be treated as a disposal by the transferor or, as the case may be, transferee company.

(7) This section applies where the transfer mentioned in subsection (1)(a) above is on or after 29th March 1977.

(8) If in the case of any such transfer as was mentioned in subsection (1) of section 268 of this Act there were on the said 29th March chargeable gains which by virtue of subsection (2) of that section were treated as not yet having accrued to the transferor company, subsections (4) and (5) above shall (without any claim in that behalf) apply to the aggregate of those gains as if references to the deferred gain were references to that aggregate and as if references to the transfer and the securities were references to the transfer and the shares, or shares and loan stock, mentioned in subsection (1) of that section."

(2) This section shall be deemed to have come into force on 29th March 1977.

PART III
Capital gains:
value-shifting.

43.—(1) This section has effect as respects the disposal of an asset if a scheme has been effected or arrangements have been made (whether before or after the disposal) whereby—

- (a) the value of the asset has been materially reduced ; and
- (b) a tax-free benefit has been or will be conferred—
 - (i) on the person making the disposal or a person with whom he is connected ; or
 - (ii) subject to subsection (3) below, on any other person.

(2) For the purposes of subsection (1)(b) above a benefit is conferred on a person if he becomes entitled to any money or money's worth or the value of any asset in which he has an interest is increased or he is wholly or partly relieved from any liability to which he is subject ; and a benefit is tax-free unless it is required, on the occasion on which it is conferred on the person in question, to be brought into account in computing his income, profits or gains for the purposes of income tax, capital gains tax or corporation tax.

(3) This section shall not apply by virtue of subsection (1)(b)(ii) above if it is shown that avoidance of tax was not the main purpose or one of the main purposes of the scheme or arrangements in question.

(4) Where this section has effect in relation to any disposal, any allowable loss or chargeable gain accruing on the disposal shall be calculated as if the consideration for the disposal were increased by such amount as appears to the inspector, or on appeal the Commissioners concerned, to be just and reasonable having regard to the scheme or arrangements and the tax-free benefit in question.

(5) Where—

- (a) by virtue of subsection (4) above the consideration for the disposal of an asset has been treated as increased ; and
- (b) the benefit taken into account under subsection (1)(b) above was an increase in the value of another asset,

any allowable loss or chargeable gain accruing on the first disposal of the other asset after the increase in its value shall be calculated as if the consideration for that disposal were reduced by such amount as appears to the inspector, or on appeal the Commissioners concerned, to be just and reasonable having regard to the scheme or arrangements in question and the increase made in relation to the disposal mentioned in paragraph (a) above.

(6) References in this section to a disposal do not include references to any disposal falling within— PART III

- (a) section 24(7) of the Finance Act 1965 (disposals by personal representatives to legatees) ; or
- (b) paragraph 20(1) of Schedule 7 to that Act (disposals between husband and wife) ; or
- (c) section 273(1) of the Taxes Act (disposals within a group of companies).

(7) In relation to the disposal by a company of an asset consisting of shares in another company the reference in subsection (1)(a) above to a reduction in the value of the asset does not include a reference to any reduction attributable to—

- (a) the payment of a dividend by the second company at a time when it and the first company are members of the same group of companies within the meaning of section 272 of the Taxes Act ; or
- (b) the disposal of any asset by the second company at such a time, being a disposal falling within section 273(1) of that Act.

(8) In relation to a case in which the disposal of an asset precedes its acquisition the reference in subsection (1)(a) above to a reduction shall be read as including a reference to an increase.

(9) This section applies where the disposal and reduction in value mentioned in subsection (1) above (or, in a case within subsection (8) above, the disposal and reduction or increase in value) are after 29th March 1977.

44.—(1) In relation to gains accruing on disposals after 5th April 1977 section 112 of the Finance Act 1972 (reduction of tax liability on certain disposals of shares in unit trusts, investment trusts and funds in court) shall have effect as if for the references in paragraphs (b) and (c) of subsection (3) to 17½ per cent. there were substituted references to 17 per cent. Capital gains:
unit trusts, etc.
1972 c. 41.

(2) Section 113 of that Act (reduced rate of capital gains tax for certain unit trusts and funds in court) shall have effect for the year 1977-78 and subsequent years of assessment as if the rate specified in it were 17 per cent. instead of 17½ per cent.

45.—(1) Subsections (2) and (3) below apply where a company resident in the United Kingdom carries on insurance business outside the United Kingdom through a branch or agency and— Insurance
companies:
overseas
business.

- (a) that business, or part of it, together with the whole assets of the company used for the purposes of that business or part (or together with the whole of those assets other than cash), is transferred to a company not resident in the United Kingdom ;

PART III

- (b) the business or part is so transferred wholly or partly in exchange for shares, or for shares and loan stock, issued by the transferee company to the transferor company; and
- (c) the shares so issued, either alone or taken together with any other shares in the transferee company already held by the transferor company, amount in all to not less than one quarter of the ordinary share capital of the transferee company.

(2) In making any computation in accordance with the provisions of the Taxes Act applicable to Case I of Schedule D of the profits or losses of the transferor company for the accounting period in which the transfer occurs there shall be disregarded any profit or loss in respect of any asset transferred which, apart from this subsection, would fall to be taken into account in making that computation.

1965 c. 25.

(3) Where by virtue of subsection (2) above any profit or loss is disregarded in making any computation otherwise than for the purposes of section 305(2) of the Taxes Act (restriction on relief for expenses of management) the profit or loss shall be treated for the purposes of Part III of the Finance Act 1965 as a chargeable gain or allowable loss accruing to the transferor company on the transfer.

(4) Where at any time a company resident in the United Kingdom—

- (a) which carries on insurance business wholly outside the United Kingdom; and
- (b) the whole or part of whose ordinary share capital is beneficially owned by one or more companies resident in the United Kingdom,

ceases to be resident in the United Kingdom, the profits or losses of the company in respect of that business for the accounting period ending at that time shall be computed for tax purposes without regard to the whole or, as the case may be, a corresponding part of any profit or loss in respect of any asset which, apart from this subsection, would fall to be calculated in accordance with section 137(1)(b) of the Taxes Act (valuation of trading stock on discontinuance of trade) and taken into account in making that computation.

(5) Subsections (1) to (3) above apply where the transfer is on or after 29th March 1977 and subsection (4) above applies where the company ceases to be resident in the United Kingdom on or after that date.

46.—(1) Subsections (3) and (4) below shall have effect where a transaction to which this section applies occurs in relation to any securities (“ the original holding ”)—

PART III

Conversion
etc. of
securities

(a) to which a person carrying on a banking business, an insurance business or a business consisting wholly or partly in dealing in securities is beneficially entitled ; and

(b) which are such that a profit on their sale would form part of the trading profits of that business.

(2) This section applies to any transaction which, if the securities were not such as is mentioned in subsection (1)(b) above—

(a) would result in the original holding being equated with a new holding by virtue of paragraph 4, 5, 6 or 7 of Schedule 7 to the Finance Act 1965 (capital gains tax roll-over relief in cases of conversions etc.) ; or

(b) would be treated by virtue of section 53 of the Finance Act 1976 (compensation stock) as an exchange for a new holding which does not involve a disposal of the original holding,

but does not apply to any transaction in relation to which section 326 (exchange of securities in connection with conversion operations, nationalisation etc.) of the Taxes Act applies or would apply if the person concerned had not given a notice under that section.

(3) Subject to subsection (4) below, in making any computation in accordance with the provisions of the Taxes Act applicable to Case I of Schedule D of the profits or losses of the business—

(a) the transaction shall be treated as not involving any disposal of the original holding ; and

(b) the new holding shall be treated as the same asset as the original holding.

(4) Where under the transaction the person concerned receives or becomes entitled to receive any consideration in addition to the new holding, subsection (3) above shall have effect as if references to the original holding were references to the proportion of it which the market value of the new holding at the time of the transaction bears to the aggregate of that value and the market value at that time (or, if it is cash, the amount) of the consideration.

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(5) Subsections (3) and (4) above shall have effect with the necessary modifications in relation to any computation made for the purposes of section 305(2) of the Taxes Act (restriction on relief for expenses of management) in a case where securities held by the company concerned are equated with a new holding by virtue of any of the provisions mentioned in paragraph (a) of subsection (2) above or are treated as not disposed of by virtue of the provision mentioned in paragraph (b) of that subsection.

1968 c. 44.
1971 c. 68.

(6) In this section "securities" includes shares, any security within the meaning of paragraph 5 of Schedule 7 to the said Act of 1965 and any rights, interests or options which by virtue of section 45(8) of that Act, paragraph 15 of Schedule 12 to the Finance Act 1968 or section 58(4) of the Finance Act 1971 are treated as shares for the purposes of the provisions mentioned in subsection (2) above.

(7) In determining for the purposes of subsection (2)(a) above whether a transaction would result in the original holding being equated with a new holding by virtue of paragraph 6 or 7 of Schedule 7 to the said Act of 1965 the reference in section 40(2) above to capital gains tax shall be construed as a reference to income tax.

(8) This section applies where the securities comprised in the new holding are issued after 19th April 1977.

Police
provident
benefits.

47.—(1) In section 338 of the Taxes Act (exemption of income and gains of certain trade unions if applicable and applied for purpose of provident benefits) references to a registered trade union shall be construed as including references to the Police Federation for England and Wales, the Police Federation for Scotland, the Police Federation for Northern Ireland and any other organisation of persons in police service which has similar functions.

(2) This section shall have effect in relation to income or gains which are applicable and applied as mentioned in subsection (1) of the said section 338 after 30th September 1971.

Annual
payments for
non-taxable
consideration.

48.—(1) Any payment to which this subsection applies shall be made without deduction of income tax, shall not be allowed as a deduction in computing the income or total income of the person by whom it is made and shall not be a charge on income for the purposes of corporation tax.

(2) Subject to the following provisions of this section, subsection (1) above applies to any payment which—

PART III

- (a) is an annuity or other annual payment charged with tax under Case III of Schedule D, not being interest ; and
- (b) is made under a liability incurred for consideration in money or money's worth all or any of which is not required to be brought into account in computing for the purposes of income tax or corporation tax the income of the person making the payment.

(3) Subsection (1) above does not apply to—

- (a) any payment which in the hands of the recipient is income falling within section 457(1)(a) or (c) or (2) of the Taxes Act (partnership agreements, transfers of businesses and maintenance agreements) ;
- (b) any payment made to an individual under a liability incurred in consideration of his surrendering, assigning or releasing an interest in settled property to or in favour of a person having a subsequent interest ;
- (c) any annuity granted in the ordinary course of a business of granting annuities ; or
- (d) any annuity charged on an interest in settled property and granted at any time before 30th March 1977 by an individual to a company whose business at that time consisted wholly or mainly in the acquisition of interests in settled property or which was at that time carrying on life assurance business in the United Kingdom.

(4) In the application of this section to Scotland the references in subsection (3) above to settled property shall be construed as references to property held in trust.

(5) Subsection (1) above does not apply to any payment made on or before 29th March 1977 but applies to a payment made after that date irrespective of when the liability to make it was incurred.

PART IV

CAPITAL TRANSFER TAX

49.—(1) In section 45 of the Finance Act 1975 (which in subsection (1)(c) provides that certain persons domiciled in the Channel Islands or the Isle of Man are to be treated as domiciled

Persons
domiciled in
Channel
Islands or
Isle of Man.
1975 c. 7.

PART IV in the United Kingdom) after subsection (2) there shall be inserted—

“(2A) Subsection (1)(c) above does not apply to—

- (a) a person with a domicile of origin in the Islands ; or
- (b) a person who, when he became domiciled in the Islands as there mentioned, was incapable of having an independent domicile.”.

(2) Subject to the following provisions of this section, property situated outside the United Kingdom is excluded property for the purposes of Part III of the said Act of 1975 if—

- (a) the person beneficially entitled to it is domiciled in the United Kingdom by virtue only of subsection (1)(c) of the said section 45 ; and
- (b) it is shown that the property directly or indirectly represents—
 - (i) emoluments resulting from the carrying on by him of an office or employment in the Islands at a time when (disregarding that section) he was domiciled there ; or
 - (ii) profits resulting from the carrying on of a business there at such a time either by him or by a company of which he then had control.

(3) Paragraph (b)(i) of subsection (2) above does not apply to a person’s emoluments from an office or employment in a business of the kind mentioned in subsection (4) below which is carried on by a person with whom he is connected ; and paragraph (b)(ii) of subsection (2) above does not apply to profits from the carrying on of a business of the kind mentioned in subsection (4) below.

(4) The business referred to above is any business which consists wholly or mainly of one or more of the following, that is to say—

- (a) dealing in securities, stocks or shares or in land or buildings situated outside the Islands ; or
- (b) making or holding investments, being, in the case of investments consisting of land or buildings, land or buildings situated outside the Islands.

(5) Subsection (2) above does not apply in relation to settled property ; but where at the time when a settlement was made the settlor was domiciled in the United Kingdom by virtue only of section 45(1)(c) of the said Act of 1975 any property comprised

in the settlement is excluded property for the purposes of Part III of that Act if— PART IV

- (a) it is situated outside the United Kingdom ; and
- (b) it is, or directly or indirectly represents, property that was excluded property by virtue of that subsection at the time when it was settled.

(6) In this section—

“ business ” includes a business carried on in the exercise of a profession or vocation ;

“ the Islands ” means the Channel Islands and the Isle of Man ;

and paragraph 13(7) of Schedule 4 to the said Act of 1975 (control of company) applies for the purposes of subsection (2) above.

50.—(1) After paragraph 11(10) of Schedule 5 to the Finance Act 1975 (under which an interest in possession acquired by a company is not treated as such an interest unless the company's business consists wholly or mainly in the acquisition of interests in settled property) there shall be inserted— Interests in settled property. 1975 c. 7.

“ (10A) Where the acquisition mentioned in paragraph (b) of sub-paragraph (10) above was before 14th March 1975—

- (a) the condition mentioned in paragraph (a) of that sub-paragraph shall be treated as satisfied if the business of the company was at the time of the acquisition such as is described in that paragraph ; and
- (b) that condition need not be satisfied if the company is authorised to carry on long term business under Part I of the Insurance Companies Act 1974 or Part II of the Insurance Companies (Northern Ireland) Order 1976.”.

(2) This section shall be deemed to have come into force on 29th March 1977.

51.—(1) Paragraph 19 of Schedule 5 to the Finance Act 1975 (trusts for mentally disabled persons) shall be amended as follows. Trusts for persons in receipt of attendance allowance.

(2) In sub-paragraph (1) after the words “ a mentally disabled person ” there shall be inserted the words “ or of a person in receipt of an attendance allowance ”.

PART IV

(3) In sub-paragraphs (2)(a) and (3) for the words “the mentally disabled person” there shall be substituted the words “the person mentioned in sub-paragraph (1) above”.

(4) In sub-paragraph (2)(b) after the words “for the benefit of the mentally disabled person” there shall be inserted the words “or, as the case may be, for the care or maintenance of the person in receipt of the attendance allowance”.

(5) At the end of sub-paragraph (4) there shall be added the words “and ‘attendance allowance’ means an allowance under section 35 of the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975”.

Relief for
woodlands.
1975 c. 7.

52. Paragraph 5 of Schedule 9 to the Finance Act 1975 (relief for woodlands) shall have effect, and be deemed always to have had effect, with the omission of sub-paragraphs (1)(a) and (b) and sub-paragraph (2) (under which relief under that Schedule is conditional on the woodlands being managed in accordance with a plan approved by the Forestry Commissioners under a forestry dedication covenant or forestry dedication agreement or on equivalent conditions).

Disposals of
conditionally
exempt
property.
1976 c. 40.

53.—(1) In sections 32(2) and 34(4) of the Finance Act 1975 and section 78(3) of the Finance Act 1976 (liability of person for whose benefit conditionally exempt property is disposed of) for the words “person for whose benefit” there shall be substituted the words “person by whom or for whose benefit”.

(2) This section applies where the event by reason of which tax is chargeable under the provisions mentioned in subsection (1) above occurs after 19th April 1977.

PART V

MISCELLANEOUS AND SUPPLEMENTARY

Petroleum
revenue tax.
1975 c. 22.

54.—(1) After paragraph 6 of Schedule 3 to the Oil Taxation Act 1975 there shall be inserted—

“Effect of certain transactions between participators

6A. Where the whole or part of the share of a participator (“the transferor”) of oil won from an oil field became the share, or part of the share, of another participator (“the transferee”) in pursuance of an agreement between them under which the transferor undertook to remain responsible for carrying out the transferee’s obligations in connection with the field so far as they relate to the transferred share or part, then, for the purposes of this Part of this Act—

(a) the shares of the transferor and the transferee of oil won from the field shall be taken to be the same as they would have been if the transfer had not occurred, and

(b) any oil comprised in the transferred share or part and taken up by or on the authority of the transferee in pursuance of the agreement shall be regarded as being disposed of and delivered to him by the transferor at the time when it is taken up.”

(2) In the said paragraph 6, in sub-paragraph (1), for the words “another person (in this paragraph referred to as “the owner”)” there shall be substituted the words “a person (in this paragraph referred to as “the owner”) who is not a participator and”.

55. Part III of Schedule 2 to the Development Land Tax Act 1976 (realised development value: provisions applicable to land tax. leases etc.) shall have effect, and be deemed always to have had effect, with the insertion, after paragraph 13, of the following paragraph:—

“13A.—(1) The provisions of this paragraph shall have effect where there is a part disposal consisting of the grant of a lease and the terms on which the lease is granted are such that—

- (a) the landlord enters into an obligation to bear the whole or part of the cost of certain works to be carried out after the date of the part disposal; and
- (b) the amount of the consideration for the lease is greater than it would have been if the landlord had not entered into that obligation.

(2) For the purpose only of determining the amount of the expenditure on improvements or, as the case may be, on relevant improvements to be taken into account in determining the relevant base value of the interest disposed of on the part disposal referred to in sub-paragraph (1) above,—

- (a) the works referred to in paragraph (a) of that sub-paragraph shall be deemed to have been carried out immediately before the disposal; and
- (b) in the carrying out of those works the landlord shall be deemed to have incurred expenditure equal, subject to sub-paragraph (6) below, to the amount of expenditure for which he will become liable in complying with the obligation referred to in sub-paragraph (1)(a) above.

(3) If, in a case where this paragraph applies,—

- (a) the realised development value accruing to the chargeable person on the part disposal exceeds
- (b) the amount of realised development value which would have accrued to him if, instead of making

PART V

including any such instrument as aforesaid which is governed by the law of a country outside the United Kingdom.”

1968 c. 44.

(3) In section 42(1) of the said Act of 1947 (interpretation) for the definition of “ securities ” there shall be substituted the following definition (which incorporates the effect of section 55(1) of the Finance Act 1968)—

“ ‘ securities ’ means—

- (a) shares, stock, bonds, notes (other than promissory notes), debentures, debenture stock, units under a unit trust scheme and shares in an oil royalty ;
- (b) certificates of deposit ;
- (c) Government bills ; and
- (d) any description of promissory notes which is for the time being prescribed for the purposes of this definition ; ”

and there shall be inserted at the appropriate points in alphabetical order the definitions of “ certificate of deposit ” and “ Government bill ” set out in section 55(3) of the said Act of 1968.

(4) In sections 21(1)(c) and 22(1)(b) of the said Act of 1947 (which restrict the import and export of certain instruments) after the words “ Treasury bills ” there shall be inserted the words (which reproduce the effect of section 55(2) of the said Act of 1968) “ , Government bills, certificates of deposit or any description of promissory notes which is for the time being prescribed under paragraph (d) of the definition of ‘ securities ’ in section 42(1) of this Act ”.

(5) Any amendment by this section of a provision which extends to the Channel Islands by virtue of any Order in Council under section 43(3) of the said Act of 1947 extends similarly ; and, without prejudice to any further provision made by any such Order, section 30(3A) shall so extend with the substitution for references to the United Kingdom of references to the Channel Islands as defined in any such Order.

(6) Subsections (1) and (2) above, and so much of subsection (5) above as relates to those subsections, shall not come into force until such day as the Treasury may appoint by order made by statutory instrument.

Citation,
interpretation,
construction
and repeals.
1970 c. 10.

59.—(1) This Act may be cited as the Finance Act 1977.

(2) In this Act “ the Taxes Act ” means the Income and Corporation Taxes Act 1970.

(3) In this Act—

PART V

- (a) Part I (except sections 5 and 6) shall be construed as one with the Customs and Excise Act 1952 ; 1952 c. 44.
- (b) Part II shall be construed as one with Part I of the Finance Act 1972 ; 1972 c. 41.
- (c) Part III, so far as it relates to income tax, shall be construed as one with the Income Tax Acts, so far as it relates to corporation tax shall be construed as one with the Corporation Tax Acts and, so far as it relates to capital gains tax, shall be construed as one with Part III of the Finance Act 1965 ; 1965 c. 25.
- (d) Part IV shall be construed as one with Part III of the Finance Act 1975. 1975 c. 7.

(4) Except so far as the context otherwise requires, any reference in this Act to any enactment shall be construed as a reference to that enactment as amended, and as including a reference to that enactment as applied, by or under any other enactment, including this Act.

(5) The enactments mentioned in Schedule 9 to this Act (which include spent enactments) are hereby repealed to the extent specified in the third column of that Schedule, but subject to any provision at the end of any Part of that Schedule.

SCHEDULES

Section 1(3).

SCHEDULE 1

WINE: RATES OF DUTY

Description of wine (in strengths measured by reference to the following percentages of alcohol by volume at a temperature of 20°C.)	Rates of duty (per gallon)
	£
Wine of an alcoholic strength—	
not exceeding 15 per cent.	3·2500
exceeding 15 but not exceeding 18 per cent. ...	3·7500
exceeding 18 but not exceeding 22 per cent. ...	4·4150
exceeding 22 per cent.	4·4150
	plus £0·4700 for every 1 per cent. or part of 1 per cent. in excess of 22 per cent.; each of the above rates of duty being, in the case of spark- ling wine, increased by £0·7150 per gallon.

Section 1(4).

SCHEDULE 2

MADE-WINE: RATES OF DUTY

Description of made-wine (in strengths measured by reference to the following percentages of alcohol by volume at a temperature of 20°C.)	Rates of duty (per gallon)
	£
Made-wine of an alcoholic strength—	
not exceeding 10 per cent.	2·1100
exceeding 10 but not exceeding 15 per cent. ...	3·1600
exceeding 15 but not exceeding 18 per cent. ...	3·4750
exceeding 18 per cent.	3·4750 plus
	£0·4700 for every 1 per cent. or part of 1 per cent. in excess of 18 per cent.; each of the above rates of duty being, in the case of sparkling made-wine, increased by £0·3300 per gallon.

SCHEDULE 3

Section 3.

RATES OF REPAYMENT UNDER SECTION 3

Period in which duty paid (all dates inclusive)	Unmanufactured tobacco		Manufactured tobacco
	Containing 10 per cent. or more by weight of moisture	Containing less than 10 per cent. by weight of moisture	
	£ per pound	£ per pound	£ per pound
10th May 1976 to 15th December 1976 ...	5·8150	5·8560	5·9000
16th December 1976 to 29th March 1977 ...	6·3965	6·4416	6·4900
30th March 1977 to 31st December 1977 ...	6·4000	6·4410	6·4850

SCHEDULE 4

Section 5.

PROVISIONS SUBSTITUTED IN VEHICLES (EXCISE) ACT 1971

1971 c. 10.

I

PROVISIONS SUBSTITUTED FOR PART II OF SCHEDULE 1

Description of vehicle	Rate of duty
	£
1. Bicycles and tricycles of which the cylinder capacity of the engine does not exceed 150 cubic centimetres; electrically propelled bicycles; electrically propelled tricycles which do not exceed 165 pounds in weight unladen	5·00
2. Bicycles of which the cylinder capacity of the engine exceeds 150 cubic centimetres but does not exceed 250 cubic centimetres; tricycles (other than those in the foregoing paragraph) and vehicles (other than mowing machines) with more than three wheels, being tricycles and vehicles neither constructed nor adapted for use nor used for the carriage of a driver or passenger	10·00
3. Bicycles and tricycles not in the foregoing paragraphs	20·00

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II

PROVISIONS SUBSTITUTED FOR PART II OF SCHEDULE 2

Description of vehicle	Rate of duty
Hackney carriages	£ 25·00 with an additional 50p for each person above 20 (excluding the driver) for which the vehicle has seating capacity.

III

PROVISIONS SUBSTITUTED FOR PART II OF SCHEDULE 3

1. Description of vehicle	Weight unladen of vehicle		Rate of duty	
	2. Exceeding	3. Not exceeding	4. Initial	5. Additional for each ton or part of a ton in excess of the weight in column 2
1. Agricultural machines; digging machines; mobile cranes; works trucks; mowing machines; fishermen's tractors.	—	—	£ 8·50	£ —
2. Haulage vehicles, being showmen's vehicles.	— 7½ tons 8 tons 10 tons	7½ tons 8 tons 10 tons —	84·00 101·00 118·00 118·00	— — — 18·00
3. Haulage vehicles, not being showmen's vehicles.	— 2 tons 4 tons 6 tons 7½ tons 8 tons 10 tons	2 tons 4 tons 6 tons 7½ tons 8 tons 10 tons —	100·00 180·00 260·00 340·00 415·00 415·00 555·00	— — — — — 70·00 80·00

IV

SCH. 4

PROVISIONS SUBSTITUTED FOR PART II OF SCHEDULE 4

TABLES SHOWING ANNUAL RATES OF DUTY ON GOODS VEHICLES

TABLE A

GENERAL RATES OF DUTY

1. Description of vehicle	Weight unladen of vehicle		Rate of duty	
	2. Exceeding	3. Not exceeding	4. Initial	5. Additional for each $\frac{1}{4}$ ton or part of a $\frac{1}{4}$ ton in excess of the weight in column 2
1. Farmers' goods vehicles ...	—	12 cwt	£ 30·00	£ —
	12 cwt	16 cwt	32·00	—
	16 cwt	1 ton	35·00	—
	1 ton	3 tons	35·00	4·00
	3 tons	6 tons	67·00	3·00
	6 tons	10 tons	103·00	2·00
	10 tons	—	135·00	4·00
2. Showmen's goods vehicles ...	—	12 cwt	30·00	—
	12 cwt	16 cwt	32·00	—
	16 cwt	1 ton	35·00	—
	1 ton	3 tons	35·00	4·00
	3 tons	6 tons	67·00	3·00
	6 tons	10 tons	103·00	4·00
	10 tons	—	167·00	6·00
3. Electrically propelled goods vehicles (other than farmers' goods vehicles or showmen's goods vehicles); tower wagons.	—	12 cwt	40·00	—
	12 cwt	16 cwt	44·00	—
	16 cwt	1 ton	50·00	—
	1 ton	4 tons	50·00	5·00
	4 tons	6 tons	110·00	6·00
	6 tons	10 tons	158·00	5·00
	10 tons	—	238·00	8·00
4. Goods vehicles not included in any of the foregoing provisions of this Part of this Schedule.	—	16 cwt	50·00	—
	16 cwt	1 ton	56·00	—
	1 ton	4 tons	56·00	14·00
	4 tons	10 tons	224·00	25·00
	10 tons	—	824·00	30·00

SCH. 4

TABLE B
RATES OF DUTY ON GOODS VEHICLES USED FOR DRAWING TRAILERS

1. Description of vehicle	Weight unladen of vehicle		4. Rate of duty
	2. Exceeding	3. Not exceeding	
			£
1. Showmen's goods vehicles ...	—	—	30·00
2. Other goods vehicles ...	—	1½ tons	30·00
	1½ tons	3 tons	40·00
	3 tons	4 tons	67·00
	4 tons	6 tons	90·00
	6 tons	—	112·00

V

PROVISIONS SUBSTITUTED FOR PART II OF SCHEDULE 5

Description of vehicle	Rate of duty
	£
1. Electrically propelled vehicles; vehicles not exceeding seven horse-power, if registered under the Roads Act 1920 for the first time before 1st January 1947 ...	36·00
2. Vehicles not included above	50·00

Section 6.
1972 c. 10.

SCHEDULE 5

**PROVISIONS SUBSTITUTED IN VEHICLES (EXCISE) ACT
(NORTHERN IRELAND) 1972**

I

PROVISIONS SUBSTITUTED FOR PART II OF SCHEDULE 1

Description of vehicle	Rate of duty
	£
1. Bicycles and tricycles of which the cylinder capacity of the engine does not exceed 150 cubic centimetres; electrically propelled bicycles; electrically propelled tricycles which do not exceed 165 pounds in weight unladen	5·00
2. Bicycles of which the cylinder capacity of the engine exceeds 150 cubic centimetres but does not exceed 250 cubic centimetres; tricycles (other than those in the foregoing paragraph) and vehicles (other than mowing machines) with more than three wheels, being tricycles and vehicles neither constructed nor adapted for use nor used for the carriage of a driver or passenger	10·00
3. Bicycles and tricycles not in the foregoing paragraphs	20·00

II

SCH. 5

PROVISIONS SUBSTITUTED FOR PART II OF SCHEDULE 2

Description of Vehicle	Rate of duty
Hackney carriages	£ 25·00 with an additional 50p for each person above 20 (excluding the driver) for which the vehicle has seating capacity.

III

PROVISIONS SUBSTITUTED FOR PART II OF SCHEDULE 3

1. Description of vehicle	Weight unladen of vehicle		Rate of duty	
	2. Exceeding	3. Not exceeding	4. Initial	5. Additional for each ton or part of a ton in excess of the weight in column 2
1. Agricultural machines; digging machines; mobile cranes; works trucks; mowing machines; fishermen's tractors.	—	—	£ 8·50	£ —
2. Haulage vehicles, being showmen's vehicles.	— 7½ tons 8 tons 10 tons	7½ tons 8 tons 10 tons —	84·00 101·00 118·00 118·00	— — — 18·00
3. Haulage vehicles, not being showmen's vehicles.	— 2 tons 4 tons 6 tons 7½ tons 8 tons	2 tons 4 tons 6 tons 7½ tons 8 tons —	90·00 160·00 230·00 300·00 370·00 370·00	— — — — — 80·00

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IV

PROVISIONS SUBSTITUTED FOR PART II OF SCHEDULE 4

TABLES SHOWING ANNUAL RATES OF DUTY ON GOODS VEHICLES

TABLE A
GENERAL RATES OF DUTY

1. Description of vehicle	Weight unladen of vehicle		Rate of duty	
	2. Exceeding	3. Not exceeding	4. Initial	5. Additional for each $\frac{1}{4}$ ton or part of a $\frac{1}{4}$ ton in excess of the weight in column 2
1. Farmers' goods vehicles ...	—	12 cwt	£ 30·00	£ —
	12 cwt	16 cwt	32·00	—
	16 cwt	1 ton	35·00	—
	1 ton	3 tons	35·00	4·00
	3 tons	6 tons	67·00	2·00
	6 tons	8 tons	91·00	1·00
	8 tons	—	99·00	2·00
2. Showmen's goods vehicles; electrically propelled goods vehicles (other than farmers' goods vehicles); tower wagons.	—	12 cwt	38·00	—
	12 cwt	16 cwt	40·00	—
	16 cwt	1 ton	43·00	—
	1 ton	6 tons	43·00	3·00
	6 tons	10 tons	103·00	4·00
3. Goods vehicles not included in any of the foregoing provisions of this Part.	—	16 cwt	50·00	—
	16 cwt	1 ton	56·00	—
	1 ton	3 tons	56·00	10·00
	3 tons	4 tons	136·00	16·00
	4 tons	6 tons	200·00	21·00
	6 tons	10 tons	368·00	24·00
	10 tons	—	752·00	28·00

TABLE B
RATES OF DUTY ON GOODS VEHICLES USED FOR DRAWING TRAILERS

1. Description of vehicle	Weight unladen of vehicle		4. Rate of duty
	2. Exceeding	3. Not exceeding	
			£
1. Showmen's goods vehicles ...	—	—	30·00
2. Other goods vehicles ...	—	1½ tons	30·00
	1½ tons	3 tons	40·00
	3 tons	4 tons	67·00
	4 tons	6 tons	90·00
	6 tons	—	112·00

V

PROVISIONS SUBSTITUTED FOR PART II OF SCHEDULE 5

Description of vehicle	Rate of duty
	£
1. Electrically propelled	36·00
2. Not electrically propelled—	
(a) if first registered under the Roads Act 1920 before 1st January 1947, or which, if its first registration for taxation purposes had been effected in Northern Ireland would have been so first registered as aforesaid under the Act as in force in Northern Ireland—	
(i) not exceeding 6 horse-power	30·00
(ii) exceeding 6 horse-power, but not exceeding 9 horse-power—for each unit or part of a unit of horse-power	5·00
(b) other vehicles	50·00

SCHEDULE 6

VALUE ADDED TAX

PART I

Section 14.

SUBSTANTIVE AMENDMENTS OF FINANCE ACT 1972 (C. 41), PART I

1. For sections 2 to 6 of the 1972 Act (scope of tax, deduction of input tax, taxable persons, supply and self-supply) the following sections shall be substituted—

“Scope of Tax 2.—(1) Tax shall be charged on any supply of goods or services made in the United Kingdom, where it is a taxable supply made by a taxable person in the course or furtherance of any business carried on by him.

SCH. 6

(2) A person who makes or intends to make taxable supplies is a taxable person while he is or is required to be registered under this Part of this Act; and a taxable supply is a supply of goods or services made in the United Kingdom, other than an exempt supply.

(3) Tax on any supply of goods or services is a liability of the person making the supply and (subject to provisions about accounting and payment) becomes due at the time of supply.

(4) Tax on the importation of goods shall be charged and payable as if it were a duty of customs.

(5) Schedule 1 to this Act has effect with respect to registration.

Credit for
input tax
against
output tax.

3.—(1) A taxable person shall, in respect of supplies made by him, account for and pay tax by reference to such periods (“prescribed accounting periods”), at such time and in such manner as may be determined by or under regulations.

(2) Subject to the provisions of this section, he is entitled at the end of each such period to credit for so much of his input tax as is allowable under section 4 below, and then to deduct that amount from any output tax that is due from him.

(3) Subject to subsection (4), “input tax”, in relation to a taxable person, means the following tax, that is to say—

(a) tax on the supply to him of any goods or services; and

(b) tax paid or payable by him on the importation of any goods,

being (in either case) goods or services used or to be used for the purpose of any business carried on or to be carried on by him; and “output tax” means tax on supplies which he makes.

(4) Where goods or services supplied to a taxable person, or goods imported by him, are used or to be used partly for the purposes of a business carried on or to be carried on by him and partly for other purposes, tax on supplies and importations is apportioned so that only so much as is referable to his business purposes is counted as his input tax.

(5) If either no output tax is due at the end of the period, or the amount of the credit exceeds that of the tax, then the amount of the credit or, as the case may be, the amount of the excess shall be paid to the taxable person by the Commissioners.

(6) But the whole or any part of the credit may, subject to and in accordance with regulations, be held over

to be credited in and for a subsequent period ; and the regulations may allow for it to be so held over either on the taxable person's own application or in accordance with general or special directions given by the Commissioners from time to time.

(7) No deduction shall be made under subsection (2), nor shall any payment be made under subsection (5), except on a claim made in such manner and at such time as may be determined by or under regulations ; and, in the case of a person who has made no taxable supplies in the period concerned or any previous period, payment under subsection (5) shall be made subject to such conditions (if any) as the Commissioners think fit to impose, including conditions as to repayment in specified circumstances.

(8) Regulations may provide—

(a) for tax on the supply of goods or services to a taxable person, or paid or payable by him on the importation of goods, to be treated as his input tax only if and to the extent that the charge to tax is evidenced and quantified by reference to such documents as may be specified in the regulations or the Commissioners may direct either generally or in particular cases or classes of cases ;

(b) for a taxable person to count as his input tax, in such circumstances, to such extent and subject to such conditions as may be prescribed, tax on the supply to him, or paid by him on the importation, of goods notwithstanding that he was not a taxable person at the time of the supply or payment ;

(c) in the case of a person who has been, but is no longer, a taxable person, for him to be paid by the Commissioners the amount of any tax on a supply of services made to him for the purposes of the business carried on by him when he was a taxable person.

(9) The Treasury may by order provide, in relation to such supplies and importations as the order may specify, that tax charged on them is to be excluded from any credit under this section ; and—

(a) any such provision may be framed by reference to the description of goods or services supplied or goods imported, the person by whom they are supplied or imported or to whom they are supplied, the purposes for which they are supplied or imported, or any circumstances whatsoever ; and

(b) such an order may contain provision for consequential relief from output tax.

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Input tax
allowable
under
section 3.

4.—(1) The amount of input tax for which a taxable person is entitled to credit at the end of any period shall be determined as follows—

- (a) if his business is such that all his supplies are taxable supplies, there is allowable the whole of the input tax for the period (that is, input tax on supplies and importations in the period);
- (b) if it is such that some but not all of his supplies are taxable supplies, there is allowable such proportion of the input tax for the period as, in accordance with regulations, is attributable to taxable supplies; and
- (c) if he has made no taxable supplies in that or any previous period of the business, there is allowable such proportion of the input tax for the period as the Commissioners consider in all the circumstances to be fair and reasonable.

(2) Regulations may provide for treating all supplies of goods or services by any person as taxable supplies—

- (a) where the tax attributable to exempt supplies would be less than such amount, or less than such part of the whole of the input tax, as may be prescribed; or
- (b) in other prescribed circumstances.

(3) The Commissioners shall make regulations for securing a fair and reasonable attribution of input tax to taxable supplies, and any such regulations may provide for—

- (a) determining a proportion of supplies in any prescribed accounting period which is to be taken as consisting of taxable supplies and provisionally attributing the input tax for that period in accordance with the proportion so determined;
- (b) adjusting, in accordance with a proportion determined in like manner for any longer period comprising two or more prescribed accounting periods or parts thereof, the provisional attribution for any of those periods; and
- (c) dispensing with an adjustment where the amounts allowable for any such longer period in accordance with provisional and adjusted attributions do not differ by more than—
 - (i) an amount equal to such percentage (not exceeding 10 per cent.) of the input tax for that period as may be specified in the regulations; or
 - (ii) such an amount (not exceeding £10) as may be so specified,
 whichever is the greater.

(4) Regulations under subsection (3) may make different provision for different circumstances and, in particular (but without prejudice to the generality of that subsection) for different descriptions of goods or services ; and may contain such incidental and supplementary provisions as appear to the Commissioners necessary or expedient.

Repayment
of tax to
those in
business
overseas.

5.—(1) The Commissioners may, by means of a scheme embodied in regulations, provide for the repayment, to persons to whom this section applies, of tax on supplies to them in the United Kingdom which would be input tax of theirs if they were taxable persons in the United Kingdom.

(2) This section—

- (a) applies to persons carrying on business in a member State other than the United Kingdom, and
- (b) shall apply also to persons carrying on business in other countries, if, pursuant to any Community Directive, rules are adopted by the Council of the Communities about refunds of tax to persons established elsewhere than in the member States,

but does not apply to persons carrying on business in the United Kingdom.

(3) Repayment shall be made in such cases only, and subject to such conditions, as the scheme may prescribe (being conditions specified in the regulations or imposed by the Commissioners either generally or in particular cases) ; and the scheme may provide—

- (a) for claims and repayments to be made only through agents in the United Kingdom ;
- (b) either generally or for specified purposes—
 - (i) for the agents to be treated under this Act as if they were taxable persons ; and
 - (ii) for treating claims as if they were returns under this Act and repayments as if they were repayments of input tax ; and
- (c) for generally regulating the methods by which the amount of any repayment is to be determined and the repayment is to be made.

Meaning of
“supply”:
alteration
by Treasury
order.

6.—(1) Schedule 2 to this Act applies for determining what is, or is to be treated as, a supply of goods or a supply of services.

(2) Subject to any provision made by that Schedule and to Treasury orders under subsections (3) to (6) below—

- (a) “supply” in this Part of this Act includes all forms of supply, but not anything done otherwise than for a consideration ;
- (b) anything which is not a supply of goods but is done for a consideration (including, if so done.

SCH. 6

the granting, assignment or surrender of any right) is a supply of services.

(3) The Treasury may by order provide with respect to any description of transaction—

- (a) that it is to be treated as a supply of goods and not as a supply of services ; or
- (b) that it is to be treated as a supply of services and not as a supply of goods ; or
- (c) that it is to be treated as neither a supply of goods nor a supply of services ;

and without prejudice to the foregoing, such an order may provide that paragraph 5(3) of Schedule 2 to this Act is not to apply, in relation to goods of any prescribed description used or made available for use in prescribed circumstances, so as to make that a supply of services under that sub-paragraph.

(4) Without prejudice to subsection (3) above, the Treasury may by order make provision for securing, with respect to services of any description specified in the order, that where—

- (a) a person carrying on a business does anything which is not a supply of services only because not done for a consideration, and would (if so done) be a supply of services of a description specified in the order ; and
- (b) such other conditions as may be specified in the order are satisfied ;

such services are treated for the purposes of this Part of this Act as being supplied by him in the course or furtherance of that business.

(5) The Treasury may by order make provision for securing, subject to any exceptions provided for by or under the order, that where in such circumstances as may be specified in the order goods of a description so specified are acquired or produced by a person in the course or furtherance of a business carried on by him and—

- (a) are neither supplied to another person nor incorporated in other goods produced in the course or furtherance of that business ; but
- (b) are used by him for the purpose of a business carried on by him ;

the goods are treated for the purposes of this Part of this Act as being both supplied to him for the purpose of that business and supplied by him in the course or furtherance of it.

(6) The Treasury may by order make provision for securing, with respect to services of any description specified in the order, that where—

- (a) a person, in the course or furtherance of a business carried on by him, does anything for

the purpose of that business which is not a supply of services but would, if done for a consideration, be a supply of services of a description specified in the order ; and

- (b) such other conditions as may be specified in the order are satisfied ;

such services are treated for the purposes of this Part of this Act as being both supplied to him for the purpose of that business and supplied by him in the course or furtherance of it.

(7) For the purposes of this section, where goods are manufactured or produced from any other goods those other goods shall be treated as incorporated in the first-mentioned goods.

(8) An order under subsection (4) or (6) above may provide for the method by which the value of any supply of services which is treated as taking place by virtue of the order is to be calculated."

2. In section 7 of the 1972 Act (time of supply) the following shall be substituted for subsections (7) and (8)—

"(7) Where goods are treated as supplied by an order under section 6(5), the supply is treated as taking place when they are appropriated to the use mentioned in that subsection.

(7A) Where there is a supply of goods by virtue only of paragraph 5(2) of Schedule 2 to this Act, the supply is treated as taking place when the goods are transferred or disposed of as mentioned in that sub-paragraph.

(7B) Where there is a supply of services by virtue only of paragraph 5(3) of Schedule 2, the supply is treated as taking place when the goods are appropriated to the use mentioned in that sub-paragraph.

(8) The Commissioners may by regulations make provision with respect to the time at which (notwithstanding subsections (1) to (6) and (7) to (7B) above) a supply is to be treated as taking place in cases where it is a supply—

- (a) of goods or services for a consideration the whole or part of which is determined or payable periodically, or from time to time, or at the end of any period ; or
- (b) of goods for a consideration the whole or part of which is determined at the time when the goods are appropriated for any purpose ;

or where there is a supply of services by virtue of paragraph 5(3) of Schedule 2 or an order under section 6(4) ; and the regulations may, for any such case as is mentioned above in this subsection, provide for goods or services to be treated as separately and successively supplied, at prescribed times or intervals."

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3. In section 8 of the 1972 Act (place of supply) the words “or services” in subsection (1), and subsections (4) to (7), shall be omitted; and after that section there shall be inserted—

“Place of supply (services).

8A.—(1) A supply of services is treated as made—

- (a) in the United Kingdom if the supplier belongs in the United Kingdom; and
- (b) in another country (and not in the United Kingdom), if the supplier belongs in that other country;

and the following subsections apply for determining, in relation to any supply of services, whether the supplier or, as the case may be, the recipient belongs in one country or another.

(2) If the supply is made to an individual in his private capacity (meaning that it is received otherwise than for the purposes of any business carried on by him), he is treated as belonging in whatever country he has his usual place of residence.

(3) Otherwise, a person is treated as belonging in a country if—

- (a) he has there a business establishment or some other fixed establishment and no such establishment elsewhere; or
- (b) he has no such establishment (there or elsewhere) but his usual place of residence is there; or
- (c) he has such establishments both in that country and elsewhere, and he is the supplier of the services, and the establishment of his which is most directly concerned with the supply is there; or
- (d) he has such establishments both in that country and elsewhere, and he is the recipient of the services, and the establishment of his at which, or for the purposes of which, the services are most directly used or to be used is in that country.

(4) For the purposes of subsections (2) and (3) above (but not for any other purposes)—

- (a) a person carrying on a business through a branch or agency in any country is treated as having a business establishment there; and
- (b) “usual place of residence”, in relation to a body corporate, means the place where it is legally constituted.

(5) The Treasury may by order provide, in relation to services generally or to particular services specified in the order, for varying the rules for determining where a supply of services is made.

Reverse charge on supplies received from abroad.

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8B.—(1) The following applies where—

- (a) services of any of the descriptions specified in Schedule 2A to this Act are supplied by a person who belongs in a country other than the United Kingdom ; and
- (b) they are received by a taxable person for the purposes of any business carried on by him, and he belongs in the United Kingdom.

(2) All the same consequences follow under this Part of this Act (and particularly so much as charges tax on a supply and entitles a taxable person to credit for input tax) as if the taxable person had himself supplied the services in the United Kingdom in the course or furtherance of his business, and that supply were a taxable supply.

(3) But subsection (2) does not operate where the services are within any of the descriptions specified in Schedule 5 to this Act (exemptions) ; and supplies which are treated as made by a taxable person under that subsection are not to be taken into account as supplies made by him, when determining the allowance of input tax in his case under section 4(1).

(4) In applying subsection (2), the supply of services treated as made by the taxable person is assumed to have been made—

- (a) for whatever consideration the services were in fact supplied to him ; and
- (b) at a time to be determined in accordance with regulations prescribing rules for attributing a time of supply in cases within that subsection.

(5) The Treasury may by order add to, or vary, Schedule 2A.”

4. For section 11 of the 1972 Act (valuation of imported goods) the following shall be substituted—

“ Value of imported goods.

11.—(1) For the purposes of this Part of this Act, the value of imported goods shall be determined as follows.

(2) If the goods are imported at a price in money payable as on a transfer of the property, there being no other consideration, the value is an amount equal to the price, plus (so far as not already included)—

- (a) all taxes, duties and other charges levied either outside or, by reason of importation, within the United Kingdom (except value added tax) ; and
- (b) all costs by way of commission, packing, transport and insurance up to the port or place of importation.

(3) Where subsection (2) does not apply, the value of the goods is their open market value as determined

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in accordance with Community legislation relating to the valuation of goods for customs purposes, plus (so far as not already included in that value) all such taxes, duties, charges and costs as are specified in subsection (2)(a) and (b).

(4) This section has effect subject to Schedule 3 to this Act.”

5. In section 12 of the 1972 Act (zero-rating), after subsection (7) there shall be inserted—

“(7A) Regulations may provide for the zero-rating of a supply of services which is made where goods are let on hire and the Commissioners are satisfied that the goods have been or are to be exported during the period of the letting, and such other conditions, if any, as may be specified in the regulations or the Commissioners may impose are fulfilled.”.

6. In section 13 of the 1972 Act (exemptions), there shall be added at the end of subsection (2)—

“and the Schedule may be varied so as to describe a supply of goods by reference to the use which has been made of them or to other matters unrelated to the characteristics of the goods themselves”.

7. In section 16(3) of the 1972 Act (power to remit or repay tax on importation of goods) the words from “to the tax chargeable” to the end shall become paragraph (a), and at the end there shall be added—

“(b) to any value added tax which may have become chargeable in another member State in respect of the goods.”

8. In section 17 of the 1972 Act (application of customs enactments for the purposes of VAT)—

(a) in subsection (2) (certain provisions of Customs and Excise Act 1952 not to apply), after paragraph (d), there shall be inserted—

“(dd) section 258(1) (valuation of goods imported)” ; and

(b) subsection (3) shall be omitted.

9. In section 30 of the 1972 Act (accounting for, and payment of, tax), subsection (1) shall be omitted and after subsection (2) there shall be inserted—

“(2A) The regulations may, where they require a tax invoice to be provided in connection with any description of supply, require it to be provided within a prescribed time after the supply is treated as taking place, and may allow for that time to be extended in accordance with general or special directions given by the Commissioners”.

10. In section 33 of the 1972 Act (recovery of tax) the following shall be substituted for subsection (2)—

“(2) Where an invoice shows a supply of goods or services as taking place with tax chargeable on it, there shall be recoverable from the person who issued the invoice an amount equal

to that which is shown on the invoice as tax or, if the tax is not separately shown, to so much of the total amount shown as payable as is to be taken as representing tax on the supply.

(2A) Subsection (2) above applies whether or not—

- (a) the invoice is a tax invoice issued in pursuance of section 30(2) of this Act ; or
 - (b) the supply shown on the invoice actually takes or has taken place, or the amount shown as tax, or any amount of tax, is or was chargeable on the supply ; or
 - (c) the person issuing the invoice is a taxable person ;
- and any sum recoverable from a person under the subsection shall, if it is in any case tax, be recoverable as such and shall otherwise be recoverable as a debt due to the Crown.”.

11. In section 40(1) of the 1972 Act (appeal to VAT Tribunal), for paragraph (h) the following paragraph shall be substituted—

“(h) any direction under paragraph 1, 2 or 3 of Schedule 3 to this Act ”.

12. In section 43 of the 1972 Act (orders, rules and regulations), in subsection (4) before the words “shall be laid ” there shall be inserted “and an order under section 6(4) of this Act ”.

13. For section 45 of the 1972 Act (meaning of “business ” etc.) the following section shall be substituted—

“Meaning of business, etc. 45.—(1) In this Part of this Act “business ” includes any trade, profession or vocation.

(2) The following (without prejudice to the generality of anything else in this Part) are deemed to be the carrying on of a business—

(a) the provision by a club, association or organisation (for a subscription or other consideration) of the facilities or advantages available to its members ; and

(b) the admission, for a consideration, of persons to any premises.

(3) Where a body has objects which are in the public domain and are of a political, religious, philanthropic, philosophical or patriotic nature, it is not to be treated as carrying on a business only because its members subscribe to it, if a subscription obtains no facility or advantage for the subscriber other than the right to participate in its management or receive reports on its activities.

(4) Where a person, in the course or furtherance of a trade, profession or vocation, accepts any office, services supplied by him as the holder of that office are treated as supplied in the course or furtherance of the trade, profession or vocation.

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(5) Anything done in connection with the termination or intended termination of a business is treated as being done in the course or furtherance of that business.

(6) The disposition of a business as a going concern, or of its assets or liabilities (whether or not in connection with its reorganisation or winding up), is a supply made in the course or furtherance of the business.”.

14. For Schedules 2 and 3 to the 1972 Act there shall be substituted the following Schedules—

“Section 6.

SCHEDULE 2

MATTERS TO BE TREATED AS SUPPLY OF GOODS OR SERVICES

1.—(1) Any transfer of the whole property in goods is a supply of goods ; but the transfer—

- (a) of any undivided share of the property, or
- (b) of the possession of goods,

is a supply of services, subject however to sub-paragraph (2) below.

(2) If the possession of goods is transferred—

- (a) under an agreement for the sale of the goods, or
- (b) under agreements which expressly contemplate that the property also will pass at some time in the future (determined by, or ascertainable from, the agreements but in any case not later than when the goods are fully paid for),

it is then in either case a supply of the goods.

2. Where a person produces goods by applying to another person's goods a treatment or process, he is treated as supplying goods.

3. The supply of any form of power, heat, refrigeration or ventilation is a supply of goods.

4. The granting, assignment or surrender of a major interest in land is treated as a supply of goods.

5.—(1) The following applies to things done (whether or not for a consideration) by or under the directions of a person carrying on a business.

(2) If goods forming part of the assets of the business are transferred or disposed of so as no longer to form part of those assets, that is a supply by him of the goods ; but this does not apply to—

- (a) a gift of goods made in the course or furtherance of the business (otherwise than as one forming part of a series or succession of gifts made to the same person from time to time) where the cost to the donor is not more than £10 ;

(b) the gift, to an actual or potential customer of the business, of an industrial sample in a form not ordinarily available for sale to the public. SCH. 6

(3) If goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, that is a supply of services.

(4) Anything which is a supply of goods or services by virtue of sub-paragraph (2) or (3) is to be treated as made in the course or furtherance of the business (if it would not otherwise be so treated); and in the case of a business carried on by an individual—

(a) sub-paragraph (2) applies to any transfer or disposition of goods in favour of himself personally; and

(b) sub-paragraph (3) applies to goods used, or made available for use, by himself personally.

6. Where in the case of a business carried on by a taxable person, goods forming part of the assets of the business are, under any power exercisable by another person, sold by the other in or towards satisfaction of a debt owed by the taxable person, they shall be deemed to be supplied by the taxable person in the course or furtherance of his business.

7. Where a person ceases to be a taxable person, any goods then forming part of the assets of a business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless—

(a) the business is transferred as a going concern to another taxable person; or

(b) the business is carried on by another person who, under regulations made under section 23(3) of this Act, is treated as a taxable person; or

(c) the tax on the deemed supply would not be more than £50; or

(d) the taxable person can show, to the satisfaction of the Commissioners, that the goods were acquired for the business before 1st April 1973 and have not been the subject of relief under section 4 of the Finance Act 1973 (tax- or duty-paid stock held at commencement of VAT).

Section 8B.

SCHEDULE 2A

SERVICES SUPPLIED WHERE RECEIVED

1. Transfers and assignments of copyright, patents, licences, trademarks and similar rights.

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2. Advertising services.
3. Services of consultants, engineers, consultancy bureaux, lawyers, accountants and other similar services ; data processing and provision of information (but excluding from this head any services relating to land).
4. Acceptance of any obligation to refrain from pursuing or exercising, in whole or part, any business activity or any such rights as are referred to in paragraph 1 above.
5. Banking, financial and insurance services (including re-insurance, but not including the provision of safe deposit facilities).
6. The supply of staff.
7. The services rendered by one person to another in procuring for the other any of the services mentioned in paragraphs 1 to 6 above.

Sections 10(6)
and 11(4).

SCHEDULE 3

VALUATION—SPECIAL CASES

1. Where it appears to the Commissioners—

- (a) that a taxable person has supplied goods or services for a consideration in money the amount of which has been determined with a view to securing a reduction of liability to tax ; and
- (b) that it is likely that goods or services will be similarly supplied by him ; and
- (c) that it is necessary for the protection of the revenue to exercise their powers under this paragraph ;

they may by notice in writing give directions to that person for securing that the value by reference to which tax is charged on any supply by him of goods or services after the giving of the notice or after such later date as may be specified therein is not less than the open market value of the supply.

2. Where it appears to the Commissioners—

- (a) that a person has been concerned with the importation of goods at a price in money the amount of which has been determined with a view to securing a reduction of liability to tax on importation ; and
- (b) that it is likely that there will be other importations with which he is or may be similarly concerned ; and

- (c) that it is necessary for the protection of the revenue to exercise their powers under this paragraph,

they may by notice in writing give directions to that person for securing that, in the case of goods imported by him after the date of the notice or such later date as may be specified in it, their value for purposes of tax on importation is to be the open market value as under section 11(3), instead of the price as under section 11(2) of this Act.

3. Where it appears to the Commissioners—

- (a) that the whole or part of a business carried on by a taxable person consists in supplying to a number of individuals goods to be sold, whether by them or others, by retail ; and
- (b) that those individuals are not taxable persons ; and
- (c) that it is necessary for the protection of the revenue to exercise their powers under this paragraph,

they may by notice in writing give directions to the taxable person for securing that the value by reference to which tax is charged on any such supply by him after the giving of the notice or after such later date as may be specified therein shall be determined as if the consideration given by any such individual for the supply were equal to the price at which the goods are sold by retail.

4.—(1) Where goods or services are supplied for a consideration in money and on terms allowing a discount for prompt payment, the consideration shall be taken for the purposes of section 10 of this Act as reduced by the discount, whether or not payment is made in accordance with those terms.

(2) This paragraph does not apply where the terms include any provision for payment by instalments.

5.—(1) Where goods are imported at a price in money and on terms allowing a discount for prompt payment, the price shall be taken for the purposes of section 11(2) of this Act as reduced by the discount, whether or not payment is made in accordance with those terms.

(2) This paragraph does not apply where the terms include any provision for payment by instalments.

6. Where a right to receive goods or services for an amount stated on any token, stamp or voucher is granted for a consideration, the consideration shall be disregarded for the purposes of this Part of this Act except to the extent (if any) that it exceeds that amount.

7. Where there is a supply of goods by virtue—

- (a) of a Treasury order under section 6(5) ; or

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(b) of paragraph 5(2) of Schedule 2 (but otherwise than for a consideration); or
 (c) of paragraph 7 of that Schedule,
 the value of the supply shall be taken to be the cost of the goods to the person making the supply.

8. Where there is a supply of services by virtue—

- (a) of a Treasury order under section 6(4); or
- (b) of paragraph 5(3) of Schedule 2 (but otherwise than for a consideration);

the value of the supply shall be taken to be the full cost to the taxable person of providing the services.

9. Where a supply of services consists in the provision of accommodation in a hotel, inn, boarding house or similar establishment for a period exceeding four weeks—

- (a) the value of so much of the supply as is in excess of four weeks shall be taken to be reduced to such part thereof as is attributable to facilities other than the right to occupy the accommodation; and
- (b) that part shall be taken to be not less than 20 per cent.

10.—(1) Where any sum relevant for determining value is expressed in a currency other than sterling, it is to be converted into sterling in accordance with Community rules applicable to valuation for customs purposes.

(2) In relation to a supply of goods or services, the material time for valuation, by reference to which the appropriate exchange rate is determined under the rules, is the time of supply.

11. Regulations may require that in prescribed circumstances there is to be taken into account, as constituting part of the consideration for the purposes of section 10(2) (where it would not otherwise be so taken into account) money paid in respect of the supply by persons other than those to whom the supply is made.

12. A direction under paragraph 1, 2 or 3 above may be varied or withdrawn by the Commissioners by a further direction given by notice in writing."

PART II

CONSEQUENTIAL AMENDMENTS

Finance Act 1972, Part I

15. At the following places in the 1972 Act for the words "in the course of a business" there shall be substituted the words "in the course or furtherance of any business"—

section 15A(1), 18, 19(2) (twice), 31(3), 35(2) and (4); and
 Schedule 4, Group 8, Note (2)(c).

16. At the places in that Act specified in the first column of the following Table, the words shown in the second column are replaced by those shown in the third column—

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TABLE

Section/subsection/ Schedule reference	Existing words	Substituted words
Section 12(8)	“ the preceding sub- section ”	“ subsection (7) or (7A) above ”
Section 14(5)	“ section 3(6) ”	“ section 3(9) ”
Section 15(2)	“ section 3 ”	“ section 4 ”
Section 15A(1)(b)	“ within the meaning of section 5(6) of this Act he would be entitled to deduct ”	“ he would be entitled to credit for ”
Section 21(2)	“ section 6 ”	“ section 6(5) or (6) ”
Section 23(2)	“ club or association ”	“ club, association or organisation ”
Section 28(1)	“ deducted ”	“ credited ”
Section 29	“ paragraph 5 ”	“ paragraph 6 ”
Section 30(6)	“ paragraph 2 ”	“ paragraph 6 ”
Section 30(7)	“ section 3(2) ”	“ section 3(5) ”
Section 32(1)	“ section 3(2) ”	“ section 3(5) ”
Section 40(1)(d)	“ deducted by ”	“ credited to ”
Section 40(4)(b)	“ section 3(2) ”	“ section 3(5) ”
Section 46(1)— (a) in the definition of “ prescribed accounting period ”	“ section 30(1) ”	“ section 3(1) ”
(b) in the definition of “ taxable person ”	“ section 4 ”	“ section 2(2) ”

17. In section 15 of that Act, the following shall be substituted for subsection (5)—

“ (5) References in this section to tax chargeable do not include any tax which, by virtue of an order under section 3(9), is excluded from credit under that section.”

18. In section 43(4) of that Act, for paragraph (b) there shall be substituted—

“ (b) for excluding any tax from credit under section 3 ”.

19. In section 46(1) of that Act the following amendments shall be made—

(a) after the definition of “ input tax ” there shall be inserted—

“ ‘ major interest ’, in relation to land, means the fee simple or a tenancy for a term certain exceeding 21 years, and in relation to Scotland means—

(a) the estate or interest of the proprietor of the dominium utile, or

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(b) in the case of land not held on feudal tenure, the estate or interest of the owner, or the lessee's interest under a lease for a period exceeding 21 years ” ;

(b) after the definition of “ money ” there shall be inserted—
“ ‘ prescribed ’ means prescribed by regulations ” ;

(c) after the definition of “ quarter ” there shall be inserted—
“ ‘ regulations ’ means regulations made by the Commissioners under this Part of this Act ” , and

(d) for the definition of “ taxable supply ” there shall be substituted—
“ ‘ taxable supply ’ has the meaning assigned to it by section 2(2) of this Act ” .

20. In Schedule 1 to that Act, at the end of paragraph 14 there shall be added “ and references in this Schedule to supplies are references to supplies made in the course or furtherance of a business ” .

Other enactments (including subordinate legislation)

1952 c. 44.

21. In section 258(3) of the Customs and Excise Act 1952, after the words “ this section ” there shall be inserted—

“ and to section 11 of the Finance Act 1972 (as substituted by section 14 of, and Part I of Schedule 6 to, the Finance Act 1977) ” .

1973 c. 51.

22. In section 4(1) of the Finance Act 1973, for “ deducted ” there shall be substituted “ credited ” .

23. In section 6 of that Act, an additional subsection shall be inserted as follows—

“ (2) As from 1st January 1978, the reference above to section 5(7) of the Finance Act 1972 shall be read as a reference to section 6(3) of that Act ” .

1975 c. 45.

24. In section 18(6) of the Finance (No. 2) Act 1975, for the words “ section 5(3) of ” there shall be substituted “ paragraph 2 of Schedule 2 to ” .

1976 c. 40.

25. In section 23(3) of the Finance Act 1976, for the words “ deducted as input tax under section 3(1) ” there shall be substituted “ credited as input tax under section 3 ” .

S.I. 1972/1169.

26. In the Value Added Tax (Self-Supply) (No. 2) Order 1972, in Article 3 for the words “ in the course of ” there shall be substituted “ in the course or furtherance of ” .

S.I. 1972/1970.

27. In the Value Added Tax (Cars) Order 1972, in Article 5(1), for the words “ in the course of a business ” there shall be substituted “ in the course or furtherance of any business ” .

28. In any Treasury order or Commissioners' regulations made before the passing of this Act under Part I of the 1972 Act, for any reference to a provision of that Act specified in column 1 of the following Table there shall be substituted the provision of that Act specified against it in column 2.

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TABLE

Old reference	New reference
Section 3(3). Section 3(6). Section 5(7). Schedule 2, paragraph 2.	Sections 3 and 4. Section 3(9). Section 6(3). Schedule 2, paragraph 6.

PART III

TRANSITIONAL PROVISIONS

29. In this Part of this Schedule "the operative date" means 1st January 1978.

30. Anything begun before the operative date under any provision of Part I of the 1972 Act may be continued under that Part of that Act as amended, if and in so far as that provision remains in force (whether or not in the same section or subsection of the Act).

31. Any reference in Part I of the 1972 Act as amended to things done, suffered or occurring in the past shall, so far as the context requires for the purpose of continuity of operation between provisions of the Act as in force before the operative date and the same or corresponding provisions in force on or after that date, be construed as including a reference to things done, suffered or occurring before that date.

32. Any Treasury order or Commissioners' regulations made before the operative date under powers conferred by a provision of Part I of the 1972 Act shall continue in force and have effect, as from that date, as if made under the corresponding power conferred by Part I of the Act as amended, subject however to the exercise of any power in that Part of that Act to vary or revoke the orders or regulations.

33. References in any documents to provisions of Part I of the 1972 Act as in force before the operative date shall (if and so far as the context admits) be construed on or after that date as references to the corresponding provisions of that Part as amended.

34. The provisions of this Part of this Schedule shall not be taken as prejudicing the operation of section 38 of the Interpretation Act 1889 c. 63. 1889 (effect of repeals).

Section 31.

SCHEDULE 7

EARNINGS FROM WORK DONE ABROAD

Long absences

1.—(1) Where in any year of assessment—

- (a) the duties of an employment are performed wholly or partly outside the United Kingdom; and
- (b) any of those duties are performed in the course of a qualifying period which falls wholly or partly in that year and consists of at least 365 days,

then, in charging tax under Case I of Schedule E on the amount of the emoluments from that employment attributable to that period, or to so much of it as falls in that year of assessment, there shall be allowed a deduction equal to the whole of that amount.

(2) For the purposes of this paragraph a qualifying period is a period of consecutive days which either—

- (a) consists entirely of days of absence from the United Kingdom; or
- (b) consists partly of such days and partly of days included by virtue of sub-paragraph (3) below.

(3) Where, in the case of any person, a period consisting entirely of days of absence from the United Kingdom (“the relevant period”) comes to an end and there have previously been one or more qualifying periods, the relevant period and the (or, if more than one, the last) qualifying period together with the intervening days between those periods shall be treated as a single qualifying period provided that—

- (a) there are no more than 62 intervening days; and
- (b) the number of days in the resulting period which are not days of absence from the United Kingdom does not exceed one-sixth of the total number of days in that period.

(4) For the purposes of sub-paragraph (1) above the emoluments from an employment attributable to a qualifying period include any emoluments from that employment for a period of leave immediately following that period but not so as to make any emoluments for one year of assessment emoluments for another.

(5) In relation to the year 1977-78 references in sub-paragraphs (1) and (4) above to a qualifying period include references to any period beginning before and ending after the commencement of that year which—

- (a) is a continuous period of absence from the United Kingdom as defined in paragraph 2 of Schedule 2 to the Finance Act 1974; and
- (b) so far as it falls after the commencement of that year, is (or is part of) a qualifying period as defined in sub-paragraph (2) above.

Shorter or intermittent absences

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2.—(1) Where in any year of assessment—

- (a) the duties of an employment are performed wholly or partly outside the United Kingdom ; and
- (b) the number of days in that year which are qualifying days in relation to the employment (together with any which are qualifying days in relation to other employments) amounts to at least 30,

then, in charging tax under Case I of Schedule E on the amount of the emoluments from the employment attributable to duties performed outside the United Kingdom in that year, there shall be allowed a deduction equal to one-quarter of that amount.

(2) For the purposes of this paragraph a qualifying day in relation to an employment is a day of absence from the United Kingdom—

- (a) which is substantially devoted to the performance outside the United Kingdom of the duties of that employment or of that and other employments ; or
- (b) which is one of at least seven consecutive days on which the person concerned is absent from the United Kingdom for the purpose of the performance of such duties outside the United Kingdom and which (taken as a whole) are substantially devoted to the performance of such duties as aforesaid ; or
- (c) on which the person concerned is travelling in or for the purpose of the performance of such duties outside the United Kingdom.

Foreign employments

3. Where in any year of assessment—

- (a) the duties of an employment are performed wholly outside the United Kingdom ; and
- (b) the employment is with a person, body of persons or partnership resident outside, and not resident in, the United Kingdom,

then, in charging tax under Case I of Schedule E on the amount of the emoluments from the employment for that year, there shall be allowed a deduction equal to one-quarter of that amount.

Emoluments eligible for relief

4.—(1) This paragraph has effect where a deduction falls to be allowed under the foregoing provisions of this Schedule in respect of the emoluments from an employment (“ the relevant employment ”) for a year of assessment in which the duties of—

- (a) the relevant employment ; or
- (b) any other employment or employments held by the person concerned which are associated with the relevant employment,

are not performed wholly outside the United Kingdom.

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(2) The amount of the emoluments from the relevant employment in respect of which a deduction is allowed under paragraph 1 above for the year of assessment shall not exceed such proportion of the emoluments for that year from the relevant employment and the other employment or employments (if any) as is shown to be reasonable having regard to the nature of and time devoted to the duties performed outside and in the United Kingdom respectively and to all other relevant circumstances.

(3) The amount of the emoluments from the relevant employment in respect of which a deduction is allowed under paragraph 2 or 3 above for the year of assessment shall not exceed—

- (a) the prescribed proportion of the emoluments for that year from the relevant employment and the other employment or employments (if any) ; or
- (b) such larger proportion of those emoluments as is shown to be reasonable having regard to the matters mentioned in sub-paragraph (2) above.

(4) In sub-paragraph (3)(a) above “the prescribed proportion” means the proportion which—

- (a) the number of days in the year of assessment which are shown to be qualifying days (as defined in paragraph 2(2) above) in relation to the relevant employment, bears to
- (b) 365, or if there is a part of the year of assessment in which he holds neither the relevant employment nor any employment associated with it, 365 less the number of days in that part ;

and where a day is a qualifying day in relation both to the relevant employment and one or more other employments that day shall, for the purposes of paragraph (a) above, count in relation to the relevant employment as the fraction arrived at by dividing the day equally between the different employments.

(5) For the purposes of this paragraph an employment is associated with another if they are with the same person or with persons associated with each other and—

- (a) a company is associated with another company if one of them has control of the other within the meaning of section 302 of the Taxes Act or both of them are under the control within the meaning of that section of the same person or persons ;
- (b) an individual or partnership is associated with another person (whether or not a company) if one of them has control of the other within the meaning of section 534 of that Act or both are under the control within the meaning of that section of the same person or persons ;

but paragraph (b) above shall not be construed as requiring an individual to be treated in any circumstances as under the control of another person.

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5. Paragraph 5 of Schedule 2 to the Finance Act 1974 (deductions from emoluments eligible for relief under that Schedule) shall apply also for the purposes of this Schedule. 1974 c. 30.

Supplementary

6. For the purposes of this Schedule a person shall not be regarded as absent from the United Kingdom on any day unless he is so absent at the end of it.

7. Notwithstanding section 184(3)(b) of the Taxes Act (duties performed on vessels and aircraft), there shall be treated for the purposes of this Schedule as performed outside the United Kingdom any duties which a person performs on a vessel or aircraft engaged on—

- (a) a voyage or journey beginning or ending outside the United Kingdom (but exclusive of any part of it which begins and ends in the United Kingdom) ; or
- (b) any part beginning or ending outside the United Kingdom of a voyage or journey which begins and ends in the United Kingdom ;

and for the purposes of this paragraph any area designated under section 1(7) of the Continental Shelf Act 1964 shall be treated as part of the United Kingdom. 1964 c. 29.

8. Where an employment is in substance one the duties of which fall in the year of assessment to be performed in the United Kingdom, then, for the purposes of paragraph 1 above, there shall be treated as so performed any duties performed outside the United Kingdom the performance of which is merely incidental to the performance of the other duties in the United Kingdom.

9. Section 184(2) of the Taxes Act (performance in the United Kingdom of duties incidental to duties performed abroad) shall not be construed as affecting any question under paragraph 1 or 2 above where any duties are performed or whether a person is absent from the United Kingdom.

10. The same day may be taken into account for the purposes of both paragraphs 1 and 2 above but a deduction shall not be allowed in respect of the same emoluments under both those paragraphs or under either of them as well as paragraph 3 above.

11. In this Schedule references to an employment include references to an office.

Sections 35
and 36.

SCHEDULE 8

EMPLOYEES' BENEFITS AND INTEREST RELIEF: CONSEQUENTIAL AMENDMENTS

PART I

EMPLOYEES' BENEFITS

Taxes Management Act 1970 (c. 9)

1. In section 15(7) of the Taxes Management Act 1970 (employers required to state whether employees have received benefits) for the words "or sections 61 to 68 of the Finance Act 1976" there shall be substituted the words "sections 61 to 68 of the Finance Act 1976 or section 33 of the Finance Act 1977".

Income and Corporation Taxes Act 1970 (c. 10)

2. Section 185 of the Taxes Act (accommodation occupied by holder of office or employment) is repealed.

3.—(1) Section 194 of that Act (expenditure and houses of ministers of religion) shall be amended as follows.

(2) For subsection (1) (occupation by clergymen treated as representative occupation) there shall be substituted the following subsection—

"(1) This section applies where an interest in any premises belongs to a charity or any ecclesiastical corporation and (in right of that interest)—

(a) the persons from time to time holding any full-time office as clergyman or minister of any religious denomination,
or

(b) any particular person holding such an office,
have or has a residence in those premises from which to perform the duties of the office."

(3) In subsection (2) (exemptions for expenditure connected with such occupation), for the words from the beginning to "then" there shall be substituted the words "In the case of such a clergyman or minister"; and at the beginning of paragraph (c) there shall be inserted the words "unless he is in director's or higher paid employment (as defined in Chapter II of Part III of the Finance Act 1976)."

Finance Act 1973 (c. 51)

4. In section 43 of the Finance Act 1973 (occupation of Chevening House), for the words "section 185 of the Taxes Act" there shall be substituted the words "section 33 of the Finance Act 1977".

Finance Act 1976 (c. 40)

5. In section 61 of the Finance Act 1976, at the beginning of subsection (1) (provision charging benefits) there shall be inserted "Subject to section 63A"; and in subsection (2) (benefits subject to charge under the section), for the words "living or other accommodation" there shall be substituted "accommodation (other than living accommodation)".

6. In section 62 of that Act, for subsections (4) and (5) (exclusion of certain representative living accommodation from treatment as taxable benefit) there shall be substituted the following subsection:—

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“(4) Where living accommodation is provided by reason of a person’s employment—

(a) alterations and additions to the premises concerned which are of a structural nature, and

(b) repairs to the premises of a kind which, if the premises were let under a lease to which section 32 of the 1961 c. 65. Housing Act 1961 (repairing obligations) applies, would be the obligation of the lessor under the covenants implied by subsection (1) of that section,

are not benefits to which section 61 applies”.

7. In section 63 of that Act (cash equivalent of benefits charged under section 61), subsection (7) shall be omitted.

PART II

AMENDMENT OF FINANCE ACT 1974 (c.30) SCHEDULE I PART II

8.—(1) Paragraph 5 of the Schedule shall be amended as follows.

(2) In sub-paragraph (1) and sub-paragraph (2)(a), after “paragraph 4(1)(a)” there shall be inserted “or paragraph 4A(1)”.

(3) In sub-paragraph (3), after paragraph (c) there shall be inserted “or if that other person falls within paragraphs (b) and (c) above and is by virtue of paragraph 4A above entitled to claim relief under section 75 of the Finance Act 1972 in respect of that part of the interest”.

9. In paragraph 7 of the Schedule, after “where” there shall be inserted “it is eligible only because”.

10. For paragraph 8 of the Schedule there shall be substituted the following—

“8.—(1) Where any interest paid by persons as the personal representatives of a deceased person or as trustees of a settlement made by his will would, on the assumptions required by this paragraph, be eligible for relief under section 75 of the Finance Act 1972 by virtue of Part I of Schedule 9 to that Act and, in a case where sub-paragraph (3) below applies, one of the conditions in sub-paragraph (4) below is satisfied, that interest shall be so eligible notwithstanding the preceding provisions of this Part of this Schedule.

(2) For the purposes of sub-paragraph (1) above it shall be assumed that the deceased would have survived and been the borrower.

(3) If, at his death—

(a) the land, caravan, or house boat concerned was used as his only or main residence, or

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- (b) it was used by him as a residence or was intended to be used in due course as his only or main residence and, in either case, he resided in job-related living accommodation,

it shall be assumed for the purposes of sub-paragraph (1) above that that would have continued to be the case.

(4) The conditions referred to in sub-paragraph (1) above are—

- (a) that, at the time the interest is paid, the land, caravan or house boat concerned is used as the only or main residence of the deceased's widow or widower or of any dependant relative of the deceased ;

- (b) that, at that time, it is used by the deceased's widow or widower as a residence or is intended to be used in due course as his or her only or main residence and, in either case, he or she resides in job-related living accommodation.

(5) In this paragraph 'personal representatives' has the meaning assigned to it by section 432 of the Taxes Act ; and sub-paragraphs (3) to (6) of paragraph 4A above apply in relation to this paragraph as they do to that ”.

Section 59.

SCHEDULE 9

REPEALS

PART I

CUSTOMS AND EXCISE

Chapter	Short title	Extent of repeal
15 & 16 Geo. 6 & 1 Eliz. 2. c. 44.	The Customs and Excise Act 1952.	In section 255A the words “for securing that the goods will be so used or otherwise”.
6 & 7 Eliz. 2. c. 6.	The Import Duties Act 1958.	Section 9. Section 10(2). In section 11(5) the words “and nine”. In section 15(1) the definition of “registered shipbuilding yard”.
7 & 8 Eliz. 2. c. 58.	The Finance Act 1959.	Section 9.
1964 c. 28.	The Agriculture and Horticulture Act 1964.	In the Schedule, paragraph 1(3)(b).
1965 c. 25.	The Finance Act 1965.	Section 2(5).

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Chapter	Short title	Extent of repeal
1971 c. 68.	The Finance Act 1971.	Section 1(4). Section 2.
1975 c. 45.	The Finance (No. 2) Act 1975.	Section 5(2) and (3). Section 6(2) and (3). Schedules 1 and 2.
1976 c. 40.	The Finance Act 1976.	Section 1. Section 14(3). Section 16. Schedules 1 and 2.

1. The repeal in section 255A of the Customs and Excise Act 1952 takes effect on such day as may be appointed by regulations under section 8 of this Act.

2. The repeals in the Import Duties Act 1958 (except section 10(2)), the Finance Act 1959, the Finance Act 1965 and the Finance Act 1971 take effect on 1st July 1977.

3. The repeals in the Finance (No. 2) Act 1975 and of section 14(3) of the Finance Act 1976 take effect on 30th March 1977.

PART II
TOBACCO

Chapter	Short title	Extent of repeal
15 & 16 Geo. 6 & 1 Eliz. 2. c. 44.	The Customs and Excise Act 1952.	Part V.
1964 c. 49.	The Finance Act 1964.	Section 4. Section 8(2)(a). Schedule 5.
1966 c. 18.	The Finance Act 1966.	Section 3. In Schedule 2, in paragraph 1 the words "section 173(1)(b) (importation of tobacco)" and in paragraph 2 the words "and 173(3)" and "and tobacco".
1967 c. 54.	The Finance Act 1967.	In section 4, in subsection (1), paragraph (d) and the word "or" before it and the words "and 175" and in subsection (2) the words "or (d)" and the words following the semicolon.

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Chapter	Short title	Extent of repeal
1970 c. 24.	The Finance Act 1970.	Section 4. Section 5(a). In Schedule 2, paragraphs 1 to 4.
1973 c. 51.	The Finance Act 1973.	Section 1 so far as unrepealed. Schedule 5.
1974 c. 30.	The Finance Act 1974.	Section 1(6).
1975 c. 45.	The Finance (No. 2) Act 1975.	Section 1(6).
1976 c. 40.	The Finance Act 1976.	Section 8.
1977 c. 36.	The Finance Act 1977.	Section 1(6) and (7). Section 2(1) and (3).

The above repeals take effect on 1st January 1978 but do not affect drawback by virtue of events occurring on or before 30th June 1978.

PART III
VALUE ADDED TAX

Chapter	Short title	Extent of repeal
1972 c. 41.	The Finance Act 1972.	In section 8, in subsection (1) the words "or services"; and subsections (4) to (7). Section 17(3). Section 30(1). In Schedule 4, Group 8, Note (3).
1974 c. 30.	The Finance Act 1974.	Section 5.
1976 c. 40.	The Finance Act 1976.	Section 18. In section 19, the words "11(b) and". Section 20.

The above repeals take effect on 1st January 1978.

PART IV
CHILD BENEFIT ETC.

Chapter	Short title	Extent of repeal
1970 c. 10.	The Income and Corporation Taxes Act 1970.	In section 8(2)(b) the words before "except". Section 24(1), (3) and (4). In section 219(1), paragraph (b) together with the word "and" immediately preceding it.

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Chapter	Short title	Extent of repeal
1970 c. 10. — <i>cont.</i>	The Income and Corporation Taxes Act 1970. — <i>cont.</i>	In section 530(2)(c) the words “ family allowances and other ”.
1971 c. 68.	The Finance Act 1971.	Section 15(7). Section 33(4). In Schedule 4, in paragraph (1)(b) the words before “ any payment or benefit ”.
1974 c. 30.	The Finance Act 1974.	Section 14(6).
1975 c. 18.	The Social Security (Consequential Provisions) Act 1975.	In Schedule 2, paragraph 37.
1976 c. 40.	The Finance Act 1976.	Section 32(1), (2), (3)(a), (c) and (d), (4), (5) and (6).

1. The repeal of section 32(2), (3)(a) and (d), (4), (5) and (6) of the Finance Act 1976 shall be deemed to have come into force on 4th April 1977.

2. The repeal of the other provisions mentioned above does not affect their operation in relation to any allowance or benefit payable in respect of a period before 4th April 1977.

PART V

ANNUITIES UNDER TITHE ACTS 1936 AND 1951

Chapter	Short title	Extent of repeal
26 Geo. 5 & 1 Edw. 8. c. 43.	The Tithe Act 1936.	Section 3. Section 4(2)(b). Sections 10 and 11. Section 12(1). Section 13(3), (4), (7), (8), (9) and (11). Section 15. Section 16(1), (2), (3) and (7). Section 17. In section 25(2) the words “ received by them on account of instalments of annuities, of the redemption of annuities and all other sums ”. Section 28(1). Section 29. Section 34. In section 47, in subsection (1) the definitions of “ agricultural land ” “ annuity ” and “ substituted annuity ” and in subsection (4) the words “ of any annuity ”.

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Chapter	Short title	Extent of repeal
14 & 15 Geo. 6. c. 62.	The Tithe Act 1951.	Section 1(1) to (5) and (10). Sections 2 to 5. Section 10(6) and (9). Schedule 1.
6 & 7 Eliz. 2. c. 56.	The Finance Act 1958.	Section 38.
10 & 11 Eliz. 2. c. 44.	The Finance Act 1962.	Section 32.
1968 c. 13.	The National Loans Act 1968.	In Schedule 1, the entry relating to section 28(1) of the Tithe Act 1936.
1970 c.10.	The Income and Corpora- tion Taxes Act 1970.	Section 66. In section 175, subsection (2)(c) and in subsection (3) the words "(c) and". Section 248(7). In Schedule 2, paragraph 4.
1972 c. 61.	The Land Charges Act 1972.	Section 2(9).

The repeal of the above enactments takes effect on 2nd October 1977 and does not affect their operation in relation to any payment made or required to be made before that date.

PART VI
MISCELLANEOUS

Chapter	Short title	Extent of repeal
1965 c. 25.	The Finance Act 1965.	In Schedule 7, in paragraph 5, in sub-paragraph (1) the words "Subject to sub-paragraph (2) below" and sub-paragraph (2).
1968 c. 44.	The Finance Act 1968.	In section 55, in subsection (1) the words "' securities ' and " and " in section 42(1) of the Exchange Control Act 1947 and " and (in paragraph (c)) the words " of the Exchange Control Act 1947, or " and " or both "; subsection (2); in subsection (3), in the definition of " prescribed " the words from "(a)" to "1964"; in subsection (4) the words "' securities ' and "; in subsection (5) the words from "(a)" to "1964"; and in subsection (6) the

Chapter	Short title	Extent of repeal
1968 c. 44.— <i>cont.</i>	The Finance Act 1968.— <i>cont.</i>	words before “ this section shall apply ” and the words “ that Act, or as the case may be ”. In Schedule 12 paragraph 9.
1969 c. 32.	The Finance Act 1969.	Section 41(7).
1970 c. 10.	The Income and Corporation Taxes Act 1970	Section 185. In section 270(4)(a) the words “ (and Schedule 9 to the Finance Act 1965) ”. Section 271(4).
1971 c. 68.	The Finance Act 1971.	In Schedule 10— paragraph 3. in paragraph 4(1) the words from “ section 27(3) ” to “ (conversion of such stock) ”. in paragraph 5 the words from “ or to securities ” to “ paragraph 4 above ”. in paragraph 7(1) the words from “ and for determining ” to the end of paragraph 7(1). paragraph 13.
1973 c. 51.	The Finance Act 1973.	Section 13. In Schedule 16, in paragraph 7, the words from “ securities of any ” to “ 1965 or of ”.
1974 c. 30.	The Finance Act 1974.	Section 21(2). In Schedule 2, paragraphs 1 and 2.
1975 c. 7.	The Finance Act 1975.	In Schedule 9, in paragraph 5, in sub-paragraph (1) the words from “ and, subject ” onwards, and sub-paragraph (2).
1975 c. 45.	The Finance (No. 2) Act 1975.	Section 29.
1976 c. 40.	The Finance Act 1976.	Section 28. Section 29(1) and (4). Section 30(1). Section 63(7).

1. The repeal of section 185 of the Income and Corporation Taxes Act 1970 has effect for the year of assessment 1977-78 and subsequent years of assessment.

2. The repeal of section 13 of the Finance Act 1973 does not affect relief for any year of assessment before the year 1977-78.

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3. The repeals in the Finance Act 1974 have effect for the year of assessment 1977-78 and subsequent years of assessment.

4. The repeal of section 30(1) of the Finance Act 1976 does not affect relief for any year of assessment before the year 1977-78.

5. The repeal of section 63(7) of the Finance Act 1976 has effect for the year of assessment 1977-78 and subsequent years of assessment.

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