



Finance Act 1981

1981 CHAPTER 35

PART I

CUSTOMS AND EXCISE

1 Spirits, beer, wine, made-wine and cider

- (1) In the Table in section 5 of the Alcoholic Liquor Duties Act 1979 (excise duty on spirits) for "11.87" and "11.90" there shall be substituted " 13.60 " and " 13.63 " respectively.
- (2) In section 36 of that Act (excise duty on beer) for "£13.05" and " £0.435 " there shall be substituted " £18.00 " and " £0.60 " respectively.
- (3) For the provisions of Schedule 1 to that Act (rates of excise duty on wine) there shall be substituted the provisions of Schedule 1 to this Act.
- (4) For the provisions of Schedule 2 to that Act (rates of excise duty on made-wine) there shall be substituted the provisions of Schedule 2 to this Act.
- (5) In section 62(1) of that Act (excise duty on cider) for " £6.05 " there shall be substituted " £7.20 ".
- (6) This section shall be deemed to have come into force on 11th March 1981.

2 Tobacco products

- (1) For the Table in Schedule 1 to the Tobacco Products Duty Act 1979 there shall be substituted—

“TABLE

1. Cigarettes

An amount equal to 21 per cent, of the retail price plus £19.03 per thousand cigarettes.
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Status: This is the original version (as it was originally enacted).

2. Cigars	£35.91 per kilogram.
3. Hand-rolling tobacco	£30.96 per kilogram.
4. Other smoking tobacco and chewing tobacco	£22.96 per kilogram.”

- (2) Section 3 of that Act (additional duty on higher tar cigarettes) shall cease to have effect.
- (3) This section shall be deemed to have come into force on 14th March 1981 but as respects the period beginning with that date and ending with 7th July 1981 the Table set out in subsection (1) above shall have effect with the substitution for " £19.03 ", " £35.91 ", " £30.96 " and " £22.96 " of " £18.04 ", " £34.29 ", " £29.56 " and " £21.92 " respectively.

3 Matches and mechanical lighters

- (1) In section 1(1) of the Matches and Mechanical Lighters Duties Act 1979 (duty on matches at the rate of £0.49 for every 7,200 matches) for "£0.49 " there shall be substituted " £1.15 ".
- (2) In section 6(1) of that Act (duty on mechanical lighters at the rate of £0.20 for each lighter) for "£0.20 " there shall be substituted " £0.50 ".
- (3) In section 6(3) of that Act (exemption for lighters constructed solely for the purpose of igniting gas for domestic use) after the word " domestic " there shall be inserted the words " or industrial ".
- (4) This section shall be deemed to have come into force on 11th March 1981.

4 Increase of duty on hydrocarbon oil etc.

- (1) In section 6(1) of the Hydrocarbon Oil Duties Act 1979 for the words "a duty of excise at the rate of £0.10 a : litre " there shall be substituted the words " a duty of excise; at the rate of £0.1382 a litre in the case of light oil and £0.1191; a litre in the case of heavy oil ".
- (2) In consequence of subsection (1) above—
- in sections 7 and 8(3) and (4)(c) of the said Act of 1979 and Article 3 of the Excise Duties (Gas as Road Fuel) Order 1972 (under which duty is charged by reference to the duty on hydrocarbon oil); and
 - 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 " light oil ".
- (3) This section shall be deemed to have come into force at 6 o'clock in the evening on 10th March 1981 but as respects the period beginning at that time and ending at 6 o'clock in the evening on 2nd July 1981 the rate of the duty of excise charged by section 6(1) of the said Act of 1979 shall, notwithstanding subsection (1) above, be £0.1382 a litre in the case of heavy oil as well as light oil and the provisions mentioned in subsection (2) above shall have effect accordingly.

5 Energy for refineries etc.

- (1) The Hydrocarbon Oil Duties Act 1979 shall have effect with the following amendments, being amendments providing for relief from duty where energy is produced for use in refineries and other premises used for the production of hydrocarbon oil.
- (2) After section 19 there shall be inserted—

“19A Fuel for producing energy for refineries etc.

- (1) If on an application made for the purposes of this section by an approved person it is shown to the satisfaction of the Commissioners—
 - (a) that any quantity of rebated hydrocarbon oil has been used by him, otherwise than at a refinery or other premises used for the production of hydrocarbon oil, as fuel for producing energy; and
 - (b) that not less than one-sixth or more than one-third of that energy was used in the treatment of hydrocarbon oil at a refinery or in the production of hydrocarbon oil at other premises used for the production of such oil,the applicant shall be entitled to obtain from the Commissioners repayment of one-third of the amount of excise duty which has been paid in respect of the quantity so used less the rebate allowed in respect of the duty.
- (2) In this section " an approved person " means a person for the time being approved in accordance with regulations made for the purposes of this section under section 24(1) below.”
- (3) In section 27(1) for the definition of " refinery " there shall be substituted—

“refinery' means any premises which—

 - (a) are approved by the Commissioners for the treatment of hydrocarbon oil; or
 - (b) are approved by them for the production of energy for use in the treatment of hydrocarbon oil at premises approved under paragraph (a) above or is the production of hydrocarbon oil at other premises used for the production of such oil;

and the Commissioners may approve any premises under paragraph (b) above if it appears to them that more than one-third of the energy will be produced for such use as is mentioned in that paragraph ;”.
- (4) After section 27(1) there shall be inserted—

“(1A) If in the case of any premises which the Commissioners can approve under paragraph (b) of the definition of " refinery " in subsection (1) above it appears to them appropriate to do so, they may direct that the provisions of this Act (other than that definition) shall apply to them as if, instead of being a refinery, they were other premises used for the production of hydrocarbon oil.”
- (5) Subsection (2) above has effect in relation to oil used on or after 1st September 1981.

6 Repayment of hydrocarbon oil duty

- (1) The Hydrocarbon Oil Duties Act 1979 shall have effect with the amendments in subsections (2) and (3) below, being amendments which enable regulations to be made with respect to applications for repayment of duty under sections 17, 18(1), 19 and 19A of that Act.
- (2) In section 24(1) for the words "or section 14(1) above" there shall be substituted the words " , section 14(1), section 17, section 18(1), section 19 or section 19A above ".
- (3) For paragraph 3 of Schedule 4 there shall be substituted—
 - “3 Requiring claims or applications for repayment under section 9(4), 17, 18(1), 19 or 19A of this Act to be made at such times and in respect of such periods as are prescribed ; providing that no such claim or application shall lie where the amount to be paid is less than the prescribed minimum; and preventing, where a claim or application can be made under section 9(4) or 19, the payment of drawback.”
- (4) It is hereby declared for the avoidance of doubt that references in sections 17(1), 18(1) and 19(3) of the said Act of 1979 to duty paid in respect of the oil used as mentioned in those provisions are to the duty less any rebate allowed in respect of it and accordingly those provisions shall have effect, and be deemed always to have had effect, with the insertion after the words " so used " of the words " less any rebate allowed in respect of the duty ".

7 Vehicles excise duty: Great Britain

- (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 3 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 " £30 " and " £6 " there shall be substituted respectively " £35 " and " £7 ".
- (4) In the heading of Schedule 1 and paragraph 1 of Part I of that Schedule (annual rates of duty on certain vehicles not exceeding 8\$ cwt.) for " 8 ½ CWT. " and " 8J hundredweight" there shall be substituted respectively " 425 KG. " and "425 kilograms ".
- (5) This section has effect in relation to licences taken out after 10th March 1981.

8 Vehicles excise duty: Northern Ireland

- (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 4 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 " £30 " and " £6 " there shall be substituted respectively " £35 " and " £7 ".
- (4) In the heading of Schedule 1 and paragraph 1 of Part I of that Schedule (annual rates of duty on certain vehicles not exceeding 8£ cwt.) for " 8 ¼ CWT." and "8 ¼

hundredweight" there shall be substituted respectively " 425 KG. " and "425 kilograms".

- (5) This section has effect in relation to licences taken out after 10th March 1981.

9 Betting and gaming duties

- (1) In section 1(2) (b) of the Betting and Gaming Duties Act 1972 and section 17(1)(b) of the Miscellaneous Transferred Excise Duties Act (Northern Ireland) 1972 (general betting duty on bets other than on-course bets) for the words " 7½ per cent. " there shall be substituted the words " 8 per cent. ".

- (2) In subsection (3)(b)(ii) of section 6 of the Betting and Gaming Duties Act 1972 (exclusion of bets in lotteries within section 5 or 6 of the Lotteries and Amusements Act 1976 in which the relevant monetary limits are not exceeded) the words " (disregarding any variation of those limits made by order under section 18 of that Act)" shall be omitted.

- (3) For subsection (4) of that section (definition of " relevant monetary limits ") there shall be substituted—

“(4) In subsection (3) above " relevant monetary limits " means the limits referred to in section 5(3)(d)(i) and subsections (2), (5), (6) and (8) of section 11 of the said Act of 1976 as those sections have effect on 1st July 1981 or such other limits as the Commissioners may by order made by statutory instrument provide ; and an order made under this subsection shall be subject to annulment in pursuance of a resolution of the House of Commons.”.

- (4) In section 17(2) of the Betting and Gaming Duties Act 1972 (bingo duty)—

- (a) for the words " 7½ per cent.", in both places where they occur, there shall be substituted the words " 10 per cent. "; and
(b) for the words " three thirty-sevenths " there shall be substituted the words " one-ninth ".

- (5) In section 23(1) of the Betting and Gaming Duties Act 1972 (rates of gaming machine licence duty)—

- (a) in Table A (premises with local authority approval) for " £20 ", "£25 " and " £100 " there shall be substituted " £25 ", " £60 " and " £120 " respectively ;
(b) in Table B (premises without local authority approval) for "£50" and "£300" there shall be substituted " £75 " and "£400" respectively, and, as respects machines chargeable at the higher rate, for the entries in the second and third columns there shall be substituted " One or more machines " and " £200 per machine " respectively.

- (6) In the Table in section 44(4) of the Miscellaneous Transferred Excise Duties Act (Northern Ireland) 1972 (rates of gaming machine licence duty in Northern Ireland) for " £50 " and " £300 " there shall be substituted " £75 " and " £400 " respectively, and, as respects machines chargeable at the higher rate, for the entries in the second and third columns there shall be substituted " One or more machines " and " £200 per machine " respectively.

- (7) The enactments specified in Schedule 5 to this Act shall have effect subject to the amendments specified in that Schedule, being amendments designed to facilitate, or otherwise desirable in connection with, the consolidation of the law relating to betting and gaming duties.

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

- (8) Subsection (1) above shall be deemed to have come into force on 12th July 1981, subsections (2) and (3) above shall be deemed to have come into force on 1st July 1981, subsection (4) above shall be deemed to have come into force on 27th July 1981 and subsections (5) and (6) above shall come into force on 1st October 1981.

10 Import and export procedures

- (1) The Customs and Excise Management Act 1979 shall have effect with the amendments specified in Schedule 6 to this Act, being amendments relating to the control of importation.
- (2) For sections 53 to 58 of that Act (which relate to the control of exportation) there shall be substituted the sections set out in Part I of Schedule 7 to this Act; and the provisions of that Act mentioned in Part II of that Schedule (which also relate to that matter) shall have effect with the amendments there specified.
- (3) Subsection (1) above shall come into force on such day as may be appointed by the Commissioners of Customs and Excise by order made by statutory instrument and different days may be appointed in relation to different paragraphs of the Schedule mentioned in that subsection.
- (4) Subsection (2) above does not affect the operation of the said Act of 1979 in relation to goods exported before 1st October 1981.

11 Miscellaneous customs and excise amendments

- (1) The enactments mentioned in Schedule 8 to this Act (which relate among other things to the administration and regulation of alcoholic liquor duties, warehousing and excise licences) shall have effect with the amendments there specified.
- (2) The following provisions of that Schedule shall come into force on 1st July 1982, namely—
- (a) paragraph 5, in so far as it affects section 105 of the Customs and Excise Management Act 1979 ;
 - (b) paragraph 20, in so far as it affects sections 65(1) to (7), 70, 86(1)(a) and (2) and 89 of the Alcoholic Liquor Duties Act 1979 ; and
 - (c) paragraphs 24 to 28.
- (3) Section 16 of the Customs Duties (Dumping and Subsidies) Act 1969 (which requires the Secretary of State to lay before Parliament for each financial year a report on the anti-dumping and countervailing duties in force under that Act) shall not apply to any financial year ending after 31st March 1981.

PART II

VALUE ADDED TAX

12 Registration

- (1) In paragraph 1 of Schedule 1 to the Finance Act 1972 (liability to be registered)—
- (a) for "£4,000" there shall be substituted " £5,000 "; and

- (b) for " £13,500 ", in each place, there shall be substituted " £15,000 ";
and in section 20(1) of that Act (registration of local authorities) for "£13,500", in both places, there shall be substituted " £15,000 ".
- (2) In paragraph 2 of the said Schedule 1 (termination of liability to be registered)—
- (a) for "£13,500", in both places, there shall be substituted " £15,000 "; and
- (b) for " £12,500 " there shall be substituted " £14,000 ".
- (3) For paragraph 7 of the said Schedule 1 (discretionary registration) there shall be substituted—
- “7 (1) Where a person who satisfies the Commissioners that he intends to make taxable supplies from a specified date and will be liable to be registered when he does so requests to be registered the Commissioners may, subject to such conditions as they think fit to impose, register him from such date as may be agreed between them and that person.
- (2) The Commissioners may cancel the registration of a person under this paragraph if he does not begin to make taxable supplies by the date specified in his request or does not become liable to be registered from that date.”
- (4) In sub-paragraph (1)(b) of paragraph 11 of the said Schedule 1 (discretionary registration or exemption from registration) for the words " a person who makes or intends to make taxable supplies " there shall be substituted the words " a person who makes or satisfies the Commissioners that he intends to make taxable supplies " ; and after that sub-paragraph there shall be inserted—
- “(1A) A person exempted from registration under sub-paragraph (1)(a) above shall notify the Commissioners without delay of any material change in the nature of the supplies made by him and of any material alteration in any quarter in the proportion of his taxable supplies that are zero-rated.”
- (5) Subsection (1) above shall be deemed to have come into force on 11th March 1981 and subsection (2) above on 1st June 1981.

13 Goods acquired before incorporation

In section 3(8) of the Finance Act 1972 (power to make regulations about input tax) after paragraph (b) there shall be inserted—

- “(bb) for a taxable person that is a body corporate to count as its input tax, in such circumstances, to such extent and subject to such conditions as may be prescribed, tax under either of those Parts on the supply or importation of goods acquired for it before its incorporation or on the supply of services before that time for its benefit or in connection with its incorporation ;”.

14 Valuation: special cases

- (1) In Schedule 3 to the Finance Act 1972, for paragraphs 1 to 3 there shall be substituted—
- “1 (1) Where—

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

- (a) the value of a supply made by a taxable person for a consideration in money is (apart from this paragraph) less than its open market value, and
 - (b) the person making the supply and the person to whom it is made are connected, and
 - (c) the person to whom the supply is made is not entitled under sections 3 and 4 of this Act to credit for all the tax on the supply,
- the Commissioners may direct that the value of the supply shall be taken to be its open market value.
- (2) A direction under this paragraph shall be given by notice in writing to the person making the supply, but no direction may be given more than three years after the time of the supply.
- (3) A direction given to a person under this paragraph in respect of a supply made by him may include a direction that the value of any supply—
- (a) which is made by him after the giving of the notice, or after such later date as may be specified in the notice, and
 - (b) as to which the conditions in paragraphs (a) to (c) of subparagraph (1) above are satisfied,
- shall be taken to be its open market value.
- (4) For the purposes of this paragraph any question whether a person is connected with another shall be determined in accordance with section 533 of the Income and Corporation Taxes Act 1970.
- (5) This paragraph does not apply to a supply to which paragraph 9 A below applies.
- 2 (1) Where—
- (a) goods are imported at a price in money which (together with all such taxes, duties, charges and costs as are specified in subsection (2)(a) and (b) of section 11 of this Act and not included in the price) is less than their value as determined in accordance with subsection (3) of that section, and
 - (b) the person importing the goods and the person entitled to the price are connected, and
 - (c) the person importing the goods is not entitled under sections 3 and 4 of this Act to credit for all the tax paid or payable by him on the importation,
- the Commissioners may direct that the value of the goods shall be taken to be their value as determined in accordance with the said subsection (3).
- (2) A direction under this paragraph shall be given by notice in writing to the person importing the goods, but no direction may be given more than three years after the time of importation.
- (3) A direction given to a person under this paragraph in respect of goods imported by him may include a direction that the value of any goods—
- (a) which are imported by him after the giving of the notice, or after such later date as may be specified in the notice, and
 - (b) as to which the conditions in paragraphs (a) to (c) of subparagraph (1) above are satisfied,

shall be taken to be their value as determined in accordance with section 11(3) of this Act.

- (4) For the purposes of this paragraph any question whether a person is connected with another shall be determined in accordance with section 533 of the Income and Corporation Taxes Act 1970.

3 Where—

- (a) the whole or part of a business carried on by a taxable person consists in supplying to a number of persons goods to be sold, whether by them or others, by retail, and
(b) those persons are not taxable persons,

the Commissioners may by notice in writing to the taxable person direct that the value of any such supply by him after the giving of the notice or after such later date as may be specified therein shall be taken to be its open market value on a sale by retail.”

- (2) In paragraphs 7 and 8 of that Schedule, at the end, there shall be added the words " except where paragraph 9A below applies ".

- (3) After paragraph 9 of that Schedule there shall be inserted—

“9A (1) This paragraph applies to a supply of goods or services, whether or not for a consideration, which is made by an employer and consists of—

- (a) the provision in the course of catering of food or beverages to his employees, or
(b) the provision of accommodation for his employees in a hotel, inn, boarding house or similar establishment.

- (2) The value of a supply to which this paragraph applies shall be taken to be nil unless the supply is for a consideration consisting wholly or partly of money, and in that case its value shall be determined without regard to any consideration other than money.”

15 Appeals

In section 40 of the Finance Act 1972, after subsection (5) there shall be added—

- “(6) Where an appeal under this section is against a decision of the Commissioners which depended upon a prior decision taken by them in relation to the appellant, the fact that the prior decision is not within subsection (1) above shall not prevent the tribunal from allowing the appeal on the ground that it would have allowed an appeal against the prior decision.”

PART III

CAR TAX

16 Extension to motor cycles

- (1) Section 52 of the Finance Act 1972 (car tax) shall have effect with the following amendments, being amendments extending that tax to motor cycles.

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

- (2) In subsection (3) (definition of " chargeable vehicle ") the words " has three or more wheels " shall be omitted.
- (3) In subsection (4)(a) (excluded vehicles) for the words " vehicles capable of accommodating only one person " there shall be substituted the words " vehicles having three or more wheels and capable of accommodating only one person ".
- (4) This section shall be deemed to have come into force on 1st April 1981 but car tax shall not by virtue of this section be chargeable on any vehicle imported on or after that date if it was exported from the United Kingdom before that date and was before being exported registered under the Vehicles (Excise) Act 1971, the Vehicles (Excise) Act (Northern Ireland) 1972 or any corresponding enactment in force in the Isle of Man.

17 Import and export

- (1) For paragraph (b) of section 52(1) of the Finance Act 1972 (charge of car tax on vehicles made or registered in the United Kingdom by person not registered under Schedule 7 to that Act or under the corresponding provisions in force in the Isle of Man) there shall be substituted—
 - “(b) made or registered in, or imported into, the United Kingdom by any other person except a person registered under Schedule 7 to the Value Added Tax and Other Taxes Act 1973 (an Act of Tynwald).”.
- (2) In paragraph 3 of Schedule 7 to that Act (persons by whom car tax is payable) after paragraph (a) there shall be inserted the words “and
 - (aa) if the vehicle is imported by a person not registered under this Schedule as if it were a duty of excise chargeable on importation ; and”.
- (3) The provisions of paragraph 3 of the said Schedule 7 as amended by subsection (2) above shall become sub-paragraph (1) and after that sub-paragraph there shall be inserted—
 - “(2) Subject to sub-paragraph (3) below, the Customs and Excise Management Act 1979 and, except where the contrary intention appears, any other enactments (including provisions of regulations or other instruments having statutory effect) relating generally to excise duties on imported goods, whether passed or made before or after the passing of this Act, shall have effect, with such exceptions and adaptations as the Commissioners may by regulations prescribe, as if chargeable vehicles in respect of which tax is payable in accordance with sub-paragraph (1)(aa) above were liable to a duty of excise on importation and as if the tax were that duty.
 - (3) The following enactments shall be excepted from those which are to have effect as mentioned in sub-paragraph (2) above—
 - (a) sections 43(5), 125, 126 and 127(1) of the said Act of 1979;
 - (b) the Customs and Excise Duties (General Reliefs) Act 1979; and
 - (c) sections 8 and 9 of the Isle of Man Act 1979.”.
- (4) In paragraph 7 of the said Schedule 7 (relief for exported vehicles)—
 - (a) there shall be omitted in sub-paragraph (a) the words " and was not registered before it was exported " and in sub-paragraph (b) the words " and is not registered "; and

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- (b) after the words " repay it" there shall be inserted the words " subject, in the case of a vehicle registered before exportation, to such conditions as they think fit ".
- (5) In paragraph 9(1) of the said Schedule 7 (remission of tax on vehicles used outside the United Kingdom and Isle of Man) after the words " protection of the revenue " there shall be inserted the words " where the vehicle is imported after having been exported and tax was not remitted or repaid under paragraph 7 of this Schedule or ".
- (6) Subsections (1) to (4) above shall be deemed to have come into force on 1st April 1981.

18 Penalties

- (1) After paragraph 22(4) of Schedule 7 to the Finance Act 1972 (daily penalty of £10 for failure to comply with certain requirements) there shall be inserted—

“(4A) Where the failure referred to in sub-paragraph (4) of this paragraph consists—

- (a) in not paying the tax due in respect of any period within the time required by regulations under paragraph 26 of this Schedule ; or
- (b) in not furnishing a return in respect of any period within the time required by any such regulations,

that sub-paragraph shall have effect as if for £10 there were substituted (if it is greater) an amount equal to $\frac{1}{2}$ per cent, of the tax due in respect of that period; and for that purpose the tax due shall, if the person concerned has furnished a return, be taken to be the tax shown in the return as that for which he is accountable for that period and, in any other case, be taken to be such tax as has been assessed and notified to him under paragraph 17 of this Schedule.”.

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

GENERAL

19 Charge of income tax for 1981-82

- (1) Income tax for the year 1981-82 shall be charged at the basic rate of 30 per cent.; and
- (a) in respect of so much of an individual's total income as exceeds the basic rate limit 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 the investment income threshold at the additional rate of 15 per cent.

<i>Higher rate bands</i>	<i>Higher rate</i>
The first	40 per cent.

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

<i>Higher rate bands</i>	<i>Higher rate</i>
The second	45 per cent.
The third	50 per cent.
The fourth	55 per cent.
The fifth	60 per cent.

- (2) Section 24(4) of the Finance Act 1980 (increase of basic rate limit, higher rate bands and investment income threshold) shall not apply for the year 1981-82.

20 Charge of corporation tax for financial year 1980

Corporation tax shall be charged for the financial year 1980 at the rate of 52 per cent.

21 Rate of advance corporation tax for financial year 1981

The rate of advance corporation tax for the financial year 1981 shall be three-sevenths.

22 Corporation tax: small companies

- (1) The small companies rate for the financial year 1980 shall be 40 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 two twenty-fifths.
- (2) For the financial year 1980 and subsequent financial years subsection (3) of the said section 95 shall have effect with the substitution for any reference to £70,000 of a reference to £80,000 and with the substitution for any reference to £130,000 of a reference to £200,000.
- (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.

23 Personal reliefs

- (1) Section 24(5) of the Finance Act 1980 (increase of personal reliefs) shall not apply for the year 1981-82.
- (2) In subsection (1) of section 18 of the Taxes Act (relief for one blind person) for the words following paragraph (b) there shall be substituted the words " he shall be entitled to a deduction of £360 from his total income. "
- (3) In subsection (2) of that section (relief for blind couple)—
- (a) paragraph (c), together with the word " and " preceding it, shall be omitted;
 - (b) for the words following that paragraph there shall be substituted the words " he shall be entitled to a deduction of £720 from his total income. "
- (4) In subsection (6) of that section the definition of " tax-free disability payment" shall be omitted.

24 Relief for interest: limit for 1981-82

In paragraph 5(1) of Schedule 1 to the Finance Act 1974 (limit on relief for interest on certain loans for the purchase or improvement of land) the references to £25,000 shall have effect for the year 1981-82 as well as for previous years of assessment.

25 Relief for interest: money borrowed for investment in partnership or co-operative

- (1) Schedule 1 to the Finance Act 1974 (conditions for interest relief) shall be amended as follows.
- (2) In paragraph 12(a) (money borrowed for investment in partnership) for the words " the individual has personally acted in the conduct of the trade, profession or vocation carried on by the partnership " there shall be substituted the words " the individual has been a member of the partnership otherwise than as a limited partner ".
- (3) After paragraph 10 there shall be inserted—

“Loan applied in acquiring interest in co-operative

- 10A (1) Subject to the following provisions of this Part of this Schedule, interest is eligible for relief under section 75 of the Finance Act 1972 if it is interest on a loan to an individual to defray money applied—
- (a) in acquiring a share or shares in a body which is a co-operative within the meaning of this paragraph ; or
 - (b) in lending money to any such body which is used wholly and exclusively for the purposes of the business of that body or of a subsidiary of that body; or
 - (c) in paying off another loan interest on which would have been eligible for relief under section 75 of the Finance Act 1972 had the loan not been paid off (on the assumption, if the loan was free of interest, that it carried interest);

and the conditions stated in paragraph 10B below are satisfied.

- (2) In this paragraph and paragraphs 10B, 13 and 14 below " co-operative " means a common ownership enterprise or a co-operative enterprise as defined in section 2 of the Industrial Common Ownership Act 1976; and in this paragraph and paragraph 10B below "subsidiary" has the same meaning as for the purposes of that section.

10B The conditions referred to in paragraph 10A above are—

- (a) that, when the interest is paid, the body continues to be a co-operative ; and
- (b) that in the period from the application of the proceeds of the loan to the payment of the interest the individual has worked for the greater part of his time as an employee of the body or of a subsidiary of the body ; and
- (c) that he shows that in that period he has not recovered any capital from the body, apart from any amount taken into account under paragraph 13 below.”

- (4) In paragraphs 13 and 14 after the words " the close company ", wherever they occur, there shall be inserted the word " co-operative " and in paragraph 14(1)(a) after the

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words " ordinary share capital of the company " and " that ordinary share capital " there shall be inserted the words " or of his share or shares in the co-operative " .

- (5) In paragraph 15 after the words "as the case may be " there shall be inserted " 10B " and after " 9(c)" there shall be inserted " 10A(c) " .
- (6) Subsection (2) above has effect in relation to interest paid after 10th March 1981 and subsections (3) to (5) above have effect in relation to interest on a loan made after that date.

26 Relief for interest: transitional provision for deduction in computing profits of trade

Paragraph 4 of Schedule 10 to the Finance Act 1972 (which provides that interest in respect of which relief is given under section 75 of that Act is not to be taken into account in the computation of profits or gains or losses for the purposes of Case I or II of Schedule D for any year of assessment) shall not apply where—

- (a) the computation is for the year 1982-83 or a subsequent year of assessment; and
- (b) the relief under section 75 is given by virtue of section 19(4) of the Finance Act 1974.

27 Social security benefits

- (1) In subsection (1)(a) of section 219 of the Taxes Act (social security benefits charged to tax except for unemployment benefit and certain other benefits) for the words " unemployment benefit" there shall be substituted the words " earnings-related supplement of unemployment benefit " .
- (2) In subsection (2) of that section (payments of supplementary benefit not treated as income for purposes of Income Tax Acts) after " 1977 " there shall be inserted the words " (other than payments of supplementary allowance which are taxable by virtue of section 27 of the Finance Act 1981) " .
- (3) Subject to the following provisions of this section, payments to any person of supplementary allowance under the Supplementary Benefits Act 1976 in respect of any period shall (except so far as made by virtue of section 4 of that Act) be charged to income tax under Schedule E if during that period—
 - (a) his right to the allowance is subject to the condition mentioned in section 5 of the said Act of 1976 (registration and availability for employment); or
 - (b) he is within section 8 of the said Act of 1976 (trade disputes) and paragraph 10 of Schedule 2 to the Supplementary Benefit (Requirements) Regulations 1980 applies to him.
- (4) Where the amount of supplementary allowance paid to any person in respect of any week or part of a week exceeds the relevant amount for that period, the excess shall not be taxable.
- (5) For the purposes of subsection (4) above the relevant amount in respect of a week shall be equal—
 - (a) in a case where the supplementary allowance is paid to a person to whom subsection (3) (b) above applies, to the amount specified in the said paragraph 10;

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- (b) in a case not falling within paragraph (a) above where Regulation 6 of the said Regulations of 1980 (non-householders) has applied in the calculation of the amount of the supplementary allowance paid to the person concerned, to the amount specified in relation to a person of his description in Schedule 1 of the said Regulations of 1980;
 - (c) in a case not falling within paragraph (a) or (b) above where paragraph 3(1) of Schedule 1 to the said Act of 1976 has applied in the calculation of the amount of supplementary allowance (married and unmarried couples), to the aggregate of the weekly rate specified in paragraph 1 of Part I of Schedule 4 to the Social Security Act 1975 and the increase for an adult dependant specified in paragraph 1(a) of Part IV of that Schedule; and
 - (d) in any other case, to the said weekly rate;
- and the relevant amount in respect of part of a week shall be equal to one-sixth of the relevant amount in respect of a week multiplied by the number of days in the part.
- (6) Where payments of unemployment benefit and payments of supplementary allowance are made to any person in respect of the same week or part of a week, the amount taxable in respect of that period in respect of those payments shall not exceed the relevant amount for that period within the meaning of subsection (4) above.
 - (7) If any regulations referred to in this section are revoked or amended by statutory instrument, the Board may by regulations made by statutory instrument make such amendments to this section as they think fit for the purpose of enabling it to operate as it did before the revocation or amendment; and regulations under this section shall be subject to annulment in pursuance of a resolution of the House of Commons.
 - (8) In its application in Northern Ireland this section shall have effect as if—
 - (a) for the references to paragraph 1 of Part I and paragraph 1(a) of Part IV of Schedule 4 to the Social Security Act 1975 there were substituted respectively references to paragraph 1 of Part I and paragraph 1(a) of Part IV of Schedule 4 to the Social Security (Northern Ireland) Act 1975 ;
 - (b) for the reference to the Supplementary Benefits Act 1976 there were substituted a reference to the Supplementary Benefit (Northern Ireland) Order 1977 and for the references to sections 4, 5 and 8 of and paragraph 3(1) of Schedule 1 to that Act there were substituted references to Articles 6, 7 and 12 of and paragraph 3(1) of Schedule 1 to that Order respectively ; and
 - (c) for the references to regulation 6 of, Schedule 1 to and paragraph 10 of Schedule 2 to the Supplementary Benefit (Requirements) Regulations 1980 there were substituted references to regulation 6 of, Schedule 1 to and paragraph 7 of Schedule 2 to the Supplementary Benefit (Requirements) Regulations (Northern Ireland) 1980.
 - (9) In section 8(2)(b) of the Taxes Act (earned income for the purpose of wife's earned income relief) the word " and " at the end of sub-paragraph (i) shall be omitted and after sub-paragraph (ii) there shall be inserted the words "and
(iii) unemployment benefit,".
 - (10) In section 530 of the Taxes Act (definition of " earned income ") in subsection (2)(c) after the word " Act" there shall be inserted the words " or section 27 of the Finance Act 1981 ".
 - (11) This section has effect in relation to payments in respect of periods after 5th April 1982.

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28 Notification of amount taxable under section 27

- (1) A benefit officer may by notice in writing notify a person who is taxable under section 27 above of the amount on which he is taxable and any such notification shall state the date on which it is issued and shall inform the person to whom it is given that he may object to the notification by notice in writing given within sixty days after the date of issue of the notification.
- (2) Where—
 - (a) no objection is made to a notification of an amount under subsection (1) above within the period specified in that subsection (or such further period as may be allowed by virtue of subsection (5) below); or
 - (b) an objection is made but is withdrawn by the objector by a notice in writing, that amount shall not be questioned in any appeal against any assessment in respect of income including that amount.
- (3) Where an objection is made to a notification of an amount under subsection (1) above within the period specified in that subsection (or such further period as may be allowed by virtue of subsection (5) below) and the benefit officer and the objector come to an agreement that the amount notified should be varied in a particular manner and the benefit officer confirms the agreement to vary in writing, then, subject to subsection (4) below, that amount as so varied shall not be questioned in any appeal against any assessment in respect of income including that amount.
- (4) Subsection (3) above shall not apply if within sixty days from the date when the agreement was come to the objector gives notice in writing to the benefit officer that he wishes to repudiate or resile from the agreement.
- (5) An objection to a notification may be made later than sixty days after the date of the issue of the notification if on an application for the purpose a benefit officer is satisfied that there was a reasonable excuse for not objecting within that time and the objection was made thereafter without unreasonable delay and he gives consent in writing; and if the benefit officer is not so satisfied he shall refer the application for determination by the General Commissioners for the division in which the objector ordinarily resides or, in a case where an appeal has been made against an assessment in respect of income including the amount in question, the General Commissioners or the Special Commissioners having jurisdiction in that appeal.
- (6) Where a benefit officer has notified an amount to a person under subsection (1) above, he may by another notice in writing notify the person of an alteration in the amount previously notified and, if he does so, the original notification shall be cancelled and this section shall apply to such a subsequent notification as it applies to the original notification.
- (7) In this section " benefit officer " means—
 - (a) in Great Britain, the appropriate officer of the Department of Employment or of the Department of Health and Social Security, as the case may be; and
 - (b) in Northern Ireland, the appropriate officer of the Department of Health and Social Services.

29 Pay as you earn repayments

Without prejudice to the generality of section 204 of the Taxes Act, regulations under that section may provide that no repayment of income tax shall be made under that section to any person at any time if—

- (a) he has claimed unemployment benefit in respect of a period including that time ; or
- (b) he has claimed a payment of supplementary allowance under the Supplementary Benefits Act 1976 or the Supplementary Benefit (Northern Ireland) Order 1977 in respect of a period including that time and his right to the allowance is subject to the condition mentioned in section 5 of the said Act of 1976 or Article 7 of the said Order (registration and availability for employment); or
- (c) he is disqualified at the time from receiving unemployment benefit by virtue of section 19 of the Social Security Act 1975 or section 19 of the Social Security (Northern Ireland) Act 1975 (loss of employment due to stoppage of work) or would be so disqualified if he otherwise satisfied the conditions for entitlement,

and such regulations may make different provision with respect to persons falling within paragraph (c) above from that made with respect to other persons.

30 Sick pay

(1) Where a person holding an employment is absent from work for any period by reason of sickness or disability, any sums which—

- (a) are paid to, or to the order or for the benefit of, that person (or a member of his family or household) in respect of his absence from work as aforesaid ; and
- (b) are, by reason of his employment, paid as a result of any arrangements entered into by his employer,

shall be chargeable to income tax under Schedule E as emoluments of the employment for that period if, apart from this section, they would not be so chargeable for that or any other period.

(2) Where the funds for making payments under any arrangements are attributable partly to contributions made by the employer and partly to contributions made by the persons employed by him subsection (1) above shall apply only to such part of the sums paid as a result of the arrangements as it is just and reasonable to regard as attributable to the employer's contributions.

(3) Section 61 of the Finance Act 1976 (taxation of benefits in kind) shall not apply to any benefit consisting of the right to receive, or the prospect of receiving, any sums which would be chargeable to tax in accordance with subsection (1) above.

(4) In this section " employment " means an office or employment whose emoluments fall to be assessed under Schedule E and related expressions shall be construed accordingly; and the reference to a person's family or household is to his spouse, his sons and daughters and their spouses, his parents and his dependants.

(5) This section has effect—

- (a) in the case of sums not falling within paragraph (b) below, for the year 1982-83 and subsequent years of assessment;
- (b) in the case of sums paid as a result of arrangements in force on 4th June 1981 for the year 1983-84 and subsequent years of assessment.

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31 Payments for loss of employment etc.

- (1) In section 188(3) of the Taxes Act (tax on excess over £10,000 of payments for loss of employment etc.) for "£10,000", wherever it occurs, there shall be substituted " £25,000 ".
- (2) Paragraphs 3 to 5 of Schedule 8 to that Act (relief by reference to standard capital superannuation benefit) shall cease to have effect.
- (3) In paragraph 7 of that Schedule (top-slicing relief) for sub-paragraph (c) and the words following it there shall be substituted the words " the amount to be deducted shall be half the difference between the amount ascertained at (a) and the amount ascertained at (b). "
- (4) Paragraph 8 of that Schedule (calculation of tax and income for purposes of relief under paragraph 7) shall cease to have effect.
- (5) In paragraph 12 of that Schedule (definition of payment chargeable under section 187) for the words " section 188(3)" there shall be substituted the words " section 188(2) or (3) ".
- (6) Subject to subsection (7) below, subsections (1) to (4) above have effect in relation to any payment which by virtue of section 187(4) of the Taxes Act is treated as income received on or after 6th April 1981; and where under the proviso to section 188(3) of that Act the sum there mentioned falls to be deducted from one or more payments treated as income received before, and one or more payments treated as income received on or after, that date only £10,000 of that sum shall be deducted from the first-mentioned payment or payments.
- (7) Where a payment is made in pursuance of an obligation incurred before 10th March 1981, the person chargeable to tax in respect of it may, by a notice in writing given to the inspector within six years after the year of assessment in which the payment is made, elect that Schedule 8 to the Taxes Act shall have effect in relation to the payment as if this Act had not been passed.
- (8) Subsection (5) above shall be deemed always to have had effect.

32 Occupational pension schemes

- (1) In subsection (2) of section 20 of the Finance Act 1970 (discretionary approval of occupational pension schemes which fall within paragraphs (a) to (f) of that subsection) after paragraph (f) there shall be inserted the words "or
 - (g) which provides in certain contingencies for securing benefits by means of an annuity contract with an insurance company of the employee's choice, being a contract which has for its main object the provision for the employee of a life annuity in old age and is so framed that the liabilities undertaken by the insurance company under the contract correspond with liabilities against which the contract is intended to secure the scheme."
- (2) After subsection (2) of the said section 20 there shall be inserted—
 - “(2A) In subsection (2)(g) above " insurance company " means a company to which Part II of the Insurance Companies Act 1974 applies.”.

33 Police provident benefits

- (1) In paragraph 12 of Schedule 3 to the Finance Act 1978 (relief for contribution to trade union for provision of provident benefits) after sub-paragraph (2) there shall be inserted—

“(2A) Sub-paragraphs (1) and (2) above shall apply also in relation to any payment made to an organisation of persons in police service but only where the annual amount of the part of the payment attributable to the provision of the benefits in question is £20 or more.”

- (2) This section has effect for the year 1981-82 and subsequent years of assessment.

34 Savings certificates

- (1) Subject to the provisions of this section, income arising from savings certificates shall not be liable to tax.
- (2) Subsection (1) above does not apply to any savings certificates which are purchased by Or on behalf of a person in excess of the amount which a person is for the time being authorised to purchase under regulations made by the Treasury or, as respects Ulster Savings Certificates, by the Department of Finance for Northern Ireland.
- (3) Subsection (1) above does not apply to Ulster Savings Certificates unless—
- (a) the holder is resident and ordinarily resident in Northern Ireland when the certificates are repaid ; or
 - (b) the certificates were purchased by him and he was so resident and ordinarily resident when they were purchased.
- (4) A claim under this section in respect of Ulster Savings Certificates shall be made to the Board.
- (5) In this section " savings certificates " has the same meaning as in section 71 of the Capital Gains Tax Act 1979 and " Ulster Savings Certificates " means savings certificates issued or treated as issued under section 15 of the Exchequer and Financial Provisions Act (Northern Ireland) 1950.

35 Stock relief

- (1) Schedule 9 to this Act shall have effect instead of Schedule 5 to the Finance Act 1976 (stock relief) in relation to
- (a) any period of account beginning after 14th November 1980; and
 - (b) subject to the transitional provisions in Schedule 10 to this Act, any period of account which ends on or includes that date.
- (2) Where a period of account which begins before and ends on or after 14th November 1980 is longer than twelve months and at least twelve months of it falls before that date, subsection (1) above and Schedules 9 and 10 to this Act shall have effect as if the part of the period ending with 13th November 1980 and the part of the period beginning with 14th November 1980 were separate periods of account.
- (3) In subsections (1) and (2) above "period of account" means a period for which an account is made up for the trade, profession or vocation in question.
- (4) In relation to any period for which Schedule 9 to this Act has effect—

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- (a) section 227(5)(aa) and (9) of the Taxes Act (retirement annuity relief); and
 - (b) section 28(7)(c) of the Finance Act 1978 (farming and market gardening) and paragraph 2(2)(d) of Schedule 4. to that Act (trade carried on abroad),
- shall have effect with the substitution for the words " Schedule 5 to the Finance Act 1976 " of the words " Schedule 9 or 10 to the Finance Act 1981 ".
- (5) In relation to any period for which Schedule 9 to this Act has effect, section 30 of the said Act of 1978 (relief for losses in early years of trade) shall have effect with the following amendments—
- (a) after subsection (7)(e) there shall be inserted—
 - “(f) paragraph 8 of Schedule 9 to the Finance Act 1981.”;
 - (b) in subsection (9) for the words " paragraph 6 of Schedule 5. to the Finance Act 1976 " there shall be substituted the words " paragraph 8 of Schedule 9 to the Finance Act 1981 ".
- (6) There shall be made all such adjustments, whether by repayment of tax or the making or alteration of assessments, as may be required for giving effect to this section.

36 Relief for losses on unquoted shares in trading companies

- (1) Subsection (2) below has effect where a company which has subscribed for shares in a qualifying trading company incurs an allowable loss (for the purposes of corporation tax on chargeable gains) on the disposal of the shares in any accounting period and the company disposing of the shares—
- (a) is an investment company on the date of the disposal and either—
 - (i) has been an investment company for a continuous period of six years ending on that date ; or
 - (ii) has been an investment company for a shorter continuous period ending on that date and has not before the beginning of that period been a trading company or an excluded company ; and
 - (b) was not associated with, or a member of the same group as, the qualifying trading company at any time in the period beginning with the date when it subscribed for the shares and ending with the date of the disposal.
- (2) The company disposing of the shares may, within two years after the end of the accounting period in which the loss was incurred, make a claim requiring that the loss be set off for the purposes of corporation tax against income—
- (a) of that accounting period ; and
 - (b) if the company was then an investment company and the claim so requires, of preceding accounting periods ending within the time specified in subsection (3) below;
- and, subject to any relief for an earlier loss, the income of any of those periods shall then be treated as reduced by the amount of the loss or by so much of it as cannot be relieved under this subsection against income of a later accounting period.
- (3) The time referred to in subsection (2) above is the period of twelve months ending immediately before the accounting period in which the loss is incurred; but the amount of the reduction which may be made under that subsection in the income of an accounting period falling partly before that time shall not exceed a part of that income proportionate to the part of the accounting period falling within that time.

- (4) Relief under subsection (2) above shall be given before any deduction for charges on income, expenses of management or other amounts which can be deducted from or set against or treated as reducing profits of any description; and where relief is given under that subsection in respect of the amount of a loss no deduction shall be made in respect of that amount for the purposes of corporation tax on chargeable gains.
- (5) For the purposes of subsection (1)(b) above companies are associated with each other if one controls the other or both are under the control of the same person or persons; and section 302(2) to (6) of the Taxes Act shall apply for the purposes of this subsection.
- (6) Subsections (3) and (5) to (12) of section 37 of the Finance Act 1980 (which gives to individuals a relief corresponding to that given to companies by subsection (2) above) shall have effect in relation to the foregoing provisions of this section as they have effect in relation to that section, taking references to an individual and capital gains tax as references to a company and corporation tax on chargeable gains.
- (7) In subsection (12) of the said section 37—
 - (a) in the definition of " group " and " holding company " for the words " 75 per cent, subsidiaries " there shall be substituted the words " 51 per cent, subsidiaries ";
 - (b) at the end of the definition of " investment company " there shall be inserted the words " except that it does not include the holding company of a trading group ".
- (8) This section has effect in relation to disposals on or after 1st April 1981.

37 Set-off of relief under section 36(2) against franked investment income

- (1) Section 254 of the Taxes Act (set-off against franked investment income) shall be amended as follows.
- (2) In subsection (2) after paragraph (d) there shall be inserted—
 - “(e) the setting of losses against income under section 36(2) of the Finance Act 1981.”
- (3) In subsection (4)—
 - (a) after the words " to section 74(3) of the Capital Allowances Act 1968 " there shall be inserted the words " or to section 36(2) of the Finance Act 1981 ";
 - (b) after the words " by section 74(4) of the Capital Allowances Act 1968 " there shall be inserted the words " or by section 36(3) of the Finance Act 1981 ".
- (4) In subsection (6) after paragraph (b) there shall be inserted the words “and
 - (c) in relation to relief given in respect of losses under section 36(2) of the Finance Act 1981;”and to the words in brackets there shall be added " and, as respects the relief mentioned in paragraph (c), the reference to the purposes of section 177(1) of this Act being construed as a reference to the purposes of corporation tax on chargeable gains ".
- (5) In subsection (7) after paragraph (c) there shall be inserted—
 - “(d) if and so far as the purpose for which the claim is made is the setting of a loss against income under section 36(2) of the Finance Act 1981, two years from the end of the accounting period in which the loss was incurred.”

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38 Interest charged to capital

- (1) The interest deductible under section 248 of the Taxes Act (allowance of charges on income) shall include any interest that would be so deductible if it had not been charged to capital.
- (2) In subsection (5)(a) of that section for the words "the payment is charged to capital" there shall be substituted the words " the payment (not being interest) is charged to capital ".
- (3) In section 269 of the Taxes Act (interest charged to capital), paragraph (c) together with the word " and " immediately preceding it shall be omitted and for the words following that paragraph there shall be substituted the words "the sums so allowable under the said section 32 shall, subject to subsection (1A) below, include the amount of any interest on that borrowed money which is referable to a period or part of a period ending on or before the disposal.
 - (1A) Subsection (1) above has effect subject to section 33 of the said Act of 1979 and does not apply to interest which is a charge on income."
- (4) This section has effect in relation to interest paid in any accounting period ending on or after 1st April 1981.

39 Exemption for interest on damages for personal injuries

- (1) In section 375A of the Taxes Act (exemption for interest included in judgment or interlocutor awarding damages for personal injuries) after subsection (1) there shall be inserted—
 - “(1A) A payment in satisfaction of a cause of action, including a payment into court, shall not be regarded as income for any income tax purpose to the extent to which it is in respect of interest which would fall within subsection (1) above if included in a sum for which a judgment is given or if decree for payment of it were included in an interlocutor.”
- (2) This section has effect in relation to any payment made on or after 6th April 1981.

40 Group relief in case of consortium

- (1) The Tax Acts shall have effect with the following amendments, being amendments making group relief available under section 258(2) of the Taxes Act where a member of a consortium is the surrendering company.
- (2) For the said section 258(2) there shall be substituted—
 - “(2) Group relief shall also be available in accordance with the said provisions in the case of a surrendering company and a claimant company where either of them is a member of a consortium and the other is—
 - (a) a trading company which is owned by the consortium and which is not a 75 per cent, subsidiary of any company ; or
 - (b) a trading company—
 - (i) which is a 90 per cent, subsidiary of a holding company which is owned by the consortium ; and
 - (ii) which is not a 75 per cent subsidiary of a company other than the holding company ; or

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- (c) a holding company which is owned by the consortium and which is not a 75 per cent, subsidiary of any company:

Provided that a claim shall not be made by virtue of this subsection if the share in the consortium of the member in the relevant accounting period of the surrendering company (or, where that company is a trading company falling within paragraph (b) above, its holding company) is nil or if a profit on a sale of the share capital of the other company or its holding company which the member owns would be treated as a trading receipt of that member.”

- (3) For section 259(8) of that Act there shall be substituted—

“(8) In applying any of the preceding subsections in the case of a claim made by virtue of section 258(2) above—

- (a) where the claimant company is a member of a consortium only a fraction of the loss referred to in subsection (1) above, or of the excess referred to in subsection (2), (3) or (6) above, as the case may be, may be set off under the subsection in question ;
- (b) where the surrendering company is a member of a consortium that loss or excess shall not be set off under the subsection in question against more than a fraction of the total profits of the claimant company;

and that fraction shall be equal to that member's share in the consortium in the accounting period referred to in section 258(2) above, subject to any further reduction under section 261(2) below.”

- (4) In sections 263(5) and 264(2) of that Act for the words " by a company as a member of a consortium " there shall be substituted the words " by virtue of section 258(2) above ".
- (5) In section 28(3)(a), (b) and (c) and (4) of the Finance Act 1973 for the words " the surrendering company " there shall be substituted the words " the surrendering or claimant company ".
- (6) In section 29(2) of that Act—
 - (a) in paragraph (a) after the words " trading company " there shall be inserted the words " or a member of the consortium "; and
 - (b) in the words following paragraph (b) for the words " (as the surrendering company) fall within any of paragraphs (a) to (c) of subsection (2) of section 258 " there shall be substituted the words " (as the surrendering company or claimant company) fall within subsection (2) of section 258 ".
- (7) This section has effect in relation to any accounting period of the surrendering company ending after 10th March 1981.

41 Insurance companies: restricted government securities

- (1) This section applies where for any accounting period any division falls to be made between the pension business and any other kind of long-term business of an insurance company and any of the income or gains or losses of the company for that period relate to restricted government securities ; and where this section applies subsection (3) of section 323 of the Taxes Act shall have effect subject to the provisions of this section.

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- (2) All income, gains or losses of the company which relate to restricted government securities shall be referred to its pension business.
- (3) Where the division of the other income, gains or losses of the company is made by reference to the liabilities at any time in the accounting period which are referable to pension business or to two or more kinds of business including pension business, those liabilities shall be treated as reduced by the appropriate amount.
- (4) In subsection (3) above " the appropriate amount" means—
 - (a) in a case in which the total liabilities of the company at the time in question which are referable to long-term business are less than the market value at that time of the investments and deposits held by the company relating to all such business, such proportion of the market value of the restricted government securities held by the company at that time as those liabilities bear to the market value of those investments and deposits; and
 - (b) in any other case, the market value of the restricted government securities at that time.
- (5) In this section—
 - " insurance company " has the same meaning as in the said section 323;
 - " long-term business " has the same meaning as in section 1(1) of the Insurance Companies Act 1981 ;
 - " pension business " has the same meaning as in the said section 323; and
 - " restricted government securities " means government securities issued on the condition that, except in such circumstances as may be specified in the conditions of issue, they are to be held by insurance companies against and applied solely towards meeting pension business liabilities.

42 Sums paid to settlor otherwise than as income

- (1) Section 451 of the Taxes Act (sums paid to settlor otherwise than as income) shall be amended as follows.
- (2) In subsection (1)—
 - (a) in paragraph (b) for the words " exceeds the amount of income available up to the end of that year but" there shall be substituted the words " is not by virtue of this subsection treated as his income for that year and "; and
 - (b) after the words " and so on " there shall be inserted the words " for each subsequent year, taking the reference in paragraph (b) to the year mentioned in paragraph (a) as a reference to that and any other year before the subsequent year in question. ";
 - (c) in paragraph (b) for the words "the next following year" there shall be inserted the words " the next following eleven years. "
- (3) In subsection (2)—
 - (a) before paragraph (a) there shall be inserted—
 - “(aa) the amount of that income taken into account under subsection (1) above in relation to that sum in any previous year or years, and”;
 - (b) in paragraph (b) after " 448 above " there shall be inserted " or section 457 below ";

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- (c) after paragraph (d) there shall be inserted—
- “(dd) any sums paid by virtue or in consequence of the settlement in that year or any previous year which have been treated as the income of the settlor by virtue of section 438(2)(b) above, and
 - (ddd) any sums included in the income arising under the settlement as amounts which have been or could have been apportioned to a beneficiary as mentioned in section 454(1)(b) below, and”;
- (d) in paragraph (e)(ii) for " and (d)" there shall be substituted " , (d), (dd) and (ddd) ".
- (4) After subsection (3) there shall be inserted—
- “(3A) Where the capital sum paid to the settlor is a sum paid by way of loan, then—
- (a) if the whole of it is repaid, no part of that sum shall by virtue of subsection (1) above be treated as the settlor's income for any year of assessment after that in which the repayment occurs; and
 - (b) if one or more capital sums have previously been paid to him by way of loan and wholly repaid, the amount of that capital sum shall be treated as equal to its excess (if any) over so much of the sum or sums previously paid as has already fallen to be treated as his income by virtue of that subsection.
- (3B) Where the capital sum paid to the settlor is a sum paid by way of complete repayment of a loan, then, if an amount not less than that sum is thereafter lent by the settlor to the trustees of the settlement, no part of that sum shall by virtue of subsection (1) above be treated as his income for any year of assessment after that in which the further loan is made.”
- (5) At the end of subsection (6) there shall be inserted the words " and there shall be set off against the tax charged on any amount treated by virtue of this section as income of the settlor for any year an amount equal to—
- (a) the sum of tax at the basic rate and tax at the additional rate for that year on the amount so treated as his income; or
 - (b) so much of that sum as is equal to the tax charged,
- whichever is the less.
- (6) In subsection (8) (interpretation)—
- (a) for the words "' capital sum' means " there shall be substituted the words " ' capital sum ' means, subject to subsection (9) below ";
 - (b) at the end there shall be inserted the words " or to the settlor (or the husband or wife of the settlor) jointly with another person ".
- (7) After subsection (8) there shall be inserted—
- “(9) For the purposes of this section there shall be treated as a capital sum paid to the settlor by the trustees of the settlement any sum which—
- (a) is paid by them to a third party at the settlor's direction or by virtue of the assignment by him of his right to receive it; or
 - (b) is otherwise paid or applied by them for the benefit of the settlor, and which would not apart from this subsection be treated as a capital sum paid to him.”

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- (8) This section has effect in relation to any capital sum paid to the settlor on or after 6th April 1981 and section 451 (9)(a) as inserted by subsection (7) above shall not apply to any direction or assignment given or made before that date.

43 Sums paid to settlor otherwise than as income: connected companies

- (1) In section 451 of the Taxes Act (sums paid to settlor otherwise than as income) subsection (4) (capital sums paid to settlor by body corporate connected with the settlement) shall be omitted.
- (2) After that section there shall be inserted—

“451A Capital sums paid by body connected with settlement.

- (1) Where—
- (a) a capital sum is paid to the settlor in a year of assessment by any body corporate connected with the settlement in that year; and
 - (b) an associated payment has been or is made directly or indirectly to that body by the trustees of the settlement,
- the capital sum shall, in accordance with subsection (2) below, be treated for the purposes of section 451 above as having been paid to the settlor by the trustees of the settlement.
- (2) A capital sum to which subsection (1) above applies shall—
- (a) to the extent to which the amount of that sum falls within the total of the associated payment or payments made up to the end of the year of assessment in which it is paid, be treated as having been paid to the settlor in that year;
 - (b) to the extent to which the amount of that sum is not treated as paid to the settlor in that year and falls within the total of the associated payment or payments made up to the end of the next following year (less what was taken into account under this subsection in relation to that sum in the previous year), be treated as having been paid to the settlor in the next following year,
- and so on for each subsequent year, taking the references in paragraph (b) to the year mentioned in paragraph (a) as references to that and any other year before the subsequent year in question.
- (3) In this section " associated payment", in relation to any capital sum paid to the settlor by a body corporate, means—
- (a) any capital sum paid to that body by the trustees of the settlement; and
 - (b) any other sum paid or asset transferred to that body by those trustees which is not paid or transferred for full consideration in money or money's worth,
- being a sum paid or asset transferred in the five years ending or beginning with the date on which the capital sum is paid to the settlor.
- (4) For the purposes of this section any capital sum paid by a body corporate, and any associated payment made to a body corporate, at a time when it is within the meaning of section 302 above associated with another body corporate may be treated as paid by or made to that other body corporate.

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- (5) In this section " capital sum " has the same meaning as in section 451 above; and any question whether a capital sum has been paid to the settlor by a body corporate or to a body corporate by the trustees shall be determined in the same way as any question under that section whether a capital sum has been paid to the settlor by the trustees.
- (6) Subsection (1) above does not apply to any sum paid to the settlor by way of loan or repayment of a loan if—
- (a) the whole of the loan is repaid within twelve months of the date on which it was made; and
 - (b) the period for which amounts are outstanding in respect of loans made to the settlor by that or any other body corporate connected with the settlement, or by him to that or any other such body, in any period of five years does not exceed twelve months.
- (7) Where a capital sum is paid to the settlor in a year of assessment by a body corporate connected with the settlement in that year it shall be assumed until the contrary is shown that an associated payment of an amount not less than that of the capital sum has been made to that body by the trustees of the settlement.”
- (3) This section has effect in relation to any capital sum paid to the settlor on or after 6th April 1981.

44 Revocable settlements etc.

- (1) in paragraph (b) of section 454(1) of the Taxes Act (definition of income arising under a settlement to include income of body corporate that could have been apportioned if it were incorporated in" the United Kingdom) after the word " incorporated " there shall be inserted the words " and resident " and after that subsection there shall be inserted—
- “(1A) In subsection (1) above references to income that could have been apportioned to a person if a body corporate were incorporated and resident in any part of the United Kingdom include references to income that could have been apportioned to that person indirectly through any other body corporate if that other body had also been so incorporated and resident.”.
- (2) For section 454(4) of the Taxes Act (body corporate deemed to be connected with a settlement if the participators include the trustees of or a beneficiary under the settlement) there shall be substituted—
- “(4) For the purposes of this Chapter, a body corporate shall be deemed to be connected with a settlement in any year of assessment if at any time in that year—
- (a) it is a close company (or only not a close company because it is not resident in the United Kingdom) and the participators then include the trustees of the settlement; or
 - (b) it is controlled within the meaning of section 534 below by a company falling within paragraph (a) above.”

45 Transfer of assets abroad: liability of non-transferors

- (1) This section has effect where—

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- (a) by virtue or in consequence of a transfer of assets, either alone or in conjunction with associated operations, income becomes payable to a person resident or domiciled outside the United Kingdom ; and
 - (b) an individual ordinarily resident in the United Kingdom who is not liable to tax under section 478 of the Taxes Act (prevention of tax avoidance by transfers of assets abroad by reference to the transfer receives a benefit provided out of assets which are available for the purpose by virtue or in consequence of the transfer or of any associated operations.
- (2) Subject to the provisions of this section, the amount or value of any such benefit as is mentioned in subsection (1) above, if not otherwise chargeable to income tax in the hands of the recipient, shall—
- (a) to the extent to which it falls within the amount of relevant income of years of assessment up to and including the year of assessment in which the benefit is received, be treated for all the purposes of the Income Tax Acts as the income of the individual for that year;
 - (b) to the extent to which it is not by virtue of this subsection treated as his income for that year and falls within the amount of relevant income of the next following year of assessment, be treated for those purposes as his income for the next following year,
- and so on for subsequent years, taking the reference in paragraph (b) to the year mentioned in paragraph (a) as a reference to that and any other year before the subsequent year in question.
- (3) Subject to subsection (9) below and to section 46(1) below, the relevant income of a year of assessment, in relation to an individual, is any income which arises in that year to a person resident or domiciled outside the United Kingdom and which by virtue of or in consequence of the transfer or associated operations referred to in subsection (1) above can directly or indirectly be used for providing a benefit for the individual or for enabling a benefit to be provided for him.
- (4) Income tax chargeable by virtue of this section shall be charged under Case VI of Schedule D.
- (5) An individual who is domiciled outside the United Kingdom shall not, in respect of any benefit not received in the United Kingdom, be chargeable to tax under this section by reference to relevant income which is such that if he had received it he would not, by reason of his being so domiciled, have been chargeable to income tax in respect of it; and subsections (4) to (7) of section 122 of the Taxes Act (income applied outside the United Kingdom treated in certain cases as received in the United Kingdom) shall apply for the purposes of this subsection as they would apply for the purposes of subsection (3) of that section if the benefit were income arising from possessions outside the United Kingdom.
- (6) Where—
- (a) the whole or part of the benefit received by an individual in a year of assessment is a capital payment within the meaning of section 80 or 81(2) below (because not falling within the amount of relevant income referred to in paragraph (a) of subsection (2) above); and
 - (b) chargeable gains are by reason of that payment treated under either of those sections as accruing to him in that or a subsequent year,
- paragraph (b) of that subsection shall apply in relation to any year of assessment (" a year of charge") after one in which chargeable gains have been so treated as accruing

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to him as if a part of the amount or value of the benefit corresponding to the amount of those gains had been treated under that subsection as his income for a year of assessment before the year of charge.

- (7) Subsection (3) of section 478 of the Taxes Act (exemption from charge where transfer of assets is not for tax avoidance) shall apply in relation to this section as it applies in relation to subsections (1) and (2) of that section; and subsections (4), (7), (8) and (9) of that section shall apply for the interpretation of this section.
- (8) Section 481 of the Taxes Act (information powers) shall have effect as if this section were included in Chapter III of Part XVII of that Act; and in section 31(3) (b) of the Taxes Management Act 1970 (assessments against which appeal lies to the Special Commissioners) after " 1972 " there shall be inserted the words " or under section 45 of the Finance Act 1981 ".
- (9) This section applies irrespective of when the transfer or associated operations referred to in subsection (1) above took place but applies only to benefits received and relevant income arising on or after 10th March 1981.

46 Transfer of assets abroad: other provisions

- (1) No amount of income shall be taken into account more than once in charging tax under the provisions of section 478 of the Taxes Act (prevention of tax avoidance by transfer of assets abroad) and section 45 above; and where there is a choice as to the persons in relation to whom any amount of income can be so taken into account—
 - (a) it shall be so taken into account in relation to such of them, and if more than one in such proportions respectively, as appears to the Board to be just and reasonable; and
 - (b) the jurisdiction of the Special Commissioners on any appeal against an assessment charging tax under those provisions shall include jurisdiction to review any relevant decision taken by the Board under this subsection.
- (2) In subsection (1) above references to an amount of income taken into account in charging tax are—
 - (a) in the case of tax which under section 478 is charged on income, to the amount of that income ;
 - (b) in the case of tax charged under that section by virtue of section 480(4) of the Taxes Act, to an amount of the income out of which the benefit is provided equal to the amount or value of the benefit charged;
 - (c) in the case of tax charged under section 45 above, to the amount of relevant income taken into account under subsection (2) of that section in charging the benefit.
- (3) In subsection (2) of the said section 478 for the words "' capital sum' means" there shall be substituted the words "' capital sum' means, subject to subsection (2A) of this section " and after that subsection there shall be inserted—
 - “(2A) For the purposes of subsection (2) of this section there shall be treated as a capital sum which an individual receives or is entitled to receive any sum which a third person receives or is entitled to receive at the individual's direction or by virtue of the assignment by him of his right to receive it.
 - (2B) Income shall not by virtue of subsection (2) of this section be deemed to be that of an individual for any year of assessment by reason only of his having

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received a sum by way of loan if that sum has been wholly repaid before the beginning of that year.”

- (4) Subsection (2A) of the said section 478 as inserted by subsection (3) above shall not apply to any direction or assignment given or made before 6th April 1981.
- (5) In subsection (5) of the said section 478 (definition of power to enjoy) for paragraph (d) there shall be substituted—
 - “(d) the individual may, in the event of the exercise or successive exercise of one or more powers, by whomsoever exercisable and whether with or without the consent of any other person, become entitled to the beneficial enjoyment of the income, or”.
- (6) After subsection (8) of the said section 478 there shall be inserted—
 - “(9) . Any amount which by virtue of subsection (8)(d) of this section is treated as the income of any person for the purposes of this section shall also be treated for those purposes as payable to that person.”
- (7) After section 480(2) of the Taxes Act there shall be inserted—
 - “(2A) An individual who is domiciled outside the United Kingdom shall not be chargeable to tax in respect of any income deemed to be his by virtue of the preceding provisions of this Chapter if he would not, by reason of his being so domiciled, have been chargeable to tax in respect of it if it had in fact been his income.”
- (8) So much of section 27(5) of the Finance Act 1975 (capital transfer tax liability of beneficiaries) as provides for a reduction to be made for income tax borne in respect of income shall apply also to income tax borne by virtue of section 478 of the Taxes Act or section 45 above in respect of property other than income.

47 Transfer of assets of public corporations

Where by virtue of any enactment a Minister of the Crown or Northern Ireland department has power to give directions to a statutory body as to the disposal of assets belonging to, or to a subsidiary of, that body the existence of that power shall not be regarded as constituting (or as having at any time constituted) an arrangement within the meaning of section 92(9) of the Finance Act 1972 or section 29 of the Finance Act 1973 (which deny relief for advance corporation tax and losses within a group where certain arrangements exist).

48 Write-off of government investment: restriction of tax losses

- (1) This section has effect where on or after 10th March 1981 any amount of government investment in a body corporate is written-off.
- (2) An amount equal to the amount written-off shall be set off against the body's tax losses as at the end of the accounting period ending last before the write-off date and, to the extent to which that amount exceeds those losses, against the body's tax losses as at the end of the next accounting period and so on.
- (3) For the purposes of subsection (2) above a body's tax losses as at the end of an accounting period are—

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- (a) any losses which under subsection (1) of section 177 of the Taxes Act are or, if a claim had been made under that subsection, would be available for relief against its trading income for the next accounting period;
 - (b) in the case of an investment company, any expenses of management or charges on income which under section 304(2) of that Act are available for carry forward to the next accounting period;
 - (c) any allowances which under section 74(2) of the Capital Allowances Act 1968 are available for carry forward to the next accounting period;
 - (d) any amount paid by way of charges on income so far as it exceeds the company's profit for the period and is not taken into account under section 177(8) or 304(2) of the Taxes Act; and
 - (e) any allowable losses available under section 265 of the Taxes Act so far as not allowed in that or a previous accounting period.
- (4) The set off to be made under subsection (2) above for any accounting period shall be made first against the amounts in paragraphs (a) to (d) of subsection (3) above and, so far as it cannot be so made, against the amount in paragraph (e) of that subsection.
- (5) For the purposes of subsection (2) above there shall be excluded from a body's tax losses as at the end of the accounting period ending last before the write-off date any amounts in respect of which a claim has been made before the write-off date under section 177(2) or 258 of the Taxes Act or section 74(3) of the Capital Allowances Act 1968 but the body's tax losses as at the end of any subsequent accounting period shall be determined as if no such claim had been made on or after that date.
- (6) Any amount that could be set off under subsection (2) above against a body's tax losses as at the end of an accounting period (or could be so set off if that body then had any such losses) may be set off against the tax losses of any other body corporate which at the end of that period is a member of the same group as the first-mentioned body, or partly against the tax losses of one member of that group and partly against those of the other or any of the others, as may be just and reasonable.
- (7) Expenditure shall not be treated for the purposes of section 84 of the Capital Allowances Act 1968 or section 42 of the Capital Gains Tax Act 1979 as met by the Crown by reason only of the writing-off of any government investment in the body in question and a sum shall not by reason only of any such writing-off be treated as not having been deductible in computing the profits or gains of that body for the purposes of Case I or Case II of Schedule D.
- (8) For the purposes of this section an amount of government investment in a body corporate is written-off—
 - (a) if its liability to repay any money lent to it out of public funds by a Minister of the Crown is extinguished ;
 - (b) if any of its shares for which a Minister of the Crown has subscribed out of public funds are cancelled; or
 - (c) if its commencing capital debt is reduced otherwise than by being paid off or its public dividend capital is reduced otherwise than by being repaid (including, in either case, a reduction to nil);

and the amount written-off and the write-off date are the amount in respect of which the liability is extinguished and the date on which it is extinguished, the amount subscribed for the shares that are cancelled and the date of cancellation or the amount of reduction in the commencing capital debt or public dividend capital and the date of the reduction, as the case may be.

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- (9) In subsection (8) above "commencing capital debt" means any debt to a Minister of the Crown assumed as such under an enactment and "public dividend capital" means any amount paid by a Minister of the Crown under an enactment in which that amount is so described or under an enactment corresponding to an enactment in which a payment made on similar terms to another body is so described.
- (10) This section shall not have effect in relation to any amount written-off if and to the extent to which it is replaced by money lent, or a subscription for shares or a payment made, out of public funds by a Minister of the Crown.
- (11) In this section "body corporate" means any body corporate which is a company for the purposes of corporation tax, "group" means a company having one or more 51 per cent subsidiaries and that or those subsidiaries, and "Minister of the Crown" includes a Northern Ireland department.

49 National Heritage Memorial Fund

- (1) The Trustees of the National Heritage Memorial Fund shall be treated for the purposes of section 248(9) of the Taxes Act (covenanted donations to charity by companies) as a body of persons established for charitable purposes only.
- (2) This section shall be deemed to have come into force on 1st April 1980.

50 Northern Ireland

- (1) In section 211(2) of the Taxes Act (tax exemptions for parliamentary pension funds) the word " and " at the end of paragraph (b) shall be omitted and after paragraph (c) there shall be inserted the words "and
 - (d) the Assembly Contributory Pension Fund constituted under the Assembly Pensions (Northern Ireland) Order 1976"
- (2) Subsection (1) above shall be deemed to have come into force on 10th November 1976.
- (3) The Corporation Tax Acts shall have effect as if the trade carried on at any time before 1st April 1973 by any predecessor of the Northern Ireland Electricity Service had been carried on by the Service; and for that purpose the Service shall be deemed to have been in existence as from the time when the predecessor began to carry on its trade and anything done by, to or in relation to the predecessor shall be treated as if it had been done by, to or in relation to the Service.
- (4) In subsection (3) above references to a predecessor of the Northern Ireland Electricity Service are references to any body whose functions were transferred to the Service on the said 1st April and references to the trade of a predecessor are references to its activities in the discharge of the functions that were so transferred.

51 Exemption from interest on overdue tax where sums due to the taxpayer are delayed by civil service industrial action

- (1) Where an amount due to a person from a government department in connection with a business carried on by him remains unpaid for any period as a result of industrial action taken by civil servants after 8th March 1981 and that person withholds any tax—
 - (a) which became due and payable by him after that date and before 6th April 1982 ; and

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- (b) on which interest would, apart from this section, be chargeable under section 86 or 87 of the Taxes Management Act 1970,
he may, for that period and for seven days after the end of it, claim exemption from interest under those sections on a corresponding amount of that tax less any reduction under subsection (2) below.
- (2) Where for the whole or any part of the period mentioned in subsection (1) above the person in question withholds any amount for which he is accountable to the collector after the said 8th March
- (a) in respect of income tax which he was liable to deduct in pursuance of section 204 of the Taxes Act (pay as you earn); or
- (b) in respect of Class 1 contributions under the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975,
- the amount of tax in respect of which exemption may be claimed under that subsection for that period or that part of it shall be reduced by the amount withheld by him as aforesaid.
- (3) The reference in subsection (1) above to an amount due to a person from a government department in connection with a business carried on by him is to any value added tax due to him from the Commissioners of Customs and Excise, to any grant or subsidy due to him from any other government department in respect of such a business and to any sum due to him from a government department under a contract entered into by him in the course of a business ; and for the purposes of this subsection " business " includes any trade, profession or vocation.
- (4) Any claim under this section shall be made to the Board.

CHAPTER II

RELIEF FOR INVESTMENT IN NEW CORPORATE TRADES

52 The relief

- (1) This Chapter has effect for affording relief from income tax where—
- (a) an individual who qualifies for the relief subscribes for ordinary shares in a new qualifying company ; and
- (b) the shares are issued to him for the purpose of raising money for a new qualifying trade which is being carried on by the company or which it intends to carry on within the next twelve months.
- (2) The relief in respect of the amount subscribed by an individual for any shares shall be given as a deduction of that amount from his total income for the year of assessment in which the shares are issued, and references in this Chapter to the amount of the relief are references to the amount of that deduction.
- (3) The relief shall be given on a claim and shall not be allowed—
- (a) unless and until the company has carried on the new trade for twelve months ; and
- (b) if the company is not carrying on that trade at the time when the shares are issued, unless the company begins to carry it on within twelve months after that time or within such further period (not exceeding twelve months) as the Board may allow.

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- (4) A claim for the relief may be allowed at any time after the end of the year of assessment in which the shares are issued (or, where the period mentioned in subsection (3) (a) above ends later, after the end of that period) if the conditions for the relief are then satisfied but subject, in the case of a claim allowed before the end of the relevant period, to the withdrawal of the relief if by reason of any subsequent event it appears that the claimant was not entitled to the relief allowed.
- (5) In this Chapter "the relevant period", in relation to relief in respect of any shares issued by a company, means the period beginning with the incorporation of the company (or, if the company was incorporated more than two years before the date on which the shares were issued, beginning two years before that date) and ending—
- (a) five years ; or
 - (b) as respects sections 55, 56 and 65 below, three years,
- after the issue of the shares.
- (6) Where by reason of its being wound up, or dissolved without winding up, the company carries on the new trade for a period shorter than twelve months, subsection (3)(a) above shall have effect as if it referred to that shorter period but only if it is shown that the winding up or dissolution was for bona fide commercial reasons and not as part of a scheme or arrangement the main purpose or one of the main purposes of which was the avoidance of tax.
- (7) The relief shall be treated for the purposes of section 34(3) of the Finance Act 1971 (effect of deductions) as a deduction to be made under Chapter II of Part I of the Taxes Act after all other deductions under that Chapter and shall be disregarded for the purposes of section 204(3) of the Taxes Act (pay as you earn) and of calculating relief under section 400(2) of the Taxes Act, paragraph 3 of Schedule 3 to that Act, paragraph 7 of Schedule 8 to that Act in a case where an election has effect under section 31(7) above or paragraph 6(2) of Schedule 9 to this Act (top-slicing).
- (8) Where a claim is made in respect of shares issued in any year of assessment and the period mentioned in subsection (3)(a) above ends in a later year, then, if effect is given to the claim by a repayment of tax, section 47 of the Finance (No. 2) Act 1975 (repayment supplement) shall have effect in relation to the repayment as if the time from which the twelve months mentioned in subsections (1)(a) and (4)(a) of that section are to be calculated were the end of that later year.
- (9) This section applies only where the shares are issued in the year 1981-82 or either of the next two years of assessment.

53 Limits on relief

- (1) Subject to section 66 below, the relief shall not be given in respect of any amount subscribed by an individual for shares issued to him by any company in any year of assessment unless the amount or total amount subscribed by him for the ordinary shares issued to him by the company in that year is £500 or more.
- (2) The relief shall not be given to the extent to which the amount or total amount subscribed by an individual for ordinary shares issued to him in any year of assessment (whether or not by the same company) exceeds £10,000.
- (3) The relief shall not be given in respect of shares issued by any company in any year of assessment (whether to one or more individuals) to the extent that the relief would result in more than 50 per cent, of the company's issued ordinary share capital at the

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end of that year (or, if earlier, at the dissolution of the company) consisting of shares in respect of which relief has been given.

- (4) If subsection (3) above requires a restriction to be placed on the relief given on claims in respect of shares issued to two or more individuals, the available relief shall be divided between them in proportion to the amounts which have been respectively subscribed by them for the shares to which their claims relate and which would, apart from the restriction, be eligible for the relief.
- (5) A claimant who is dissatisfied with the manner in which the available relief is divided under subsection (4) above between him and any other claimant or claimants may apply to the appropriate Commissioners who shall, after giving the other claimant or claimants an opportunity to appear and be heard or to make representations in writing, determine the question for all the claimants in the same way as an appeal.
- (6) In subsection (5) above " the appropriate Commissioners " means—
 - (a) in a case where the same body of General Commissioners has jurisdiction with respect to all the claimants, those Commissioners unless all the claimants agree that the question shall be determined by the Special Commissioners;
 - (b) in a case where different bodies of General Commissioners have jurisdiction with respect to the claimants, such of those bodies as the Board may direct, unless all the claimants agree that the question shall be determined by the Special Commissioners ;
 - (c) in any other case, the Special Commissioners.
- (7) Where relief has been given in respect of any shares in a company and by reason of any event occurring—
 - (a) after the end of the year of assessment in which they were issued; and
 - (b) before the end of the relevant period,more than 50 per cent, of the company's issued ordinary share capital consists of shares in respect of which relief has been given, so much of that relief shall be withdrawn as is necessary to secure that not more than 50 per cent, of the company's issued ordinary share capital consists of such shares ; and where the relief was given to two or more persons it shall be withdrawn from them in proportion to the amounts of relief respectively given to them.

54 Individuals qualifying for relief

- (1) An individual qualifies for the relief if he subscribes for the shares on his own behalf, is resident and ordinarily resident in the United Kingdom throughout the year of assessment in which they are issued and is not at any time in the relevant period connected with the company within the meaning of this section.
- (2) An individual is connected with the company if he, or an associate of his, is—
 - (a) an employee of the company or of a partner of the company;
 - (b) a partner of the company ; or
 - (c) subject to subsection (3) below, a director of the company or of another company which is a partner of that company.
- (3) An individual is not connected with a company by reason only that he, or an associate of his, is a director unless he or his associate (or a partnership of which he or his associate is a member) receives a payment from the company during the period of five years beginning with the date on which the shares are issued or is entitled to receive

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such a payment in respect of that period or any part of it; but for that purpose there shall be disregarded—

- (a) any payment or reimbursement of travelling or other expenses wholly, exclusively and necessarily incurred by him or his associate in the performance of his duties as a director of the company ;
 - (b) any interest which represents no more than a reasonable commercial return on money lent to the company;
 - (c) any dividend or other distribution which does not exceed a normal return on the investment;
 - (d) any payment for the supply of goods which does not exceed their market value ; and
 - (e) any reasonable and necessary remuneration which—
 - (i) is paid for services rendered to the company in the course of a trade or profession (not being secretarial or managerial services or services of a kind provided by the company itself); and
 - (ii) is taken into account in computing the profits or gains of the trade or profession under Case I or II of Schedule D or would be so taken into account if it fell in a period on the basis of which those profits or gains are assessed under that Schedule.
- (4) An individual is connected with the company if he directly or indirectly possesses or is entitled to acquire more than 30 per cent, of—
- (a) the issued ordinary share capital of the company; or
 - (b) the loan capital and issued share capital of the company ; or
 - (c) the voting power, in the company.
- (5) For the purposes of subsection (4)(b) above the loan capital of a company shall be treated as including any debt incurred by the company—
- (a) for any money borrowed or capital assets acquired by the company; or
 - (b) for any right to receive income created in favour of the company ; or
 - (c) for consideration the value of which to the company was (at the time when the debt was incurred) substantially less than the amount of the debt (including any premium thereon).
- (6) An individual is connected with the company if he directly or indirectly possesses or is entitled to acquire such rights as would, in the event of the winding up of the company or in any other circumstances, entitle him to receive more than 30 per cent, of the assets of the company which would then be available for distribution to equity holders of the company, and for the purposes of this subsection—
- (a) the persons who are equity holders of the company; and
 - (b) the percentage of the assets of the company to which the individual would be entitled,
- shall be determined in accordance with paragraphs 1 and 3 of Schedule 12 to the Finance Act 1973, taking references in paragraph 3 to the first company as references to an equity holder and references to a winding up as including references to any other circumstances in which assets of the company are available for distribution to its equity holders.
- (7) An individual is connected with a company if he has control of it within the meaning of section 534 of the Taxes Act.

- (8) For the purposes of this section an individual shall be treated as entitled to acquire anything which he is entitled to acquire at a future date or will at a future date be entitled to acquire; and there shall be attributed to any person any rights or powers of any other person who is an associate of his.
- (9) Where an individual subscribes for shares in a company with which he is not connected within the meaning of the foregoing provisions of this section he shall nevertheless be treated as connected with it if he subscribes for the shares as part of any arrangement which provides for another person to subscribe for shares in another company with which that or any other individual who is a party to the arrangement is connected within the meaning of those provisions.

55 New qualifying companies

- (1) A company is a qualifying company if it is incorporated in the United Kingdom and complies with the requirements of subsections (2) to (8) below and is a new company until the end of the period of five years beginning with the date of its incorporation or, if later, the date on which it commenced business.
- (2) The company must throughout the relevant period be resident in the United Kingdom and not resident elsewhere.
- (3) The company must throughout that period exist wholly, or substantially wholly, for the purpose of carrying on wholly or mainly in the United Kingdom one or more new qualifying trades.
- (4) Without prejudice to the generality of subsection (3) above but subject to subsection (5) below, a company ceases to comply with subsection (3) above if before the end of the relevant period a resolution is passed, or an order is made, for the winding up of the company (or, in the case of a winding up otherwise than under the Companies Act 1948 or the Companies Act (Northern Ireland) 1960, any other act is done for the like purpose) or the company is dissolved without winding up.
- (5) A company shall not be regarded as ceasing to comply with subsection (2) or (3) above if it does so by reason of being wound up or dissolved without winding up and—
 - (a) it is shown that the winding up or dissolution is for bona fide commercial reasons and not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax ; and
 - (b) the company's net assets, if any, are distributed to its members or dealt with as bona vacantia before the end of the relevant period or, in the case of a winding up, the end (if later) of three years from the commencement of the winding up.
- (6) Where the relevant period begins after the incorporation of the company the requirements of subsection (3) above must have been complied with since its incorporation ; but for the purposes of subsections (2) and (3) above any interval between the incorporation of the company and the time when it commenced business shall be disregarded.
- (7) The company's share capital must not at any time in the relevant period include—
 - (a) share capital other than ordinary share capital or fixed-interest preference share capital;
 - (b) classes of ordinary shares with different rights in respect of matters other than voting; or

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- (c) issued shares that are not fully paid up.
- (8) Subject to section 65 below, the company must not at any time in the relevant period—
- (a) control (or together with any person connected with it control) another company or be under the control of another company (or of another company and any person connected with that other company); or
 - (b) be a 51 per cent, subsidiary of another company or itself have a 51 per cent, subsidiary;

and no arrangements must be in existence at any time in that period by virtue of which the company could fall within paragraph (a) or (b) above.

56 New qualifying trades

- (1) A trade is a qualifying trade if it complies with the requirements of subsections (2) to (4) below and is a new trade if it complies with the other requirements of this section.
- (2) The trade must not at any time in the relevant period consist to any substantial extent of—
 - (a) dealing in commodities, shares, securities, land or futures; or
 - (b) dealing in goods otherwise than in the course of an ordinary trade of wholesale or retail distribution ; or
 - (c) banking, insurance, money-lending, debt-factoring, hire purchase financing or other financial activities; or
 - (d) leasing (including letting ships on charter or other assets on hire) or receiving royalties or licence fees ; or
 - (e) providing legal or accountancy services ; or
 - (f) providing services or facilities for any trade carried on by another person which consists to any substantial extent of activities within any of the foregoing paragraphs and in which a controlling interest is held by a person who also has a controlling interest in the trade carried on by the company.
- (3) For the purposes of paragraph (b) of subsection (2) above—
 - (a) a trade of wholesale distribution is one in which the goods are offered for sale and sold to persons for resale by them or for processing and resale by them ;
 - (b) a trade of retail distribution is one in which the goods are offered for sale and sold to members of the general public for their use or consumption ;

and in determining for the purposes of that paragraph whether a trade is an ordinary trade of wholesale or retail distribution regard shall be had to the extent to which it has the features mentioned in Schedule 11 to this Act, those in Part I being regarded as indications that the trade is such an ordinary trade and those in Part II being regarded as indications of the contrary.
- (4) The trade must from the time when it is commenced until the end of the relevant period be conducted on a commercial basis and with a view to the realisation of profits.
- (5) Subject to subsection (6) below, the trade must be a bona fide new venture.
- (6) A trade shall not be treated as not being a bona fide new venture by reason only that it was carried on as, or as part of, a trade by another person at any time in the five years before the issue of the shares in respect of which the relief is claimed.
- (7) Without prejudice to the generality of subsection (5) above, a trade carried on by a company is not a new venture if—

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- (a) a person having a controlling interest in that trade at any time in the period of twelve months beginning with the date on which the company begins to carry it on has in that period (or has had in the period of twelve months ending with that date) a controlling interest in another trade—
 - (i) which is being carried on at that date ; or
 - (ii) which was being carried on more than five years before the issue of the shares in respect of which the relief is claimed ; and
 - (b) the trade carried on by the company, or a substantial part of it—
 - (i) is concerned with the same or similar types of property or parts thereof or provides the same or similar services or facilities as the other trade; or
 - (ii) serves substantially the same or similar outlets, or markets as the other trade.
- (8) For the purposes of this section a person has a controlling interest in a trade—
- (a) in the case of a trade carried on by a company if—
 - (i) he controls the company ; or
 - (ii) the company is a close company for the purposes of the Corporation Tax Acts and he or an associate of his is a director of the company and the beneficial owner of, or able directly or through the medium of other companies or by any other indirect means to control, more than 30 per cent, of the ordinary share capital of the company ; or
 - (iii) not less than half of the trade could in accordance with section 253(2) of the Taxes Act be regarded as belonging to him ;
 - (b) in any other case, if he is entitled to not less than half of the assets used for, or the income arising from, the trade.
- (9) For the purposes of subsection (8) above there shall be attributed to any person any rights or powers of any other person who is an associate of his.
- (10) References in this section to a trade shall be construed without regard to so much of the definition of " trade" in section 526(5) of the Taxes Act as relates to adventures or concerns in the nature of trade; but the foregoing provisions do not affect the construction of references in subsections (2)(f) or (6) to (8) to a trade carried on by a person other than the company and those references shall be construed as including references to any business, profession or vocation.

57 Disposal of shares

- (1) Where an individual disposes of any shares before the end of the relevant period, then—
 - (a) if the disposal is otherwise than by way of a bargain made at arm's length, he shall not be entitled to any relief in respect of those shares ; and
 - (b) in any other case, the amount of relief to which he is entitled in respect of those shares shall be reduced by the amount or value of the consideration which he receives for them.
- (2) Where an individual holds ordinary shares in a company and the relief has been given in respect of some but not others, any disposal by him of ordinary shares in the company shall be treated for the purposes of this section as relating to those in respect of which the relief has been given rather than to others.

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- (3) Where the relief has been given to an individual in respect of shares in a company which have been issued to him at different times any disposal by him of the shares shall be treated for the purposes of this section as relating to those issued earlier rather than to those issued later.
- (4) Where shares in respect of which the relief was given have by virtue of any such allotment as is mentioned in section 77(2)(a) of the Capital Gains Tax Act 1979 (not being an allotment for payment) fallen to be treated under section 78 of that Act as the same asset as a new holding—
 - (a) a disposal of the whole or part of the new holding shall be treated for the purposes of this section as a disposal of the whole or a corresponding part of those shares; and
 - (b) the new holding shall be treated for the purposes of subsection (2) above as shares in respect of which the relief has been given.

58 Value received from company

- (1) Where an individual who subscribes for shares in a company has received or subsequently before the end of the relevant period receives any value from the company within the meaning of this section the amount of the relief to which he is entitled in respect of the shares shall be reduced by the value received.
- (2) For the purposes of this section an individual receives value from the company if the company—
 - (a) repays, redeems or repurchases any of its share capital or securities which belong to the individual or makes any payment to him for giving up his right to any of the company's share capital or any security on its cancellation or extinguishment;
 - (b) repays any debt owed to the individual other than a debt which was incurred by the company—
 - (i) on or after the date on which he subscribed for the shares in respect of which the relief is claimed; and
 - (ii) otherwise than in consideration of the extinguishment of a debt incurred before that date;
 - (c) makes to the individual any payment for giving up his right to any debt (other than a debt in respect of a payment of the kind mentioned in section 54(3)(a) or (e) above or an ordinary trade debt) on its extinguishment ;
 - (d) releases or waives any liability of the individual to the company or discharges, or undertakes to discharge, any liability of his to a third person ;
 - (e) makes a loan or advance to the individual;
 - (f) provides a benefit or facility for the individual;
 - (g) transfers an asset to the individual for no consideration or for consideration less than its market value or acquires an asset from him for consideration exceeding its market value; or
 - (h) makes to him any other payment except a payment of the kind mentioned in section 54(3)(a), (b), (c), (d) or (e) above or a payment in discharge of an ordinary trade debt.
- (3) For the purposes of this section an individual also receives value from the company if he receives in respect of ordinary shares held by him any payment or asset in a

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winding up or in connection with a dissolution of the company, being a winding up or dissolution falling within section 55(5) above.

- (4) The value received by an individual is—
- (a) in a case within paragraph (a), (b) or (c) of subsection (2) above, the amount receivable by the individual or, if greater, the market value of the shares, securities or debt in question ;
 - (b) in a case within paragraph (d) of that subsection, the amount of the liability ;
 - (c) in a case within paragraph (e) of that subsection, the amount of the loan or advance ;
 - (d) in a case within paragraph (f) of that subsection, the cost to the company of providing the benefit or facility less any consideration given for it by the individual;
 - (e) in a case within paragraph (g) of that subsection, the difference between the market value of the asset and the consideration (if any) given for it;
 - (f) in a case within paragraph (h) of that subsection, the amount of the payment; and
 - (g) in a case within subsection (3) above, the amount of the payment or, as the case may be, the market value of the asset.
- (5) Where by virtue of this section any relief is withheld or withdrawn in the case of an individual to whom ordinary shares in a company have been issued at different times the relief shall be withheld or withdrawn in respect of shares issued earlier rather than in respect of shares issued later.
- (6) For the purposes of subsection (2)(d) above a company shall be treated as having released or waived a liability if the liability is not discharged within twelve months of the time when it ought to have been discharged.
- (7) For the purposes of subsection (2)(e) above there shall be treated as if it were a loan made by the company to the individual—
- (a) the amount of any debt (other than an ordinary trade debt) incurred by the individual to the company ; and
 - (b) the amount of any debt due from the individual to a third person which has been assigned to the company.
- (8) In this section " an ordinary trade debt" means any debt for goods supplied in the ordinary course of a trade or business where the credit given does not exceed six months and is not longer than that normally given to the customers of the person carrying on the trade or business.
- (9) In this section—
- (a) any reference to a payment or transfer to an individual includes a reference to a payment or transfer made to him indirectly or to his order or for his benefit; and
 - (b) any reference to an individual includes a reference to an associate of his and any reference to the company includes a reference to any person connected with the company.

59 Prevention of misuse

- (1) An individual is not entitled to relief in respect of any shares unless the shares are subscribed for and issued for bona fide commercial purposes and not as part of a

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scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.

(2) The relief to which an individual is entitled in respect of any shares in a company shall be reduced in accordance with subsection (3) below if at any time in the relevant period the company repays, redeems or repurchases any of its share capital which belongs to any member other than—

- (a) that individual; or
- (b) another individual whose relief is thereby reduced by virtue of section 58(2)(a) above,

or makes any payment to any such member for giving up his right to any of the company's share capital on its cancellation or extinguishment.

(3) Where subsection (2) above applies the amount of relief to which an individual is entitled shall be reduced by the amount receivable by the member or, if greater, the nominal value of the share capital in question ; and where, apart from this subsection, two or more individuals would be entitled to relief the reduction shall be made in proportion to the amounts of relief to which they would, apart from this subsection, have been entitled.

(4) Where at any time in the relevant period a member of a company receives or is entitled to receive any value from the company within the meaning of this subsection, then, for the purposes of the provisions of section 53(3) and (7) and section 54(4) above in their application to any subsequent time—

- (a) the amount of the company's issued ordinary share capital; and
- (b) the amount of the part of that capital which consists of the shares relevant to those provisions and the amount of the part consisting of the remainder,

shall each be treated as reduced in accordance with subsection (5) below.

(5) The amount of each of the parts mentioned in subsection (4)(b) above shall be treated as equal to such proportion of that amount as the amount subscribed for that part less the relevant value bears to the amount subscribed ; and the amount of the issued share capital shall be treated as equal to the sum of the amounts treated under this subsection as the amount of those parts respectively.

(6) In subsection (4)(b) above the reference to the part of the capital which consists of the shares relevant to the provisions there mentioned is a reference—

- (a) in relation to section 53(3), to the part consisting of shares in respect of which the relief has been given or is claimed;
- (b) in relation to section 53(7), to the part consisting of shares in respect of which the relief has been given ;
- (c) in relation to section 54(4), to the part consisting of shares which (within the meaning of that section) the individual directly or indirectly possesses or is entitled to acquire;

and in subsection (5) above " the relevant value ", in relation to each of the parts there mentioned, means the value received by the member or members entitled to the shares of which that part consists.

(7) For the purposes of subsection (4) above a member of a company receives or is entitled to receive value from the company in any case in which an individual would receive value from the company by virtue of paragraph (d), (e), (f), (g) or (h) of subsection (2) of section 58 above (but treating as excepted from paragraph (h) all payments made

for full consideration) and the value received shall be determined as for the purposes of that section.

- (8) For the purposes of subsection (7) above a person shall be treated as entitled to receive anything which he is entitled to receive at a future date or will at a future date be entitled to receive.

60 Husband and wife

- (1) In the case of any amount subscribed by a married woman for shares issued to her at a time—

- (a) when she is living with her husband ; and
- (b) which falls in a year of assessment for which his income includes (or, if there were any, would include) any of hers,

the deduction under section 52(2) above shall, subject to subsection (2) below, be made from his total income, and references in this Chapter to the relief to which an individual is entitled in respect of any shares shall be construed accordingly.

- (2) For the purposes of sections 38(2) and 39 of the Taxes Act (option for separate assessment) the relief shall be treated as a relief under Chapter II of Part I of that Act; and where—

- (a) an application under section 38(1) of the Taxes Act; or
- (b) an election under section 23 of the Finance Act 1971 (separate taxation of wife's earnings),

is in force for a year of assessment for which a deduction falls to be made under section 52(2) above in respect of an amount subscribed by the wife, section 39(1)(c) of the Taxes Act and paragraph 4 of Schedule 4 to the said Act of 1971 (allocation of reliefs between husband and wife) shall have effect as if references to relief under section 20 of the Taxes Act and to a payment made by the wife included references to relief under this Chapter and to a payment made by her as a subscription for shares.

- (3) For the purposes of subsection (7) of section 36 of the Finance Act 1976 (allocation of surplus deduction to other spouse in year of non-aggregation) the relief shall be treated as a deduction under a provision to which that subsection applies but, in the case of the wife, only as respects amounts subscribed by her for shares issued in the part of the year of assessment mentioned in that subsection.

- (4) The limits in section 53(1) and (2) above shall apply jointly to a husband and wife as respects amounts subscribed for shares issued at a time—

- (a) when they are married and living together; and
- (b) which falls in a year of assessment for which his income includes (or, if there were any, would include) any of hers;

but if the husband dies or they are divorced or cease to live together before the end of any such year those limits shall apply to the wife as respects amounts subscribed by her for shares issued in the remainder of the year as if it were a separate year of assessment.

- (5) Where any such application or election as is mentioned in subsection (2) above is in force for a year of assessment in which shares are issued for which amounts have been subscribed both by the husband and the wife, then, if section 53(2) above requires a restriction to be placed on the relief given on a claim or claims in respect of those amounts, the available relief shall be divided between the husband and the wife in proportion to the amounts which have been respectively subscribed by them for the

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shares to which the claim or claims relate and which would, apart from the restriction, be eligible for the relief.

- (6) Subsection (1) of section 57 above shall not apply to a disposal made by a married woman to her husband at a time when she is living with him or to a disposal made at such a time by him to her; but where shares issued to one of them have been transferred to the other by a transaction *inter vivos*—
- (a) that subsection shall apply on the disposal of the shares by the transferee to a third person ; and
 - (b) if at any time the husband and wife are divorced or cease to live together and any of those shares have not been disposed of by the transferee before that time, any assessment for withdrawing relief in respect of those shares shall be made on the transferee.
- (7) Where a husband and wife are divorced or cease to live together, then, if any relief given in respect of shares for which either of them has subscribed and which were issued while they were married and living together falls to be withdrawn by virtue of a subsequent disposal of those shares by the person who subscribed for them, any assessment for withdrawing that relief shall be made on the person making the disposal and shall be made by reference to the reduction of tax flowing from the amount of the relief regardless of any allocation of that reduction under section 39(1) or (2) of the Taxes Act and of any allocation of the relief under section 36(7) of the Finance Act 1976.

61 Claims

- (1) A claim for the relief in respect of shares issued by a company in any year of assessment shall be made—
- (a) not earlier than the end of that year or, if later, the end of the period mentioned in section 52(3)(a) above ; and
 - (b) not later than two years after the end of that year or, if that period ends after the end of that year, not later than two years after the end of that period.
- (2) Where in any year of assessment shares are issued by a company to two or more individuals each of whom has subscribed at least £500 for his shares—
- (a) claims in respect of those shares may be made jointly by all or any of them ; and
 - (b) if they do not all make their claims jointly, a claim made by any of them shall not be allowed unless it is accompanied by a statement by each such individual not claiming jointly that he is aware of the making of the claim.
- (3) Where the relief given on a claim to any individual would by virtue of section 53(3) above require the withdrawal of the whole or part of any relief already given to another individual, the claim shall not be allowed unless it is accompanied by a statement by the other individual that he consents to the making of the claim.
- (4) A claim for relief in respect of shares in a company shall not be allowed unless it is accompanied by a statement by the company that the conditions for the relief, so far as applying to the company and the trade, are satisfied up to the date on which the claim is made.
- (5) Any statement under subsection (4) above shall contain such information as the Board may reasonably require, shall be in such form as the Board may direct and shall contain a declaration that it is correct to the best of the company's knowledge and belief; and

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if any such statement is made fraudulently or negligently the company shall be liable to a penalty not exceeding £250 or, in the case of fraud, £500.

- (6) No application shall be made under section 55(3) or (4) of the Taxes Management Act 1970 (application for postponement of payment of tax pending appeal) on the ground that the applicant is entitled to the relief unless a claim for the relief has been duly made by him.
- (7) For the purposes of section 86 of the said. Act of 1970 (interest on overdue tax) tax charged by an assessment—
- (a) shall be regarded as due and payable notwithstanding that relief from the tax (whether by discharge or repayment) is subsequently given on a claim for the relief; but
 - (b) shall, unless paid earlier or due and payable later, be regarded as paid on the date of the making of the claim on which the relief is given;
- and section 91 of that Act (effect on interest of reliefs) shall not apply in consequence of any discharge or repayment for giving effect to the relief.

62 Assessments for withdrawing relief. 63. Information

- (1) Where any relief has been given which is subsequently found not to have been due it shall be withdrawn by the making of an assessment to tax under Case VI of Schedule D for the year of assessment for which the relief was given.
- (2) Subject to the following provisions of this section, any assessment for withdrawing relief which is made by reason of an event occurring after the date of the claim may be made within six years after the end of the year of assessment in which that event occurs.
- (3) No assessment for withdrawing relief in respect of shares issued to any person shall be made by reason of any event occurring after his death.
- (4) Where a person has, by a disposal or disposals to which section 57(1)(a) above applies, disposed of all the ordinary shares issued to him by a company, no assessment for withdrawing relief in respect of any of those shares shall be made by reason of any subsequent event unless it occurs at a time when he is connected with the company within the meaning of section 54 above.
- (5) Subsection (2) above is without prejudice to section 36 of the Taxes Management Act 1970 (fraud and wilful default) and section 37 of that Act (neglect).
- (6) In its application to an assessment made by virtue of this section, section 86 of the said Act of 1970 (interest on overdue tax) shall have effect as if the reckonable date were—
- (a) in the case of relief withdrawn by virtue of section 53(7), 54, 55, 56 or 59(2) in consequence of any event after the grant of the relief, the date of that event;
 - (b) in the case of relief withdrawn by virtue of section 57(1) in consequence of a disposal after the grant of the relief, the date of the disposal;
 - (c) in the case of relief withdrawn by virtue of section 58 in consequence of a receipt of value after the grant of the relief, the date of the receipt;
 - (d) in (the case of relief withdrawn by virtue of section 59(1), the date on which the relief was granted.
- (7) For the purposes of subsection (6) above the date on which the relief is granted is the date on which a repayment of tax for giving effect to the relief was made or, if there

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was no such repayment, the date on which the inspector issued a notice to the claimant showing the amount of tax payable after giving effect to the relief.

63 Information.

- (1) Where an event occurs by reason of which any relief given to an individual falls to be withdrawn by virtue of section 54, 57, 58 or 60(6) above the individual shall within sixty days of his coming to know of the event give a notice in writing to the inspector containing particulars of the event.
- (2) Where an event occurs by reason of which any relief in respect of any shares in a company falls to be withdrawn by virtue of section 53(7), 55, 56, 58 or 59 above—
 - (a) the company; and
 - (b) any person connected with the company who has knowledge of that matter,shall within sixty days of the event or, in the case of a person within paragraph (b) above of his coming to know of it, give a notice in writing to the inspector containing particulars of the event or payment.
- (3) Where a company is notified by the inspector that relief has been given in respect of any shares issued by the company on a specified date, then, if any shares in the company (whether or not shares in respect of which relief has been given) are transferred at any time in the period of five years beginning with that date, the company shall within sixty days of—
 - (a) coming to know of the transfer ; or
 - (b) receiving the notification from the inspector,whichever is the later, give a notice in writing to the inspector containing particulars of the transfer.
- (4) If the inspector has reason to believe that a person has not given a notice which he is required to give under subsection (1), (2) or (3) above in respect of any event, the inspector may by notice in writing require that person to furnish him within such time, not being less than sixty days, as may be specified in the notice with such information relating to the event as the inspector may reasonably require for the purposes of this Chapter.
- (5) Where the relief is claimed in respect of shares in a company and the inspector has reason to believe that it may not be due by reason of any such arrangement or scheme as is mentioned in section 54(9), 55(8) or 59(1) above, he may by notice in writing require any person concerned to furnish him within such time, not being less than sixty days, as may be specified in the notice with—
 - (a) a declaration in writing stating whether or not, according to information which that person has or can reasonably obtain, any such arrangement or scheme exists or has existed;
 - (b) such other information as the inspector may reasonably require for the purposes of the provision in question and as that person has or can reasonably obtain.
- (6) References in subsection (5) above to the person concerned are, in relation to section 54(9) and 59(1), the claimant and, in relation to section 55(8) and 59(1), the company and any person controlling the company.
- (7) Where relief has been given in respect of shares in a company—

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- (a) any person who receives from the company any payment or asset which may constitute value received (by him or another) for the purposes of section 58 or 59(4) above; and
 - (b) any person on whose behalf such a payment or asset is received,
- shall, if so required by the inspector, state whether the payment or asset received by him or on his behalf is received on behalf of any person other than himself and, if so, the name and address of that person.
- (8) Where relief has been claimed in respect of shares in a company, any person who holds or has held shares in the company and any person on whose behalf any such shares are or were held shall, if so required by the inspector, state whether the shares which are or were held by him or on his behalf are or were held on behalf of any person other than himself and, if so, the name and address of that person.
- (9) No obligation as to secrecy imposed by statute or otherwise shall preclude the inspector from disclosing to a company that relief has been given or claimed in respect of a particular number or proportion of its shares.

64 Capital gains tax

- (1) The sums allowable as deductions from the consideration in the computation for the purposes of capital gains tax of the gain or loss accruing to an individual on the disposal of shares in respect of which any relief has been given and not withdrawn shall be reduced—
- (a) where paragraph (b) below does not apply, by an amount equal to one-half of the amount of the relief ;
 - (b) where those sums exceed the consideration, by an amount equal to—
 - (i) the whole amount of the relief ; or
 - (ii) the excess,whichever is the less ;
- but the foregoing provisions of this subsection shall not apply to a disposal falling within section 44(1) of the Capital Gains Tax Act 1979 (disposals between husband and wife).
- (2) Section 65 of the said Act of 1979 (pooling of shares etc.) shall not apply to shares in respect of which any relief has been given and not withdrawn; and any question whether a disposal relates to such shares or to other shares shall for the purposes of capital gains tax be determined as for the purposes of section 57 above.
- (3) Where an individual holds ordinary shares in a company and the relief has been given in respect of some but not others, then, if there is within the meaning of section 77 of the said Act of 1979 a reorganisation affecting those shares, section 78 of that Act shall apply separately to the shares in respect of which the relief has been given and to the other shares (so that the shares of each kind are treated as a separate holding of original shares and identified with a separate new holding).
- (4) There shall be made all such adjustments of capital gains tax, whether by way of assessment or by way of discharge or repayment of tax, as may be required in consequence of the relief being given or withdrawn.

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

65 Application to subsidiaries

- (1) A qualifying company may in the relevant period have one or more subsidiaries if—
 - (a) the conditions in subsection (2) below are satisfied in respect of the subsidiary or each subsidiary and, except as provided in subsection (3) below, continue to be so satisfied until the end of the relevant period ; and
 - (b) the subsidiary or each subsidiary was incorporated in the United Kingdom, did not commence business before the qualifying company did so and complies with the requirements of section 55(2) to (6) above.
- (2) The conditions referred to in subsection (1)(a) above are—
 - (a) that the qualifying company possesses all the issued share capital of, and all the voting power in, the subsidiary; and
 - (b) that no other person has control of the subsidiary within the meaning of section 534 of the Taxes Act; and
 - (c) that no arrangements are in existence by virtue of which the conditions in paragraphs (a) and (b) above could cease to be satisfied.
- (3) The conditions referred to in subsection (1)(a) above shall not be regarded as ceasing to be satisfied by reason only of the subsidiary or the qualifying company being wound up or dissolved without winding up if—
 - (a) it is shown that the winding up or dissolution is for bona fide commercial reasons and not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax ; and
 - (b) the net assets, if any, of the subsidiary or, as the case may be, the qualifying company are distributed to its members or dealt with as bona vacantia before the end of the relevant period, or in the case of a winding up, the end (if later) of three years from the commencement of the winding up.
- (4) Where a qualifying company has one or more subsidiaries in the relevant period the foregoing provisions of this Chapter shall have effect subject to Schedule 12 to this Act.

66 Nominees and approved investment funds

- (1) Subject to the provisions of this section, shares subscribed for, issued to, held by or disposed of for an individual by a nominee shall be treated for the purposes of this Chapter as subscribed for, issued to, held by or disposed of by that individual.
- (2) Section 53(1) above shall not apply where the amount is subscribed as nominee for an individual by the person or persons having the management of an investment fund approved for the purposes of this section by the Board (" the managers of an approved fund ").
- (3) Any shares issued to the managers of an approved fund as nominee for an individual shall be treated for the purposes of section 53(4) above as shares in respect of which relief has been claimed (whether or not claimed in fact).
- (4) The managers of an approved fund may be treated for the purposes of section 53(5) and (6) above as the claimant in respect of shares issued to them as nominees for an individual.

- (5) Section 63(1) above shall apply to the managers of an approved fund as it would apply to an individual if relief had been given to him in respect of the shares held for him as nominee by the managers (whether or not given in fact).

67 Interpretation

- (1) In this Chapter—

"associate " has the meaning given in subsection (3) of section 303 of the Taxes Act except that " relative " in that subsection shall not include a brother or sister ;

" control ", except in section 54(7) and section 65(2)(b), shall be construed in accordance with section 302(2) to (6) of that Act;

"director" shall be construed in accordance with section 303(5) of that Act;

" fixed-rate preference share capital" means share capital consisting of shares which—

(a) are issued for consideration which is or includes new consideration; and

(b) do not carry any right either to conversion into shares or securities of any other description or to the acquisition of any additional shares or securities; and

(c) do not carry any right to dividends other than dividends which—

(i) are of a fixed amount or at a fixed rate per cent, of the nominal value of the shares, and

(ii) represent no more than a reasonable commercial return on the new consideration received by the company in respect of the issue of the shares; and

(d) on repayment do not carry any rights to an amount exceeding that new consideration except in so far as those rights are reasonably comparable with those general for fixed dividend shares listed in the Official List of The Stock Exchange ;

" market value " shall be construed in accordance with section 150 of the Capital Gains Tax Act 1979 ;

" new consideration " has the same meaning as in Part)(of the Taxes Act;

" ordinary shares " means shares forming part of a company's ordinary share capital;

" the relevant period " has the meaning given in section 52(5) above;

"the relief" or "relief" means relief under section 52 above and references to the amount of the relief shall be construed in accordance with subsection (2) of that section.

- (2) Section 533 of the Taxes Act (meaning of connected persons) applies for the purposes of the provisions of this Chapter other than section 54.
- (3) References in this Chapter to a disposal of shares include references to a disposal of an interest or right in or over the shares and an individual shall be treated for the purposes of this Chapter as disposing of any shares which he is treated by virtue of section 86(1) of the Capital Gains Tax Act 1979 as exchanging for other shares.
- (4) References in this Chapter to the reduction of any amount include references to its reduction to nil.

CHAPTER III

BENEFITS IN KIND

68 Cars available for private use

- (1) Section 64 of the Finance Act 1976 (cars available for private use) shall be amended as follows.
- (2) In subsection (1) for the words following paragraph (b) there shall be substituted the words " then, for the purposes of the Income Tax Acts (and in particular section 204 of the Taxes Act (pay as you earn)) he shall be treated as being paid by his employer in that year an emolument of his employment of an amount equal to whatever is the cash equivalent of that benefit in that year ".
- (3) After subsection (2) there shall be inserted—
 - “(2A) Where in any year a person is taxable in respect of the benefit of a car under this section, he shall not be taxable—
 - (a) under section 181 of the Taxes Act in respect of the discharge of any liability of his in connection with the car;
 - (b) under section 36 or 36A of the Finance (No. 2) Act 1975 in respect of any voucher or credit-token to the extent that it is used by him—
 - (i) for obtaining money which is spent on goods or services in connection with the car, or
 - (ii) for obtaining such goods or services;
 - (c) under section 60 above in respect of any payment made by him in respect of expenses incurred by him in connection with the car.”.
- (4) At the end of subsection (5) there shall be inserted the words " but for the purposes of the said section 204 no adjustment to the cash equivalent shall be made by virtue of sub-paragraph (1) of paragraph 2 of Part II of that Schedule in a case in which sub-paragraph (2)(b) of that paragraph applies or by virtue of paragraphs 3 to 5 of that Part of that Schedule unless the inspector has notified the employer of the adjustment to be made ".
- (5) After subsection (5) there shall be inserted—
 - “(6) Regulations under the said section 204 may prescribe the time or times at which the employer is to be treated for the purposes of that section as making payments in respect of the amount referred to in subsection (1) above and, where several times are prescribed, the parts of that amount to be treated as paid at those times.
 - (7) Where, by reason of any insufficiency in the payments actually made by an employer to an employee to whom he is treated as paying an amount by virtue of this section, the employer is unable in any year to deduct and cannot otherwise recover from the employee all the income tax in respect of that amount which he is liable to pay to the Board under the said section 204, the employer shall be treated as having provided a benefit in that year for the employee of an amount equal to the amount of tax which he is unable to deduct or otherwise recover which shall be chargeable to tax under section 61 above.”.

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- (6) In paragraph 5 of Part II of Schedule 7 to the said Act of 1976 (increase of cash equivalent where use of car for business travel does not amount to more than 1,000 miles) for " 1,000 " there shall be substituted " 2,500 ".
- (7) Subsections (1) to (5) of this section have effect for the year 1982-83 and subsequent years of assessment and subsection (6) of this section has effect for the year 1981-82 and subsequent years of assessment.

69 Car fuel

- (1) After section 64 of the Finance Act 1976 there shall be inserted—

“64A Car fuel.

- (1) Where in any year in the case of a person employed in director's or higher-paid employment fuel is provided by reason of his employment for a car which is made available as mentioned in section 64 above, he shall be treated for the purposes of the Income Tax Acts (and in particular section 204 of the Taxes Act (pay as you earn)) as being paid by his employer in that year an emolument of his employment of an amount equal to whatever is the cash equivalent of that benefit in that year.
- (2) Subject to the following provisions of this section, the cash equivalent of that benefit shall be ascertained from Table A below where the car has an internal combustion engine with one or more reciprocating pistons and from Table B below in the case of other cars; and for the purposes of Table A below a car's cylinder capacity is the capacity of its engine calculated as for the purposes of the Vehicles (Excise) Act 1971 or the Vehicles (Excise) Act (Northern Ireland) 1972.

TABLE A

Cylinder capacity of car in cubic centimetres	Cash equivalent
1300 or less	£270
More than 1300, but not more than 1800	£360
More than 1800	£540

TABLE B

Original market value of car	Cash equivalent
Less than £3,600	£270
£3,600 or more, but less than £5,100	£360
£5,100 or more	£540

- (3) Without prejudice to the generality of subsection (1) above, fuel is provided for a car if—
- (a) any liability in respect of the provision of fuel for the car is discharged ;

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- (b) a voucher within the meaning of section 36 of the Finance (No. 2) Act 1975 or a credit-token within the meaning of section 36A of that Act is used to obtain fuel for the car or money which is spent on such fuel; or
- (c) any sum is paid in respect of expenses incurred in providing fuel for the car.

- (4) The Treasury may by order taking effect from the beginning of any year beginning after it is made (but not of any year earlier than 1983-84) substitute a different Table for either of the Tables in subsection (2) above.

Orders under this subsection shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.

- (5) Where paragraph 2 or 3 of Part II of Schedule 7 to this Act applies to reduce the cash equivalent of the benefit of the car for which the fuel is provided, the same reduction shall be made to the cash equivalent of the benefit of the fuel ascertained under subsection (2) above.
- (6) If in the relevant year—
- (a) the employee is required to make good to the person providing the fuel the whole of the expense incurred by him in or in connection with the provision of fuel for his private use and he does so ; or
 - (b) the fuel is made available only for business travel,
- the cash equivalent is nil.
- (7) For the purposes of section 204 of the Taxes Act no alteration of the cash equivalent shall be made by virtue of sub-paragraph (1) of paragraph 2 of Part II of Schedule 7 to this Act in a case in which sub-paragraph (2) (b) of that paragraph applies or of paragraph 3 of that Part or of subsection (6)(a) above unless the inspector has notified the employer of the alteration to be made.
- (8) Subsections (6) and (7) of section 64 above shall apply in relation to the amount referred to in subsection (1) above as they apply to the amount referred to in subsection (1) of that section.”.

- (2) This section has effect for the year 1982-83 and subsequent years of assessment.

70 Transport vouchers

- (1) Section 36 of the Finance (No. 2) Act 1975 (benefits in kind: vouchers other than cash vouchers) shall be amended as follows.
- (2) After subsection (2) there shall be inserted—
- “(2A) The expense incurred as mentioned in subsection (1)(a) above by the person providing the voucher shall be treated as reduced by any part of that expense made good to that person by the employee.”.
- (3) At the end of subsection (4) (definition of "voucher") there shall be inserted the words " and includes a transport voucher. ".
- (4) After subsection (4) there shall be inserted—
- “(4A) In this section " transport voucher " means any ticket, other document or pass intended to enable a person in possession of it to obtain passenger transport

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services and, in relation to a transport voucher, references in this section to a voucher being exchanged for services shall be construed accordingly.”.

- (5) In subsection (5)—
- (a) for paragraph (a) there shall be substituted—
 - “(a) " employee " means the holder of any office or employment the emoluments in respect of which fall to be assessed under Schedule E, and related expressions shall be construed accordingly”; and
 - (b) in paragraph (d) the words "or family" shall be omitted and at the end there shall be inserted the words " or his parent or child or the spouse of his child or any dependant of the employee's ".
- (6) Subsection (2) of this section shall be deemed to have had effect since 6th April 1976 and the remaining provisions of this section have effect for the year 1982-83 and subsequent years of assessment but section 15 of the Taxes Management Act 1970 (returns of employees' emoluments etc.) shall have effect for the year 1981-82 as if all the amendments made by this section were in operation for that year.

71 Credit-tokens

- (1) After section 36 of the Finance (No. 2) Act 1975 there shall be inserted—

“36A Credit-tokens.

- (1) Subject to the provisions of this section, where a credit-token is provided for an employee by reason of his employment, then, for the purposes of the Income Tax Acts—
- (a) if the person providing the credit-token incurs any expense in or in connection with its provision, the employee shall be treated as having received in the year of assessment in which the expense is incurred an emolument from his employment of an amount equal to that expense;
 - (b) on each occasion that the employee uses the credit-token to obtain money, goods or services he shall be treated as having received an emolument from his employment of an amount equal to the expense incurred by the person providing the credit-token in or in connection with the provision of the money, goods or services obtained (including any interest paid in connection therewith); and
 - (c) any money, goods or services obtained by the employee by use of the credit-token shall be disregarded.
- (2) There shall be deductible under section 189, 192 or 194(3) of the Taxes Act (necessary expenses etc.) from the amount taxable under subsection (1) above such amounts if any as would have been so deductible if the cost of the goods or services in question had been incurred by the employee out of his emoluments.
- (3) The expense incurred by the person providing the credit-token as mentioned in paragraphs (a) and (b) of subsection (1) above shall be treated as reduced by any part of that expense made good to that person by the employee.
- (4) In this section " credit-token " does not include a voucher within the meaning of section 36 or a cash voucher within the meaning of section 37 of this Act,

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but subject to that shall be construed in accordance with section 14 of the Consumer Credit Act 1974 with the substitution for the words " an individual " wherever they occur in that section of the words " a person ".

- (5) Subsection (5) of section 36 of this Act shall apply for the purpose of this section (the references to a voucher being for this purpose read as references to a credit-token).
- (6) If a person furnishes to the inspector a statement of the cases and circumstances in which credit-tokens are provided for any employees (whether his own or those of anyone else) and the inspector is satisfied that no additional tax is payable under this section by reference to the credit-tokens mentioned in the statement, the inspector shall notify the person accordingly and nothing in this section shall apply to the provision of those credit-tokens or their use.
- (7) The inspector may, if in his opinion there is reason to do so, by notice in writing served on the person to whom the notification under subsection (6) above was given, revoke the notification, either as from the date of its making or as from such later date as may be specified in the notice under this subsection; and all such income tax becomes chargeable, and all such returns are to be made by that person and by the employees in question, as would have been chargeable or would have had to be made in the first instance if the notification under subsection (6) above had never been given or, as the case may be, it had ceased to have effect on the specified date.”.
- (2) In section 15(7)(a) of the Taxes Management Act 1970 (returns of employees' emoluments) and in section 69(2)(a) of the Finance Act 1976 (amounts included as emoluments for purposes of director's or higher-paid employment) after " 36 " there shall be inserted " , 36A. "
- (3) This section has effect for the year 1982-83 and subsequent years of assessment.

72 **Medical insurance and treatment**

- (1) At the end of section 62 of the Finance Act 1976 (exceptions from general charge) there shall be inserted—
 - “(8) Section 61 above does not apply where the benefit consists—
 - (a) in providing the employee with medical treatment outside the United Kingdom (including providing for him to be an in-patient) in a case where the need for the treatment arises while the employee is outside the United Kingdom for the purpose of performing the duties of his employment; or
 - (b) in providing insurance for the employee against the cost of such (treatment in such a case;
 and for the purpose of this subsection, medical treatment includes all forms of treatment for, and all procedures for diagnosing, any physical or mental ailment, infirmity, or defect.”.
- (2) Section 68 of that Act (medical insurance) shall cease to have effect.
- (3) In section 15(7)(a) of the Taxes Management Act 1970 and in section 61(2) of the said Act of 1976 for the words "to 68 " there shall be substituted the words " to 67 ".

- (4) This section has effect for the year 1982-83 and subsequent years of assessment."

CHAPTER IV

CAPITAL ALLOWANCES

73 Industrial buildings etc.: increase of initial allowances

- (1) In section 1(2) of the Capital Allowances Act 1968 (rate of initial allowances) for "one-half" there shall be substituted "three-quarters" and the same amendment shall be made in paragraph 1 of Schedule 6 to the Finance Act 1978 and paragraph 1 of Schedule 13 to the Finance Act 1980 (which contain references to the rate specified in the said section 1(2)).
- (2) A person other than a company may, in making a claim to an initial allowance at the rate applying by virtue of this section, require the initial allowance to be reduced to a specified amount; and a company may, by notice in writing given to the inspector not later than two years after the end of the chargeable period for which an initial allowance at that rate falls to be made, disclaim the allowance or require it to be reduced to a specified amount.
- (3) This section has effect in relation to expenditure incurred after 10th March 1981 and to expenditure which by virtue of section 5(1) of the said Act of 1968 (purchase of unused buildings or structures) is deemed to have been incurred after that date; but expenditure shall not be treated for the purposes of this section as having been incurred after the date on which it was in fact incurred by reason only of section 1(6) of that Act (expenditure incurred before trade begins).

74 Industrial buildings etc.: sales after cessation of use for qualifying purpose

- (1) Chapter I of Part I of the Capital Allowances Act 1968 (industrial buildings and structures etc.) shall have effect with the following amendments, being amendments with respect to the calculation of writing-down allowances and the making of balancing allowances and charges where a building or structure has ceased to be an industrial building or structure.
- (2) In section 2(3) of that Act (calculation of writing-down allowance where the relevant interest is sold while the building or structure is an industrial building or structure) for the words "while the building or structure is an industrial building or structure" there shall be substituted the words "and the sale is an event to which section 3(1) of this Act applies".
- (3) In section 3(1) of that Act (balancing allowance or charge on occurrence of certain events while the building or structure is an industrial building or structure)—
 - (a) after the words "while the building or structure is an industrial building or structure" there shall be inserted the words "or after it has ceased to be one";
 - (b) at the end of the proviso there shall be inserted the words "and where two or more events occur during a period when the building or structure is not an industrial building or structure no balancing allowance or balancing charge shall be made on the occurrence of any of those events except the first."

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- (4) In section 6 of that Act (manner of making allowances and charges) after subsection (6) there shall be inserted—

“(7) Where a balancing allowance or balancing charge falls to be made in the case of a building or structure which has ceased to be an industrial building or structure and the circumstances are such as are mentioned in paragraph (a) and (b) of subsection (2) of section 12 of this Act, the allowance or charge shall be made as provided in that subsection.”.

- (5) In section 38 of the Finance Act 1978 (application of the said Chapter I to qualifying hotels) and in section 74 of the Finance Act 1980 (application of that Chapter to commercial buildings and qualifying hotels in enterprise zones) references to that Chapter shall be construed as references to that Chapter as amended by this section.
- (6) This section has effect where the sale referred to in section 2(3) of the said Act of 1968 or, as the case may be, the event referred to in paragraph (a), (b), (c) or (d) of section 3(1) of that Act occurs after 17th December 1980 but not where the sale is pursuant to a contract of sale made on or before that date or the event is a sale pursuant to such a contract.

75 Industrial buildings etc.: balancing adjustments in cases of use for non-qualifying purpose

- (1) Chapter I Of Part I of the Capital Allowances Act 1968 (industrial buildings and structures etc.) shall have effect with the following amendments, being amendments with respect to the calculation of balancing allowances and charges where a building or structure has at any time been used otherwise than as an industrial building or structure or for scientific research.

- (2) For section 3(4) and (5) of that Act (calculation of balancing allowance and charge where no writing-down allowance has been made for part of the relevant period) there shall be substituted—

“(4) If for any part of the relevant period the building or structure was neither an industrial building or structure nor used for scientific research, subsections (4A) to (5) below shall have effect instead of subsections (2) and (3) above.

(4A) Subject to subsection (4C) below, where the sale, insurance, salvage or compensation moneys are not less than the capital expenditure, a balancing charge shall be made and the amount on which it is made shall be an amount equal to the allowances given.

(4B) Subject to subsection (4C) below, where there are no sale, insurance, salvage or compensation moneys or where those moneys are less than the capital expenditure, then—

- (a) if the adjusted net cost of the building or structure exceeds the allowances given, a balancing allowance shall be made and the amount thereof shall be an amount equal to the excess;
- (b) if the adjusted net cost of the building or structure is less than the allowances given, a balancing charge shall be made and the amount on which it is made shall be an amount equal to the shortfall.

(4C) No balancing charge or allowance shall be made under subsection (4A) or (4B) above on the occasion of a sale if by virtue of paragraph 4 of Schedule 7

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to this Act the building or structure is treated as having been sold for a sum equal to the residue of the expenditure on its construction immediately before the sale.

(5) In subsections (4) to (4B) above and in this subsection—

" the relevant period " means the period beginning at the time when the building or structure was first used for any purpose and ending with the event giving rise to the balancing allowance or balancing charge except that where there has been a sale of the building or structure after that time and before that event the relevant period shall begin on the day following that sale or, if there has been more than one such sale, the last such sale ;

" the capital expenditure " means—

(a) where paragraph (b) of this definition does not apply, the capital expenditure incurred (or by virtue of section 5 of this Act deemed to have been incurred) on the construction of the building or structure ;

(b) where the person to or on whom the balancing allowance or balancing charge falls to be made is not the person who incurred (or is deemed to have incurred) that expenditure, the residue of that expenditure at the beginning of the relevant period,

together (in either case) with any amount to be added to the residue of that expenditure by virtue of section 4(11) of this Act;

" the allowances given " means the allowances referred to in subsection (6) of this section ;

" the adjusted net cost " means—

(a) where there are no sale, insurance, salvage or compensation moneys, the capital expenditure ;

(b) where those moneys are less than that expenditure, the amount by which they are less, reduced (in either case) in the proportion that the part, or the aggregate of the parts, of the relevant period for which the building or structure was an industrial building or structure or used for scientific research bears to the whole of that period ;

" scientific research " has the same meaning as in Part II of this Act”

(3) After section 4(10) of that Act there shall be inserted—

“(10A) Where, on the occasion of a sale, a balancing charge is made under section 3(4B)(b) of this Act in respect of the expenditure and, apart from this subsection, the residue of the expenditure immediately after the sale would by virtue of subsection (10) above be deemed to be greater than the net proceeds of the sale, the residue immediately after the sale shall be deemed for the purposes of this Chapter to be equal to the net proceeds.”

(4) In section 38 of the Finance Act 1978 (application of the said Chapter I to qualifying hotels) and in section 74 of the Finance Act 1980 (application of that Chapter to commercial buildings and qualifying hotels in enterprise zones) references to that Chapter shall be construed as references to that Chapter as amended by this section.

(5) This section has effect where the event referred to in paragraph (a), (b), (c) or (d) of section 3(1) of the said Act of 1968 occurs after 17th December 1980 but not where that event is a sale pursuant to a contract of sale made on or before that date.

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76 Transfers other than sales and transactions between connected persons

- (1) For the purposes of Chapter I of Part I of the Capital Allowances Act 1968 (industrial buildings and structures etc.) and the other provisions of that Act which are relevant to that Chapter any transfer of the relevant interest in a building or structure otherwise than by way of sale shall be treated as a sale of the interest for a price other than that which it would have fetched if sold on the open market.
- (2) If Schedule 7 to the said Act of 1968 (special provisions as to certain sales) would not apart from this subsection have effect in relation to a transfer treated as a sale by virtue of subsection (1) above, that Schedule shall have effect in relation to it as if it were a sale falling within paragraph 1(1)(a) of that Schedule.
- (3) In section 78(1) of the said Act of 1968 and paragraph 1(1) of Schedule 7 to that Act—
 - (a) in paragraph (a) after the words " both of them " there shall be inserted the words " or the buyer and the seller are connected with each other within the meaning of section 533 of the principal Act ";
 - (b) in paragraph (b) after the words " the obtaining of an allowance or deduction " there shall be inserted the words " , the obtaining of a greater allowance or deduction or the avoidance or reduction of a charge ".
- (4) In section 38 of the Finance Act 1978 (application of the said Chapter I to qualifying hotels) and in section 74 of the Finance Act 1980 (application of that Chapter to commercial buildings and qualifying hotels in enterprise zones) references to that Chapter shall be construed as references to that Chapter as amended by this section.
- (5) This section has effect where the transfer or sale occurs after 10th March 1981 but not when the transfer or sale is pursuant to a contract for the carrying out of the transaction or sale made on or before that date.

77 Carry forward of unused allowances

- (1) Section 70 of the Capital Allowances Act 1968 (income tax allowances in taxing a trade etc.) shall be amended as follows.
- (2) In subsection (4) for the words following " as the case may be " there shall be substituted the words " shall be carried forward and, so far as may be, made as a deduction in charging the profits or gains of the trade in subsequent years of assessment. "
- (3) After that subsection there shall be inserted—

“(4A) Where the allowances in respect of which deductions can be made under this section for any year include allowances carried forward under subsection (4) above from a previous year the allowances shall, subject to paragraph 5 of Schedule 9 to the Finance Act 1981, be deducted in the following order—

 - (a) allowances other than those carried forward under subsection (4) above from an earlier year ;
 - (b) allowances carried forward as aforesaid from years of assessment not earlier than the year for which the basis period ended on or included 14th November 1980;
 - (c) allowances carried forward as aforesaid from years of assessment earlier than those referred to in paragraph (b) above.”

- (4) This section has effect for the year of assessment for which the basis period ended on or included 14th November 1980 and for subsequent years of assessment.

CHAPTER V

CAPITAL GAINS

78 Extension of general relief for gifts

- (1) Section 79 of the Finance Act 1980 (general relief for gifts) shall apply in relation to a disposal to the trustees of a settlement as it applies in relation to a disposal to an individual; but a claim for relief under that section in respect of a disposal to the trustees of a settlement shall be made by the transferor alone (instead of by the transferor and the transferee).
- (2) In subsection (3)(a) of that section for the words " section 19(3)" there shall be substituted the words " any provision ".
- (3) In subsection (4) of that section, after the words " to an individual" there shall be inserted the words " or by an individual to the trustees of a settlement ".
- (4) This section applies to disposals after 5th April 1981.

79 Emigration of donee

- (1) If—
- (a) relief under section 79 of the Finance Act 1980 is given in respect of a disposal made after 5th April 1981 (" the relevant disposal "), and
 - (b) at a time when he has not disposed of the asset in question, the transferee becomes neither resident nor ordinarily resident in the United Kingdom,
- then, subject to the following provisions of this section, a chargeable gain shall be deemed to have accrued to the transferee immediately before that time, and its amount shall be equal to the held-over gain (within the meaning of the said section 79) on the relevant disposal.
- (2) For the purposes of subsection (1) above the transferee shall be taken to have disposed of an asset before the time there referred to only if he has made a disposal or disposals in connection with which the whole of the held-over gain on the relevant disposal was represented by reductions made in accordance with subsection (1)(b) of the said section 79 ; and where he has made a disposal in connection with which part of that gain was so represented, the amount of the chargeable gain deemed by virtue of this section to accrue to him shall be correspondingly reduced.
- (3) The disposals by the transferee that are to be taken into account under subsection (2) above shall not include any disposal to which section 44 of the Capital Gains Tax Act 1979 (disposals between spouses) applies; but where any such disposal is made by the transferee, disposals by his spouse shall be taken into account under subsection (2) above as if they had been made by him.
- (4) Where the relevant disposal was made to an individual, subsection (1) above shall not apply by reason of his becoming neither resident nor ordinarily resident more than six years after the end of the year of assessment in which the relevant disposal was made.

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- (5) Subsection (1) above shall not apply where the relevant disposal was made to an individual and—
- (a) the reason for his becoming neither resident nor ordinarily resident in the United Kingdom is that he works in an employment or office all the duties of which are performed outside the United Kingdom, and
 - (b) he again becomes resident or ordinarily resident in the United Kingdom within the period of three years from the time when he ceases to be so, without having meanwhile disposed of the asset in question;
- and accordingly no assessment shall be made by virtue of subsection (1) above before the end of the said period of three years in any case where the condition in paragraph (a) above is, and the condition of paragraph (b) above may be, satisfied.
- (6) For the purposes of subsection (5) above a person shall be taken to have disposed of an asset if he has made a disposal in connection with which the whole or part of the held-over gain on the relevant disposal would, had he been resident in the United Kingdom, have been represented by a reduction made in accordance with section 79(1)(b) of the Finance Act 1980; and subsection (3) above shall have effect for the purposes of this subsection as it has effect for the purposes of subsection (2) above.
- (7) Where an amount of tax assessed on a transferee by virtue of subsection (1) above is not paid within the period of twelve months beginning with the date when the tax becomes payable then, subject to subsection (8) below, the transferor may be assessed and charged (in the name of the transferee) to all or any part of that tax.
- (8) No assessment shall be made under subsection (7) above more than six years after the end of the year of assessment in which the relevant disposal was made.
- (9) Where the transferor pays an amount of tax in pursuance of subsection (7) above, he shall be entitled to recover a corresponding sum from the transferee.
- (10) Gains on disposals made after a chargeable gain has under this section been deemed to accrue by reference to a held-over gain shall be computed without any reduction under section 79(1) MM of the Finance Act 1980 in respect of that held-over gain.

80 Gains of non-resident settlements

- (1) This section applies to a settlement for any year of assessment (beginning on or after 6th April 1981) during which the trustees are at no time resident or ordinarily resident in the United Kingdom if the settlor or one of the settlors is at any time during that year, or was when he made his settlement, domiciled and either resident or ordinarily resident in the United Kingdom.
- (2) There shall be computed in respect of every year of assessment for which this section applies the amount on which the trustees would have been chargeable to tax under section 4(1) of the Capital Gains Tax Act 1979 if they had been resident or ordinarily resident in the United Kingdom in the year; and that amount, together with the corresponding amount in respect of any earlier such year so far as not already treated under subsection (3) or section 81(2) below as chargeable gains accruing to beneficiaries under the settlement, is in this section and sections 81 and 82 below referred to as the trust gains for the year.
- (3) Subject to the following provisions of this section, the trust gains for a year of assessment shall be treated as chargeable gains accruing in that year to beneficiaries

of the settlement who receive capital payments from the trustees in that year or have received such payments in any earlier year.

- (4) The attribution of chargeable gains to beneficiaries under subsection (3) above shall be made in proportion to, but shall not exceed, the amounts of the capital payments received by them.
- (5) A capital payment shall be left out of account for the purposes of subsections (3) and (4) above to the extent that chargeable gains have by reason of the payment been treated as accruing to the recipient in an earlier year.
- (6) A beneficiary shall not be charged to tax on chargeable gains treated by virtue of subsection (3) above as accruing to him in any year unless he is domiciled in the United Kingdom at some time in that year.
- (7) For the purposes of this section a settlement arising under a will or intestacy shall be treated as made by the testator or intestate at the time of his death.
- (8) Section 17 of the Capital Gains Tax Act 1979 shall not apply as respects chargeable gains accruing to the trustees of a settlement after 5th April 1981; and the references in subsections (3) and (4) above to capital payments received by beneficiaries do not include references to any payment received before 10th March 1981, or any payment received on or after that date so far as it represents a chargeable gain which accrued to the trustees before 6th April 1981.

81 Migrant settlements

- (1) Where a period of one or more years of assessment for which section 80 above applies to a settlement (in this section referred to as a "non-resident period") succeeds a period of one or more years of assessment in each of which the trustees were at some time resident or ordinarily resident in the United Kingdom (in this section referred to as a "resident period"), a capital payment received by a beneficiary in the resident period shall be disregarded for the purposes of section 80 if it was not made in anticipation of a disposal made by the trustees in the non-resident period.
- (2) Where—
 - (a) a non-resident period is succeeded by a resident period, and
 - (b) the trust gains for the last year of the non-resident period are not (or not wholly) treated as chargeable gains accruing in that year to beneficiaries,then, subject to subsection (3) below, those trust gains (or the outstanding part of them) shall be treated as chargeable gains accruing in the first year of the resident period to beneficiaries of the settlement who receive capital payments from the trustees in that year; and so on for the second and subsequent years until the amount treated as accruing to beneficiaries is equal to the amount of the trust gains for the last year of the nonresident period.
- (3) Subsections (4) and (6) of section 80 above shall apply in relation to subsection (2) above as they apply in relation to subsection (3) of that section.

82 Transfers between settlements

- (1) If in a year of assessment for which section 80 or 81(2) above applies to a settlement ("the transferor settlement") the trustees transfer all or part of the settled property

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to the trustees of another settlement (" the transferee settlement") then, subject to the following provisions—

- (a) if section 80 applies to the transferee settlement for the year, its trust gains for the year shall be treated as increased by an amount equal to the outstanding trust gains for the year of the transferor settlement or, where part only of the settled property is transferred, to a proportionate part of those trust gains;
 - (b) if section 81(2) applies to the transferee settlement for the year (otherwise than by virtue of paragraph (c) below), the trust gains referred to in section 81(2) shall be treated as increased by the amount mentioned in paragraph (a) above;
 - (c) if (apart from this paragraph) neither section 80 nor section 81(2) above applies to the transferee settlement for the year, section 81(2) shall apply to it as if the year were the first year of a resident period succeeding a non-resident period and the trust gains referred to in section 81(2) were equal to the amount mentioned in paragraph (a) above.
- (2) Subject to subsection (3) below, the reference in subsection (1)(a) above to the outstanding trust gains for the year of the transferor settlement is a reference to the amount of its trust gains for the year so far as they are not treated under section 80(3) above as chargeable gains accruing to beneficiaries in that year.
- (3) Where section 81(2) above applies to the transferor settlement for the year, the reference in subsection (1)(a) above to the outstanding trust gains of the settlement is a reference to the trust gains referred to in section 81(2) so far as not treated as chargeable gains accruing to beneficiaries in that or an earlier year.
- (4) This section shall not apply to a transfer so far as it is made for consideration in money or money's worth.

83 Provisions supplementary to sections 80 to 82

- (1) In sections 80 to 82 above " capital payment" means any payment which is not chargeable to income tax on the beneficiary or, in the case of a beneficiary who is neither resident nor ordinarily resident in the United Kingdom, any payment received otherwise than as income.
- (2) In subsection (1) above references to a payment include references to the transfer of an asset and the conferring of any other benefit, and to any occasion on which settled property becomes property to which section 46 of the Capital Gains Tax Act 1979 applies.
- (3) The fact that the whole or part of a benefit is by virtue of section 45 (2) (b) above treated as the recipient's income for a year of assessment after that in which it is received—
- (a) shall not prevent the benefit or that part of it being treated for the purposes of sections 80 to 82 above as a capital payment in relation to any year of assessment earlier than that in which it is treated as his income; but
 - (b) shall preclude its being treated for those purposes as a capital payment in relation to that or any later year of assessment.
- (4) For the purposes of sections 80 to 82 above the amount of a capital payment made by way of loan, and of any other capital payment which is not an outright payment of money, shall be taken to be equal to the value of the benefit conferred by it.
- (5) For the purposes of sections 80 to 82 above a capital payment shall be regarded as received by a beneficiary from the trustees of a settlement if—

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- (a) he receives it from them directly or indirectly, or
 - (b) it is directly or indirectly applied by them in payment of any debt of his or is otherwise paid or applied for his benefit, or
 - (c) it is received by a third person at the beneficiary's direction.
- (6) Section 29(3) of the Capital Gains Tax Act 1979 (losses accruing to non-residents not to be allowable losses) shall not prevent losses accruing to trustees in a year of assessment for which section 80 above or section 17 of that Act applied to the settlement from being allowed as a deduction from chargeable gains accruing in any later year beginning after 5th April 1981 (so far as they have not previously been set against gains for the purposes of a computation under either of those sections or otherwise).

84 Power to obtain information for purposes of sections 80 to 82

- (1) The Board may by notice in writing require any person to furnish them within such time as they may direct, not being less than twenty-eight days, with such particulars as they think necessary for the purposes of sections 80 to 82 above.
- (2) Subsections (2) to (4) of section 481 of the Taxes Act shall have effect in relation to subsection (1) above as they have effect in relation to section 481(1), but in their application by virtue of this subsection—
- (a) references to Chapter III of Part XVII of the Taxes Act shall be construed as references to sections 80 to 82 above; and
 - (b) the expressions "settlement" and "settlor" have the same meanings as in those sections.

85 Non-resident trustees and non-resident companies

- (1) The persons treated by section 15 of the Capital Gains Tax Act 1979 as if a part of a chargeable gain accruing to a company had accrued to them shall include trustees owning shares in the company if when the gain accrues to the company the trustees are neither resident nor ordinarily resident in the United Kingdom.
- (2) This section applies to gains accruing to a company on or after 10th March 1981.

86 Transfers into settlement

- (1) In section 53 of the Capital Gains Tax Act 1979 (which provides that a gift in settlement is a disposal of the entire property settled notwithstanding that the donor is a beneficiary or trustee) for the words "gift in" and "donor" there shall be substituted the words "transfer into" and "transferor" respectively.
- (2) This section shall be deemed to have come into force on 10th March 1981.

87 Appointments to persons under disability

- (1) In section 54 of the Capital Gains Tax Act 1979 (deemed disposal for market value when a person becomes absolutely entitled to settled property) after subsection (2) there shall be added—
- “(3) References in this section to the case where a person becomes absolutely entitled to settled property as against the trustee shall be taken to include

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references to the case where a person would become so entitled but for being an infant or other person under disability.”

- (2) In section 56(1) of that Act (death of life tenant) after the word " becomes" there shall be inserted the words " (or would but for a disability become) ".
- (3) This section applies where the occasion concerned occurs on or after 10th March 1981.

88 Disposal of interests in non-resident settlements

- (1) Subsection (1) of section 58 of the Capital Gains Tax Act 1979 shall not apply to the disposal of an interest in settled property, other than one treated under subsection (2) of that section as made in consideration of obtaining the settled property, if at the time of the disposal the trustees are neither resident nor ordinarily resident in the United Kingdom.
- (2) If—
 - (a) a gain accrues to a person (" the transferor ") on the disposal by him of an interest in settled property but, by reason of section 58(1) of the Capital Gains Tax Act 1979, it is not a chargeable gain, and
 - (b) at any time after the disposal the trustees of the settlement become neither resident nor ordinarily resident in the United Kingdom,
 then, subject to subsection (3) below, a chargeable gain shall be deemed to have accrued to the trustees immediately before that time, and its amount shall be equal to that of the gain which accrued to the transferor.
- (3) Subsection (2) above shall not apply if, before the end of the year in which they become neither resident nor ordinarily resident, the trustees have disposed of all the assets which, when the transferor disposed of his interest, constituted the settled property in which the interest subsisted; and where under that subsection a chargeable gain is deemed to accrue to the trustees at any time its amount shall not exceed the market value at that time of such of those assets as have not been disposed of by the trustees before the end of that year.
- (4) For the purposes of subsection (3) above the trustees shall be regarded as not having disposed of an asset if and to the extent that they retain part of it, an interest in or right over it, or property derived from it.
- (5) Where an amount of tax assessed on trustees by virtue of this section is not paid within the period of twelve months beginning with the date when the tax becomes payable, the transferor may be assessed and charged (in the name of the trustees) to all or any part of that tax ; but no assessment may be made under this subsection after the end of the period of six years beginning with the date when the transferor disposed of his interest.
- (6) Where the transferor pays an amount of tax in pursuance of subsection (5) above, he shall be entitled to recover a corresponding sum from the trustees.
- (7) This section applies to disposals on or after 10th March 1981.

89 Trusts for the disabled

- (1) Paragraph 5 of Schedule 1 to the Capital Gains Tax Act 1979 (which extends to certain trusts for the disabled the £3,000 exemption given to individuals by section 5) shall be amended as follows.

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- (2) In sub-paragraph (1) for the words from "any of the property" to "that person" there shall be substituted the words—
- “(a) not less than half of the property which is applied is applied for the benefit of that person, and
 - (b) that person is entitled to not less than half of the income arising from the property, or no such income may be applied for the benefit of any other person.”
- (3) After sub-paragraph (1) there shall be inserted—
- “(1A) The trusts on which settled property is held shall not be treated as falling outside sub-paragraph (1) above by reason only of the powers conferred on the trustees by section 32 of the Trustee Act 1925 or section 33 of the Trustee Act (Northern Ireland) 1958 (powers of advancement) ; and the reference in that sub-paragraph to the lifetime of a person shall, where the income from the settled property is held for his benefit on trusts of the kind described in section 33 of the Trustee Act 1925 (protective trusts), be construed as a reference to the period during which the income is held on trust for him.
 - (1B) In relation to a settlement which is one of two or more qualifying settlements comprised in a group, this paragraph shall have effect as if for the references in section 5 of this Act to £3,000 there were substituted references to £300 or, if it is more, to such amount as results from dividing £3,000 by the number of settlements in the group.
 - (1C) For the purposes of sub-paragraph (1B) above—
 - (a) a qualifying settlement is any settlement (other than an excluded settlement) which is made on or after 10th March 1981 and to the trustees of which this paragraph applies for the year of assessment; and
 - (b) all qualifying settlements in relation to which the same person is the settlor constitute a group.
 - (1D) If, in consequence of two or more persons being settlors in relation to it, a settlement is comprised in two or more groups comprising different numbers of settlements, sub-paragraph (1B) above shall apply to it as if the number by which the amount of £3,000 is to be divided were the number of settlements in the largest group.”
- (4) At the end of sub-paragraph (2) there shall be added the words " ; and " settlor " and " excluded settlement" have the same meanings as in paragraph 6 below " .
- (5) After sub-paragraph (2) there shall be added—
- “(3) An inspector may by notice in writing require any person, being a party to a settlement, to furnish him within such time as he may direct (not being less than twenty-eight days) with such particulars as he thinks necessary for the purposes of this paragraph.”
- (6) This section has effect for the year 1981-82 and subsequent years of assessment.

90 Market value

(1) After section 29 of the Capital Gains Tax Act 1979 there shall be inserted—

“29A Disposals and acquisitions treated as made at market value.

- (1) Subject to the provisions of this Act, a person's acquisition or disposal of an asset shall for the purposes of this Act be deemed to be for a consideration equal to the market value of the asset—
- (a) where he acquires or, as the case may be, disposes of the asset otherwise than by way of a bargain made at arm's length, and in particular where he acquires or disposes of it by way of gift or on a transfer into settlement by a settlor or by way of distribution from a company in respect of shares in the company, or
 - (b) where he acquires or, as the case may be, disposes of the asset wholly or partly for a consideration that cannot be valued, or in connection with his own or another's loss of office or employment or diminution of emoluments, or otherwise in consideration for or recognition of his or another's services or past services in any office or employment or of any other service rendered or to be rendered by him or another.
- (2) Except in the case specified in subsection (4) below, subsection (1) above shall not apply to the acquisition of an asset if—
- (a) there is no corresponding disposal of it, or the corresponding disposal is made by an excluded person, and
 - (b) there is no consideration in money or money's worth or the consideration is of an amount or value lower than the market value of the asset.
- (3) Where in the case of an acquisition within subsection (2) above there is a corresponding disposal by an excluded person, subsection (1) above shall not apply to that disposal.
- (4) The exception referred to in subsection (2) above is the acquisition by an individual of tangible movable property or currency in circumstances where there is a corresponding disposal by an individual who is neither resident nor ordinarily resident in the United Kingdom; and for this purpose " tangible movable property " does not include commodities of a kind dealt with on a terminal market, or a mere right in or over any property.
- (5) In this section " excluded person " means—
- (a) a person who is neither resident nor ordinarily resident in the United Kingdom; or
 - (b) a person who is wholly exempt from tax in respect of chargeable gains, or would be so exempt on making a claim for exemption ; or
 - (c) a charity ; or
 - (d) a registered friendly society ; or
 - (e) a person making the disposal for the purposes of—
 - (i) a fund to which section 218 or 226(6) of the Taxes Act or section 36 of the Finance Act 1980 applies, or
 - (ii) an exempt approved scheme or statutory scheme as defined in Chapter II of Part II of the Finance Act 1970.”

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(2) In section 32 of the Capital Gains Tax Act 1979 (allowance of expenditure in computation of gains) after subsection (4) there shall be added—

“(5) Where—

- (a) a person acquires an asset for no consideration in money or money's worth or for a consideration of an amount or value lower than the market value of the asset, and is not treated under any provision of this Act as acquiring it for a consideration other than the actual consideration, and
- (b) there is a corresponding disposal of the asset by a person who is neither resident nor ordinarily resident in the United Kingdom, and
- (c) a charge to income tax, corporation tax or capital gains tax arises in respect of the acquisition,

the sums allowable under this section as a deduction in the computation made on the first-mentioned person's disposal of the asset shall include a sum equal to the amount in respect of which the charge arises.

(6) The condition in paragraph (c) of subsection (5) above shall be taken to be satisfied where under section 80(3) of the Finance Act 1981 chargeable gains are treated as accruing to a person in any year by reason of his acquisition of an asset in that or an earlier year; and the reference in subsection (5) above to the amount in respect of which the charge arises shall be taken to be a reference to the amount of the gains treated as accruing to him.”.

(3) Subsection (3) of section 19 of the Capital Gains Tax Act 1979 (which is superseded by this section) shall cease to have effect; and—

- (a) for the references to that subsection (or to a paragraph of it) in sections 49(5), 62(2), 90(3), 126(6), 146(2) and 149(2) of that Act and in section 47(1)(b)(ii) of the Finance Act 1980 there shall be substituted references to section 29A(1) of the said Act of 1979 ; and
- (b) in section 62(5) of that Act for the words " the amount of the consideration for the acquisition being" there shall be substituted the words " where the amount of the consideration for the acquisition is " .

(4) This section has effect in relation to acquisitions and disposals on or after 10th March 1981.

91 Consideration on reorganisation of share capital etc.

(1) In section 79 of the Capital Gains Tax Act 1979 at the end of subsection (1) there shall be added—

“Provided also that, in the case of a reorganisation on or after 10th March 1981, any consideration given for the new holding or any part of it otherwise than by way of a bargain made at arm's length shall be disregarded to the extent that its amount or value exceeds the relevant increase in value; and for this purpose "the relevant increase in value " means the amount by which the market value of the new holding immediately after the reorganisation exceeds the market value of the original shares immediately before the reorganisation.”.

(2) In consequence of subsection (1) above—

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- (a) in section 89(2) of the Capital Gains Tax Act 1979, for the word " proviso " there shall be substituted the word " provisos "; and
- (b) in section 37(12) of the Finance Act 1980, in the definition of " new consideration ", for the words " the proviso " there shall be substituted the words " the first proviso ".

PART V

CAPITAL TRANSFER TAX

92 Reduction of lifetime rates

- (1) For the second Table in section 37(3) of the Finance Act 1975 there shall be substituted the Table in Schedule 13 to this Act.
- (2) Subsection (1) above applies to chargeable transfers made on or after 10th March 1981.
- (3) Where the rate of tax applicable to a capital distribution made on or after 10th March 1981 falls to be determined under sub-paragraph (2) of paragraph 7 of Schedule 5 to the Finance Act 1975 by reference to a relevant transfer made before that date, the amount of tax referred to in paragraph (a) of that sub-paragraph shall be calculated as if the new Table had applied to that transfer.
- (4) Where tax is chargeable under section 78 of the Finance Act 1976 (works of art etc.) by reason of a chargeable event occurring on or after 10th March 1981 and the rate or rates at which it is charged fall to be determined under the provisions of section 79(1)(b)(ii) or 81(4)(b) of that Act by reference to a death which occurred, or a settlement which ceased to exist, before that date, those provisions shall have effect as if the new Table had been in force at the time of the death or when the settlement ceased to exist.
- (5) Where tax is chargeable under section 89 of the Finance Act 1980 (maintenance funds) on any occasion on or after 10th March 1981 and the rate or rates at which it is charged fall to be determined under the provisions of Schedule 16 to that Act by reference to a death which occurred, or a settlement which ceased to exist, before that date, those provisions shall apply as if the new Table had been in force at the time of the death or when the settlement ceased to exist.
- (6) Any question whether any, and if so what, tax is repayable or ceases to be payable by virtue of subsection (1)(a) of section 87 of the Finance Act 1976 (mutual transfers) in a case where—
 - (a) the donor's transfer was before 10th March 1981, and
 - (b) the donee's transfer is on or after that date,
 shall be determined as if the new Table had been in force at the time of the donor's transfer; but this subsection shall not be construed as affecting the amount of tax which, under subsection (3) of that section, falls to be taken into account in calculating the cancelled value.
- (7) In subsection (2) above the reference to a chargeable transfer made on or after 10th March 1981 does not include a reference to a chargeable transfer which by virtue of section 114(2) of the Finance Act 1976 as originally enacted (transfers reported la(e)) is treated as made on or after that date but was in fact made before it.

93 Ten-year cumulation period

- (1) In section 37(1)(b) of the Finance Act 1975 (rate of tax on second or subsequent transfer of value to be calculated by reference to the values previously transferred by chargeable transfers made by the same transferor) for the words " previously transferred by chargeable transfers made by that transferor " there shall be substituted the words " transferred by chargeable transfers made by that transferor in the period of ten years ending with the date of the transfer ".
- (2) In subsection (1)(b) of section 86 of the Finance Act 1976 (mutual transfers: exemption for donee's gift) for the word " subsequently " there shall be substituted the words " , within the period of ten years beginning with the date of the donor's transfer, ".
- (3) In subsection (1)(b) of section 87 of the Finance Act 1976 (mutual transfers: relief for donor's gift) after the words " any chargeable transfer made by the donor after the claim" there shall be inserted the words " and within the period of ten years beginning with the date of the donor's transfer ".
- (4) For subsections (2) and (3) of section 114 of the Finance Act 1976 (transfers reported la(e) there shall be substituted—

“(2) Where the earlier transfer is made in the period of ten years ending with the date of the later transfer there shall be charged on the value transferred by the earlier transfer, in addition to any tax chargeable on it apart from this section, an amount of tax equal to the difference, if any, between—

- (a) the tax which, having regard to the earlier transfer, was properly chargeable on the value transferred by the later transfer; and
- (b) the payment accepted by the Board in full satisfaction of the tax chargeable on that value;

and any such difference shall not be chargeable on the value transferred by the later transfer.

(3) Where in the period mentioned in subsection (2) above there have been two or more earlier transfers the reference in paragraph (a) of that subsection to the earlier transfer shall be construed as a reference to both or all of those transfers, but the amount of tax chargeable under that subsection in respect of each of them shall, subject to subsection (3A) below, be reduced in the proportion which the value transferred by it bears to the aggregate of the values transferred by it and the other or others.

(3A) Where the earlier transfers mentioned in subsection (3) above include a settled transfer, that is to say, a transfer in the case of which an amount in full satisfaction of the tax chargeable in respect of it under subsection (2) above has been paid to and accepted by the Board before the discovery of one or more of the other earlier transfers—

- (a) no further tax shall be chargeable under subsection (2) above in respect of the settled transfer in consequence of regard being had under paragraph (a) of that subsection to the subsequently discovered transfer or transfers;
- (b) the amount so paid and accepted shall reduce the amount chargeable under subsection (2) above in respect of the subsequently discovered transfer or transfers; and
- (c) if there are two or more subsequently discovered transfers, the value transferred by the settled transfer shall be disregarded in calculating

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under subsection (3) above the reduction in the amount of tax chargeable in respect of each of them.

(3B) Where the later transfer referred to in subsection (2) above is itself an earlier transfer in relation to another later transfer the references in paragraphs (a) and (b) of that subsection to tax chargeable on the value transferred by it are references to tax so chargeable apart from this section.”.

(5) At the end of subsection (6) of the said section 114 there shall be inserted the words " and subsection (2)(b) above shall apply in relation to any such transfer as if the amount of the payment were nil ".

94 Exemptions

(1) In paragraph 2 of Schedule 6 to the Finance Act 1975 (annual exemption for transfers not exceeding £2,000) for " £2,000" wherever it occurs there shall be substituted " £3,000 ".

(2) In paragraph 4(1) of that Schedule (exemption for small gifts) for the words " to the extent that" there shall be substituted the word " if ".

(3) Subject to subsection (5) below, and notwithstanding the provisions of paragraph 8 of that Schedule, references to transfers of value in paragraphs 2 and 6 (exemption for gifts in consideration of marriage) of that Schedule shall be construed as including references to events on the happening of which tax is chargeable under paragraph 4 of Schedule 5 to the Finance Act 1975 (termination of interest in possession in settled property) ; and references to the transferor and (in paragraph 6(3)) to a disposition shall be construed accordingly.

(4) For the purpose of its application, by virtue of subsection (3) above, to the termination of interests in possession in settled property, the said paragraph 6 shall have effect as if—

- (a) references to transfers of value made by gifts in consideration of marriage were references to the termination of such interests in consideration of marriage;
- (b) references to outright gifts were references to cases where the property ceases on the termination to be settled property; and
- (c) references to cases where the property is settled by the gift were references to cases where it remains settled property after the termination.

(5) Subsection (3) above shall not apply to a transfer of value—

- (a) unless the transferor has in accordance with subsection (6) below given to the trustees of the settlement a notice informing them of the availability of an exemption, and
- (b) except to the extent specified in that notice.

(6) A notice under subsection (5) above shall be in such form as may be prescribed by the Board and shall be given before the end of the period of six months beginning with the date of the transfer of value.

(7) This section applies to any transfer of value made on or after 6th April 1981 ; but subsection (1) above does not affect the amount which under paragraph 2(2) of the said Schedule 6 may be carried forward to the year beginning on that date.

95 Interest-free instalments of tax

- (1) Paragraph 16(5) of Schedule 4 to the Finance Act 1975 (which imposes a limit of £250,000 on the value by reference to which tax may be paid by interest-free instalments) shall cease to have effect.
- (2) This section has effect in relation to chargeable transfers made on or after 10th March 1981.

96 Relief for agricultural property

- (1) Schedule 14 to this Act shall have effect for reducing, in the cases there mentioned—
 - (a) the value transferred by a transfer of value ; and
 - (b) the amount of a distribution payment or capital distribution.
- (2) In sub-paragraph (1)(a) of paragraph 16 of Schedule 4 to the Finance Act 1975 (property in respect of which tax may be paid by interest-free instalments) after the words " to the value of any shares, securities, business or interest in a business " there shall be inserted the words " or to value 'treated as reduced under Schedule 14 to the Finance Act 1981 " ; and in sub-paragraph (2) of that paragraph after the word " below " there shall be inserted the words " (not being tax attributable to value treated as reduced under the said Schedule 14) " .
- (3) Part I of Schedule 8 to the Finance Act 1975 (which is superseded by Schedule 14 to this Act) shall cease to have effect; and—
 - (a) in paragraph 1 of Schedule 9 to that Act (relief for woodlands) for the words " Schedule 8 to this Act " there shall be substituted the words " Schedule 14 to the Finance Act 1981 " ;
 - (b) in section 86(6) of the Finance Act 1976 (mutual transfers) for the words " and that Schedule " there shall be substituted the words " or Schedule 14 to the Finance Act 1981 and those Schedules " ;
 - (c) in section 87(5A) of the Finance Act 1976 after the words " Finance Act 1975 " there shall be inserted the words " or Schedule 14 to the Finance Act 1981 " ;
 - (d) in paragraph 10 of Schedule 10 to the Finance Act 1976 (business relief) for the words " Schedule 8 to the Finance Act 1975 " and " paragraph 1(2A) thereof " there shall be substituted respectively the words " Schedule 14 to the Finance Act 1981 " and " paragraph 8(3) thereof " ; and
 - (e) in paragraphs 1 and 3 of Schedule 4 to the Capital Gains Tax Act 1979 (relief for business assets) for the words " Schedule 8 to the Finance Act 1975 " wherever they occur there shall be substituted the words " Schedule 14 to the Finance Act 1981 " and after the word " reduction " there shall be inserted the words " at the rate of 50 per cent. " .
- (4) This section has effect in relation to transfers of value, distribution payments and capital distributions made on or after 10th March 1981, and subsection (3)(e) has effect in relation to disposals on or after that date.

97 Grant of tenancies of agricultural property

- (1) The grant of a tenancy of agricultural property in the United Kingdom, the Channel Islands or the Isle of Man for use for agricultural purposes shall not be a transfer of value by the grantor if he makes it for full consideration in money or money's worth.

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- (2) In subsection (1) above " agricultural property " has the same meaning as in Schedule 14 to this Act.
- (3) This section applies to grants before as well as after the passing of this Act.

98 Scottish agricultural leases: fixed terms

Where any part of the value of a person's estate immediately before his death is attributable to the interest of a tenant in an unexpired portion of a lease for a fixed term of agricultural property in Scotland and either he had been tenant of the said property continuously for a period of at least two years immediately preceding his death or he had become tenant of the said property by succession there shall be left out of account in determining the value transferred on the death any value associated with any prospect of renewal of the lease by tacit relocation.

99 Scottish agricultural leases: tacit relocation

- (1) Schedule 15 to this Act shall have effect for giving relief where the value transferred by a chargeable transfer made on death is determined by reference to the value of an agricultural tenancy in Scotland and the conditions mentioned in that Schedule are satisfied.
- (2) The Finance Act 1975 shall be amended as follows—
- (a) in section 26, after subsection (2), there shall be added the following subsection—

“(2A) No person other than the person referred to in sub-paragraph (2) of paragraph 3 of Schedule 15 to the Finance Act 1981 shall be liable for any tax which is chargeable under that paragraph.”;
 - (b) in Schedule 4, in paragraph 2(7), after " to this Act" there shall be inserted " or paragraph 3 of Schedule 15 to the Finance Act 1981 ; "
 - (c) in Schedule 4, in paragraph 12(4), after " to this Act" there shall be inserted " or paragraph 3 of Schedule 15 to the Finance Act 1981 ";
 - (d) in Schedule 4, in paragraph 19(1)(c), after " to this Act" there shall be inserted " or paragraph 3 of Schedule 15 to the Finance Act 1981 ".
- (3) Schedule 15 to the Finance Act 1980 shall be amended by inserting after paragraph 4 the following new paragraph—
- “(4A) Where the value of an interest in an agricultural tenancy has been left out of account under Schedule 15 to the Finance Act 1981 in determining the value transferred by the chargeable transfer made on a death before a reduction and tax is chargeable under paragraph 3 of that Schedule on a disposal of the said interest after that reduction (or after that and one or more subsequent reductions) the rate or rates mentioned in paragraph 4 of that Schedule shall be determined as if the first of the Tables in section 37(3) of the Finance Act 1975 as substituted by that reduction (or by the most recent of those reductions) had applied to that transfer.”.

100 Business property used by beneficiary under settlement

- (1) Schedule 10 to the Finance Act 1976 (relief for business property) shall have effect with the following amendments in relation to transfers of value, distribution payments and capital distributions made on or after 10th March 1981.
- (2) In paragraph 2(1A)(c) (cases attracting relief at 30 per cent.) after the words " paragraph 3(1)(c) " there shall be inserted " or (d) ".
- (3) In paragraph 3(1) (which describes the property eligible for relief) after paragraph (c) there shall be added "and
 - (d) any land or building, machinery or plant which, immediately before the transfer, was used wholly or mainly for the purposes of a business carried on by the transferor and was settled property in which he was then beneficially entitled to an interest in possession".
- (4) In paragraph 3(6)—
 - (a) after the words " sub-paragraph (1)(c)" there shall be inserted " or (d) "; and
 - (b) for the words from " transferor's interest" to " may be " there shall be substituted the words " business or the transferor's interest in it is, or ".

101 Relief for successive charges

- (1) Where the value of a person's estate was increased by a chargeable transfer ("the first transfer") made not more than five years before—
 - (a) his death, or
 - (b) a chargeable transfer which is made by him otherwise than on his death and as to which the conditions specified in subsection (2) below are satisfied,the tax chargeable on the value transferred by the transfer made on his death or, as the case may be, referred to in paragraph (b) above (" the later transfer ") shall be reduced by an amount calculated in accordance with subsection (3) below.
- (2) The conditions referred to in subsection (1)(b) above are—
 - (a) that the value transferred by the later transfer falls to be determined by reference to the value of settled property in which there subsists an interest in possession to which the transferor is entitled ;
 - (b) that the value transferred by the first transfer also fell to be determined by reference to the value of that property; and
 - (c) that the first transfer either was or included the making of the settlement or was made after the making of the settlement.
- (3) The amount referred to in subsection (1) above is a percentage of the tax charged on so much of the value transferred by the first transfer as is attributable to the increase mentioned in that subsection ; and the percentage is—
 - (a) 100 per cent, if the period beginning with the date of the first transfer and ending with the date of the later does not exceed one year ;
 - (b) 80 per cent, if it exceeds one year but does not exceed two years ;
 - (c) 60 per cent, if it exceeds two years but does not exceed three years;
 - (d) 40 per cent, if it exceeds three years but does not exceed four years; and
 - (e) 20 per cent, if it exceeds four years.
- (4) Where in relation to the first transfer there is more than one later transfer, the reduction provided for by this section shall be given only in respect of the earliest of them,

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unless the reduction represents less than the whole of the tax charged as mentioned in subsection (3) above; and in that case a reduction may be made in respect of subsequent transfers (in chronological order) until reductions representing the whole of that tax have been made.

- (5) For the purposes of subsection (4) above, a reduction made in accordance with paragraph (a) of subsection (3) above represents an equivalent amount of tax, a reduction made in accordance with paragraph (b) represents the amount of tax of which it is 80 per cent., and so on.
- (6) In determining for the purposes of this section whether or to what extent the value of the transferor's estate was increased by a chargeable transfer, there shall be disregarded any excluded property consisting of a reversionary interest to which he became entitled on the occasion of or before the chargeable transfer.
- (7) Where—
- (a) the value of the transferor's estate was increased in consequence of—
 - (i) a gift inter vivos, or
 - (ii) a disposition or determination of a beneficial interest in possession in property comprised in a settlement, and
 - (b) tax under section 22(5) of the Finance Act 1975 was by reason of the gift or interest payable on a subsequent death,
- this section shall apply as if the increase had been by the chargeable transfer made on the occasion of the death.
- (8) In the Finance Act 1975, section 30 and paragraph 5 of Schedule 5 (which are superseded by this section) shall cease to have effect.
- (9) This section has effect where the later transfer is made on or after 10th March 1981.

102 Settled property: extension of transitional relief

- (1) For the references to 1st April 1982 (substituted by section 23 of the Finance (No. 2) Act 1979) in
- (a) paragraph 12(6) of Schedule 5 to the Finance Act 1975 (earliest date for ten-year periodic charge on settlements without interests in possession), and
 - (b) paragraph 14(2) of that Schedule (earliest date at which capital distribution bears tax at full rate),
- there shall be substituted references to 1st April 1983.
- (2) Where—
- (a) under paragraph 12(6) of the said Schedule 5 the first relevant anniversary in relation to a settlement would apart from this subsection fall during the year ending with 31st March 1984, and
 - (b) during that year there is a payment or transfer of assets out of the property comprised in the settlement which could not have been made except as the result of some proceedings before a court,
- the first relevant anniversary shall be taken to be 1st April 1984 (but without affecting the dates of later relevant anniversaries or the dates on which capital distributions are treated as made under paragraph 12(2) of that Schedule).
- (3) Where a capital distribution made during the year ending with 31st March 1984 out of the property comprised in a settlement could not have been made except as the result

of some proceedings before, a court, paragraph 14 of the said Schedule 5 shall have effect in relation to it as if it had been made on 31st March 1983.

- (4) Subsection (1)(a) above does not affect tax chargeable by virtue of sub-paragraph (2) of paragraph 12 of the said Schedule 5 (annual charge where trustees are non-resident) in respect of any year ending before 1st January 1981 ; but where in the case of any settlement tax has been charged by virtue of that sub-paragraph in respect of one or more years in a period that would have ended with a relevant anniversary but for that subsection, tax shall not be chargeable by virtue of that sub-paragraph in respect of the first year or years (up to a corresponding number) in respect of which tax would be so chargeable in the period ending with the date that becomes the first relevant anniversary by virtue of that subsection.

103 Trusts for the disabled

In relation to property transferred into settlement on or after 10th March 1981, Schedule 5 to the Finance Act 1975 shall have effect with the substitution for paragraph 19 of the following paragraph—

- “19 (1) This paragraph applies to settled property held on trusts under which, during the life of a disabled person, no interest in possession in the settled property subsists and which secure that not less than half of the settled property which is applied during his life is applied for his benefit.
- (2) For the purposes of capital transfer tax the person mentioned in sub-paragraph (1) above shall be treated as beneficially entitled to an interest in possession in the settled property.
- (3) The trusts on which settled property is held shall not be treated as falling outside sub-paragraph (1) above by reason only of the powers conferred on the trustees by section 32 of the Trustee Act 1925 or section 33 of the Trustee Act (Northern Ireland) 1958 (powers of advancement).
- (4) The reference in sub-paragraph (1) above to a disabled person is, in relation to any settled property, a reference to a person who when the property was transferred into settlement was—
- (c) incapable, by reason of mental disorder within the meaning of the Mental Health Act 1959, of administering his property or managing his affairs ; or
- (b) in receipt of an attendance allowance under section 35 of the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975.”

104 Reversionary interests

- (1) Subsections (2) and (3) of section 22 of the Finance Act 1975 (relief from charge on death for settled property to which the settlor or his spouse becomes entitled) and sub-paragraphs (5) and (6) of paragraph 4 of Schedule 5 to that Act (corresponding relief on termination of interests in possession) shall not apply in any case where their application depends upon a reversionary interest having been transferred into a settlement on or after 10th March 1981.
- (2) In Schedule 6 to the Finance Act 1975 (exempt transfers) in paragraph 15 (exceptions) after sub-paragraph (2) there shall be inserted—

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“(2A) Paragraphs 1 and 10 to 13 above do not apply in relation to property which is given in consideration of the transfer of a reversionary interest if, by virtue of section 23(3) above, that interest does not form part of the estate of the person acquiring it.”
 and in section 84(8) of the Finance Act 1976 after "(2)" there shall be inserted "(2A)".

This subsection has effect in relation to transfers of value made on or after 10th March 1981.

- (3) In section 24(3)(aa) of the Finance Act 1975 (reversionary interest not excluded property if the settlor or his spouse is beneficially entitled to it) after the word " is " there shall be inserted the words " or has been ".

This subsection shall be deemed to have come into force on 10th March 1981 but shall not apply in relation to a reversionary interest if the person entitled to it acquired it before that date or if it is an interest under a settlement made before 16th April 1976.

105 Related property

- (1) Paragraph 7(2)(b) of Schedule 10 to the Finance Act 1975 (valuation by reference to property in discretionary settlements made before 27th March 1974) shall cease to have effect.
- (2) This section applies to transfers of value made on or after 10th March 1981.

106 Free loans

- (1) Sections 115 and 116 of the Finance Act 1976 (free loans etc.) shall cease to have effect.
- (2) This section applies where the disposition under subsection (1) of section 115 would in accordance with subsection (2) of that section be treated as made on or after 6th April 1981.

PART VI

STAMP DUTY

107 Sale of houses at discount by local authorities etc.

- (1) Where a conveyance or transfer to which this section applies is subject contingently to the payment of any money (whether by virtue of that conveyance or transfer or otherwise), then, notwithstanding section 57 of the Stamp Act 1891, that money shall not be deemed to be part of the consideration in respect of which the conveyance or transfer is chargeable with ad valorem duty.
- (2) For the purposes of section 74(5) of the Finance (1909-10) Act 1910 the consideration for any conveyance or transfer to which this section applies shall be deemed to be valuable consideration.
- (3) This section applies to any conveyance or transfer on sale of a dwelling-house (including the grant of a lease) at a discount by—
- (a) any Minister of the Crown or Northern Ireland department;

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- (b) a local authority within the meaning of Part V of the Housing Act 1957, a county council, a district council within the meaning of the Local Government Act (Northern Ireland) 1972 or in Scotland a regional, district or islands council, the common good of such a council or any trust under its control;
 - (c) the Housing Corporation ;
 - (d) the Scottish Special Housing Association ;
 - (e) the Northern Ireland Housing Executive ;
 - (f) a housing association registered under section 13 of the Housing Act 1974 or Article 124 of the Housing (Northern Ireland) Order 1981;
 - (g) a development corporation established by an order made or having effect as if made under the New Towns Act 1965 or the New Towns (Scotland) Act 1968 or an urban development corporation established by an order made under section 135 of the Local Government, Planning and Land Act 1980 ;
 - (h) the Commission for the New Towns or a new town commission established under section 7 of the New Towns Act (Northern Ireland) 1965 ;
 - (i) the Development Board for Rural Wales ;
 - (j) the Council of the Isles of Scilly ;
 - (k) a police authority within the meaning of section 62(b) of the Police Act 1964 or section 2(1) or 19(9)(b) of the Police (Scotland) Act 1967, or the Police Authority for Northern Ireland;
 - (l) an Education and Libraries Board established under the Education and Libraries (Northern Ireland) Order 1972;
 - (m) any person mentioned in paragraph (e), (i), (j) or (l) of section 1(10) of the Tenants' Rights, Etc. (Scotland) Act 1980.
- (4) This section applies to instruments executed on or after 23rd March 1981 and shall be deemed to have come into force on that date.

108 Shared ownership transactions

- (1) Section 97 of the Finance Act 1980 (shared ownership transactions) shall have effect with the amendments specified in subsections (2) to (4) below.
- (2) In subsection (1) after the word "value" there shall be inserted the words " or sum " .
- (3) In subsection (2)—
- (a) for paragraph (b) there shall be substituted—
 - “(b) is granted partly in consideration of a premium calculated by reference to—
 - (i) the market value of the dwelling, or
 - (ii) a sum calculated by reference to that value, and partly in consideration of rent”; and
 - (b) in paragraph (d) for the words " paragraph (b) above " there shall be substituted the words " paragraph (b) (i) above or, as the case may be, the sum referred to in paragraph (b) (ii) above " and at the end there shall be added the words " or as the case may be, to that sum " .
- (4) In subsection (3)(b) for the reference to Article 13 of the Housing (Northern Ireland) Order 1976 there shall be substituted a reference to Article 124 of the Housing (Northern Ireland) Order 1981.

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- (5) Where a lease is granted by a body mentioned in subsection (3) of the said section 97 which—
- (a) is of a dwelling for the exclusive use of the lessee or, if there are joint lessees, of those lessees ;
 - (b) provides that the lessee may on payment of a sum require the terms of the lease to be altered so that the rent payable under it is reduced ;
 - (c) is granted partly in consideration of rent and partly in consideration of a premium calculated by reference to—
 - (i) the premium obtainable on the open market for the grant of a lease containing the same terms as the lease but with the substitution for the rent payable under the lease of the minimum rent, or
 - (ii) a sum calculated by reference to that premium; and
 - (d) contains a statement of the minimum rent and the premium referred to in paragraph (c)(i) above or, as the case may be, the sum referred to in paragraph (c) (ii) above and a statement to the effect that the parties intend duty to be charged in accordance with this section by reference to that rent and that premium or, as the case may be, that sum,
- the lease shall be chargeable to stamp duty as if the premium paid by the lessee were equal to the premium or, as the case may be, the sum, stated in the lease in accordance with paragraph (d) above and the rent payable were as so stated.
- (6) In subsection (5) above " minimum rent" in relation to any lease means the lowest rent which could become payable under the lease if it were altered as mentioned in paragraph (b) of that subsection at the date when the lease is granted.
- (7) This section applies to instruments executed on or after 23rd March 1981 and shall be deemed to have come into force on that date.

109 Index-linked loan capital

In section 126 of the Finance Act 1976 (exemption from stamp duty for transfers of loan capital) at the end of subsection (3) (which provides that the exemption shall not apply to loan capital carrying a right to interest exceeding a reasonable commercial return or a right on repayment to an amount not reasonably comparable with what is generally repayable) there shall be inserted " but subsection (1) above shall not be prevented from applying to any loan capital by virtue of paragraph (a)(i) or (b) above by reason only that it carries a right to interest or, as the case may be, to an amount payable on repayment determined to any extent by reference to an index showing changes in the general level of prices payable in the United Kingdom over a period substantially corresponding to the period between the issue or raising of the loan capital and its repayment. ".

110 Pooled pension funds

In Part VII of the Finance Act 1946, Part III of the Finance (No. 2) Act (Northern Ireland) 1946, section 30 of the Finance Act 1962 and section 3 of the Finance Act (Northern Ireland) 1962 the references to unit trust schemes shall be deemed not to include references to common investment arrangements made by the trustees of exempt approved schemes (within the meaning of section 21(1) of the Finance Act 1970) solely for the purposes of the schemes.

PART VII

PETROLEUM REVENUE TAX

111 Restriction of expenditure supplement

- (1) Expenditure taken into account under section 2(9) (b)(i) or (c)(i) of the Oil Taxation Act 1975 (" the principal Act ") in computing the assessable profit or allowable loss accruing to a participator in a chargeable period from an oil field shall not qualify for supplement under section 2(9)(b)(ii) or (c)(ii) of that Act if it is incurred after the end of the chargeable period (" the net profit period ") in which a net profit from the field first accrues to the participator.
- (2) Subject to subsections (3) and (4) below, a net profit shall be treated as having accrued to a participator from an oil field in a chargeable period when the total assessable profits (without any reduction under section 7 or 8 of the principal Act) that have accrued to him from the field in chargeable periods up to and including that period exceed the total allowable losses that have so accrued to him.
- (3) In determining for the purposes of subsection (2) above whether any, and if so what, assessable profit or allowable loss has accrued to a participator from an oil field in a chargeable period—
 - (a) there shall be excluded from its computation any expenditure allowed under Schedule 7 and any loss allowed under Schedule 8 to the principal Act (abortive exploration expenditure and unrelievable field losses);
 - (b) any election under paragraph 9(1) of Schedule 3 to that Act (spreading of allowable expenditure) shall be disregarded ; and
 - (c) in the case of the last chargeable period taken into account in deciding what is the net profit period there shall be included in that computation any amount which, by reason of an adjustment under section 4(9) of that Act (long-term assets) for a claim period ending not later than that period, will fall to be taken into account under paragraph 6 of Schedule 4 to that Act for the next chargeable period.
- (4) A net profit shall not by virtue of subsection (2) above be treated as having accrued to a participator from an oil field in a chargeable period if—
 - (a) after an assessment or determination has been made in respect of that period under paragraph 10 of Schedule 2 to the principal Act any expenditure incurred before the end of that period is allowed on a claim under Schedule 5 or Schedule 6 to that Act; and
 - (b) a net profit would not have accrued to the participator from the field in that period if that expenditure (or, as respects expenditure allowed under Schedule 5, his share of it) had been taken into account in the assessment or determination together with any amount falling to be taken into account under section 2(9)(b)(ii) or (c) (ii) of the principal Act by reference to (or, as the case may be, to his share of) that expenditure.
- (5) The expenditure referred to in subsection (4) above does not include expenditure allowed for any claim period beginning after the chargeable period in respect of which the assessment or determination was made.
- (6) In the following provisions, that is to say—

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- (a) paragraphs 2(4)(a) and 3(1)(b) of Schedule 5 to the principal Act (claims for and determination of expenditure qualifying for supplement), including those paragraphs as applied by Schedule 6 to that Act; and
- (b) paragraph 2(4)(b) of the Schedule to the Petroleum Revenue Tax Act 1980 (computation of payment on account),

references to expenditure qualifying for supplement shall include references to expenditure that would so qualify apart from this section; but the responsible person need not make a claim under paragraph 2 (4) (a) of the said Schedule 5 if it appears to him that none of the expenditure is likely to qualify because of this section.

- (7) This section applies whether the net profit period ends before or after the passing of this Act but subsection (1) above shall not disqualify any expenditure which was incurred before 1st January 1981 or which is incurred before 1st January 1983 in pursuance of a contract entered into before 1st January 1981.

112 Restriction of expenditure supplement: transfers of interests

- (1) Section 111 above shall have effect in accordance with this section where a participant in an oil field has acquired the whole or part of his interest in the field as a result of one or more transfers to him within the meaning of Schedule 17 to the Finance Act 1980, and in this section " the new participant " and " the old participant " mean respectively the first-mentioned participant and any participant from whom he has acquired the whole or part of his interest.
- (2) The new participant's net profit period shall be whichever is the earlier of—
 - (a) his own net profit period as determined in accordance with section 111 above and subsections (3) and (4) below; or
 - (b) subject to subsection (5) below, the chargeable period which is the net profit period of the old participant or, if there are two or more old participants, of whichever of them has the earliest net profit period.
- (3) Where the old participant has transferred the whole of his interest in the field to the new participant, the net profit period of the new participant shall be determined by treating as if they were his the total assessable profits and allowable losses of the old participant as determined for the purposes of section 111 above.
- (4) Where the old participant has transferred part of his interest in the field to the new participant, the net profit period of the old and new participants shall be determined by treating as if they were the new participant's and not the old participant's such part of the total assessable profits and allowable losses of the old participant (as determined for the purposes of section 111 above) as may be just and reasonable.
- (5) The net profit period of an old participant shall not be taken into account under subsection (2)(b) above if the new participant's own net profit period, as determined without reference under subsection (3) or (4) above to the old participant's assessable profits or allowable losses, fell before the chargeable period in which the new participant acquired the whole or part of the old participant's interest.

113 Restriction of expenditure supplement: loss following net profit period

- (1) This section has effect where the total allowable losses that have accrued to a participant from an oil field in chargeable periods up to and including a chargeable period ending not more than three years after his net profit period exceed the total

assessable profits (without any reduction under section 7 or 8 of the principal Act) that have so accrued to him.

- (2) Section 111(1) above shall not disqualify for supplement under section 2(9)(b)(ii) or (c)(ii) of the principal Act expenditure which is incurred up to the end of—
- (a) the last chargeable period in the three years mentioned in subsection (1) above ; or
 - (b) the chargeable period in which a net profit next accrues to the participator from the field after the chargeable period mentioned in that subsection, whichever is the earlier.
- (3) Subsection (3) of section 111 above shall apply for the purposes of subsection (1) above as it applies for the purposes of subsection (2) of that section and subsections (3), (4) and (5) of that section shall apply for the purposes of subsection (2)(b) above as they apply for the purposes of subsection (2) of that section.

114 Restriction of limit on amount of tax payable

- (1) For section 9 of the principal Act (annual limit on amount of tax payable by participator) there shall be substituted—
- (1) The tax payable by a participator in an oil field for any chargeable period to which this subsection applies shall not exceed 80 per cent, of the amount (if any) by which his adjusted profit for that period (as defined in this section) exceeds 15 per cent, of his accumulated capital expenditure at the end of that period (as so defined).
 - (1A) Subsection (1) above applies to—
 - (a) any chargeable period from the first chargeable period up to and including the period which is the participator's net profit period for the field for the purposes of section 111 of the Finance Act 1981 or where section 113 of that Act applies, up to and including the earlier of the periods mentioned in subsection (2) of that section; and
 - (b) any subsequent chargeable period up to such number of periods as is equal to half the number of chargeable periods included in paragraph (a) above (counting any resulting fraction of a period as a whole period).
 - (2) The adjusted profit of a participator in an oil field for any chargeable period shall be determined as follows—
 - (a) there shall be ascertained—
 - (i) the assessable profit (without any reduction under section 7 or 8 of this Act) or allowable loss accruing to him in that period ; and
 - (ii) the total amount taken into account under section 2(9)(b), (c), (d) and (e) of this Act in computing that profit or loss, excluding expenditure so taken into account under section 2(9)(b)(i) or (c)(i) which was not allowed as qualifying for supplement under section 2(9)(b)(ii) or (O)(ii);
 - (b) if there is a profit under paragraph (a)(i) above, the sum of that profit and the total ascertained under paragraph (a)(ii) above is his adjusted profit for the period;

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- (c) if there is a loss under paragraph (a)(i) above smaller than the total ascertained under paragraph (a)(ii) above, the difference is his adjusted profit for the period.
- (3) The accumulated capital expenditure of a participator in an oil field at the end of any chargeable period is the total amount of expenditure taken into account under section 2(9)(b)(i) and (c)(i) of this Act in computing the assessable profit or allowable loss accruing to him in that period and all earlier chargeable periods excluding all expenditure so taken into account which was not allowed as qualifying for supplement under section 2(9)(b)(ii) or (c)(ii).
- (4) Where a participator has made an election under paragraph 9(1) of Schedule 3 to this Act the amount of any reduction by virtue of this section in the tax payable by him for any chargeable period shall not be greater than it would have been if he had not made any such election and for the purposes of subsection (3) above his accumulated capital expenditure at the end of any chargeable period shall be taken to be what it would have been if he had made no such election.”
- (2) In consequence of subsection (1) above, Schedule 17 to the Finance Act 1980 (transfers of interests in oil fields) shall be amended as follows—
 - (a) in paragraph 1(3) for the words from "the transfer period " onwards there shall be substituted the words " ' the transfer period' means the chargeable period in which the transfer takes place ";
 - (b) in paragraph 8(1) for the words from " the last calendar year" onwards there shall be substituted " the last chargeable period before the transfer period ";
 - (c) in paragraph 8(2) for the words " year " (in both places) and " calendar years " there shall be substituted respectively the words " period " and " chargeable periods ";
 - (d) in paragraph 18 for the word " year", wherever it occurs, there shall be substituted the word " period ".
- (3) This section applies whether the net profit period ends before or after the passing of this Act.

115 Contracts with deferred payment

- (1) Expenditure incurred in pursuance of a contract to which this section applies shall not qualify for supplement under section 2(9)(b)(ii) or (c)(ii) of the principal Act.
- (2) This section applies to any contract which is entered into after 1st July 1980 unless—
 - (a) the amount required to be paid under it by the person incurring the expenditure is less than £10 million; or
 - (b) it is reasonable to expect, at the time when the contract is entered into—
 - (i) that not less than 90 per cent, of that amount will be paid within nine months of the date on which the other party begins to perform the contract; or
 - (ii) that a payment or payments in respect of that amount will be made which comply with subsection (3) below;

and for the purposes of paragraph (a) above there may be disregarded any provision of the contract allowing for variations in the amount payable to take account of changes in costs or design.

- (3) The payment or payments referred to in subsection (2)(b)(ii) above must be such that the amount to be paid up to any time after the date on which the other party to the contract begins to perform it is equal to not less than 75 per cent, of the amount that would have become payable up to that time if—
 - (a) the payments required to be made under the contract were such that the first of them was payable within six months after that date and each subsequent one within six months after the previous one ; and
 - (b) the first of the payments were required to be of an amount proportionate to the extent to which the contract has been performed by that party since that date and each subsequent one to be of an amount proportionate to the extent to which the contract has been so performed since the previous payment was required to be made.
- (4) Where a contract requires a payment in respect of any period or in respect of the completion of any stage in the performance of the contract to be made within three months after the end of that period or within three months after the completion of that stage the amount to be paid up to any time shall be determined for the purposes of subsection (3) above as if the payment were required to be made at the end of that period or on completion of that stage.
- (5) Where a contract provides for payments in respect of the completion of stages in the performance of separate parts of the work specified in the contract, the payments under the contract shall be treated as complying with subsection (3) above if the payments attributable to each part of the contract would have complied with that subsection if that part had been the subject of a separate contract.

116 Spreading of capital expenditure

- (1) For paragraph 9 of Schedule 3 to the principal Act (spreading of capital expenditure) there shall be substituted—
 - “9 (1) A participator in an oil field may by notice in writing to the Board elect—
 - (a) that the relief for supplemented expenditure to be taken into account in computing the assessable profit or allowable loss accruing to him from the field in the chargeable period specified in the notice shall not exceed such amount as is so specified; and
 - (b) that any excess shall be dealt with in accordance with the following provisions of this paragraph.
 - (2) Subject to sub-paragraphs (3) and (4) below, one-twentieth of any excess of the relief over the amount specified for the chargeable period in question shall be taken into account in computing the assessable profit or allowable loss accruing to the participator from the field in each of the next twenty chargeable periods.
 - (3) A participator may, in the first notice given by him under sub-paragraph (1) above in respect of a field, elect that sub-paragraph (2) above shall have effect in relation to that and any subsequent notice given by him in respect of that field with the substitution for the denominator of the fraction and the number of chargeable periods of such number, being three, five, ten or fifteen, as is specified in the election.

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- (4) A participator may by a notice in writing given to the Board and applying to any of the chargeable periods referred to in sub-paragraph (2) above before the last elect that so much of the excess as has not been taken into account in a previous chargeable period shall be taken into account in the period specified in the notice instead of partly in that period and partly in the subsequent periods.
 - (5) Any notice under this paragraph shall be in such form as the Board may prescribe and shall be given within three months after the end of the chargeable period to which it relates or, if later, twenty-seven months after the end of the first chargeable period of the field.
 - (6) Any tax charged or repayable in respect of the first four chargeable periods of an oil field in consequence of an election under this paragraph shall not carry interest under paragraph 15 or 16 of Schedule 2 to this Act in respect of any period before the date of the election.
 - (7) In this paragraph 'relief for supplemented expenditure' means the amount attributable to expenditure qualifying for supplement under paragraph (b) (ii) or (c) (ii) of section 2(9) of this Act which would, apart from any election under this paragraph, fall to be taken into account under paragraph (b) or (c) of section 2(9) in computing the assessable profit or allowable loss accruing to the participator from the field in the chargeable period in question ; and the reference in this sub-paragraph to the amount attributable to expenditure qualifying for supplement as aforesaid includes the amount attributable to the expenditure itself as well as to the amount calculated by reference to it under the said paragraph (b) (ii) or (c) (ii)."
- (2) For paragraph 10 of Schedule 3 to the principal Act there shall be substituted—
- “10 Where a participator has made an election under paragraph 9(1) above the reduction to be made in his case under section 8(1) of this Act for any chargeable period (whether or not that to which the election relates) shall not be greater than it would have been if he had made no such election.”
- (3) This section has effect in relation to any chargeable period ending after 31st December 1979.

117 Spreading of capital expenditure: transitional provisions

- (1) Where allowable losses have accrued to a participator from an oil field in chargeable periods ending before 1st January 1980 he may by notice in writing given to the Board elect that so much of those losses as would, apart from this section, be available for set off under section 7 of the principal Act against assessable profits accruing to him from the field in chargeable periods beginning on or after that date shall instead be treated as an amount of relief for supplemented expenditure which, subject to any election under paragraph 9 of Schedule 3 to that Act, falls to be taken into account in computing the assessable profit or allowable loss accruing to him from the field in the chargeable period ending on 30th June 1980.
- (2) The amount to which an election under this section applies shall not exceed the total amount of relief for supplemented expenditure taken into account in computing the

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

assessable profits or allowable losses accruing to the participator in chargeable periods ending before 1st January 1980.

- (3) Any notice under this section shall be in such form as the Board may prescribe and shall be given before 1st April 1982; and—
 - (a) any notice under paragraph 9 of Schedule 3 to the principal Act in respect of a chargeable period ending before that date shall not be out of time if given before that date;
 - (b) any tax charged or repayable in respect of any such chargeable period in consequence of an election under that paragraph shall not carry interest under paragraph 15 or 16 of Schedule 2 to that Act in respect of any period before the date of the election.
- (4) In section 111(3)(b) above and in section 9(4) of, and paragraph 10 of Schedule 3 to, the principal Act references to an election under paragraph 9(1) of that Schedule shall include references to an election under this section.
- (5) This section shall be construed as one with Part I of the principal Act and paragraph 9(7) of Schedule 3 to that Act shall apply for the interpretation of subsections (1) and (2) above.

118 Licence payments other than royalties

- (1) For the purpose of computing under section 2 of the principal Act the assessable profit or allowable loss accruing to a participator in any chargeable period from an oil field—
 - (a) there shall be included as a positive amount any chargeable sum paid to the participator in the period by the Secretary of State; and
 - (b) there shall be included as a negative amount any allowable sum paid by the participator in the period to the Secretary of State.
- (2) In this section "chargeable sum" and "allowable sum" mean any sum which after 31st December 1980 is paid to a participator by the Secretary of State or, as the case may be, by the participator to the Secretary of State by reference to a relevant licence except—
 - (a) any sum falling to be taken into account under section 2(6) of the principal Act (licence debit or credit) or section 3(1)(b) of that Act (payment under or for the purpose of obtaining a relevant licence);
 - (b) any sum consisting of interest on a sum payable to or by the Secretary of State;
 - (c) any repayment by the Secretary of State under section 41(3) of the Petroleum and Submarine Pipe-lines Act 1975 (repayment of royalty for facilitating or maintaining the development of United Kingdom petroleum resources); and
 - (d) any payment or repayment of royalty in respect of excluded oil (as defined in section 10 of the principal Act) and any other payment attributable to such oil.
- (3) Where the relevant licence by reference to which a chargeable sum or allowable sum is paid relates to a licensed area comprising the whole or part of two or more oil fields, that sum shall for the purposes of this section be apportioned between all or any of those fields, or attributed wholly to one of them, as may be just and reasonable.
- (4) A return under paragraph 2 of Schedule 2 to the principal Act shall include a statement of the chargeable sums and allowable sums, if any, paid to or by the participator in the chargeable period to which the return relates.

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- (5) In considering for the purposes of paragraph 8(1) of Schedule 3 to the principal Act (subsidised expenditure) how far any expenditure has been or is to be met directly or indirectly by the Crown or by any authority or person other than the person incurring the expenditure, any chargeable sum shall be left out of account.
- (6) This section shall be construed as one with Part I of the principal Act.

119 Transportation costs for off-shore oil

- (1) In section 3(4)(c) of the principal Act (buildings and structures eligible for expenditure relief) after paragraph (iii) there shall be inserted—
- “(iv) a building or structure used or to be used for transporting such oil as is mentioned in subsection (1)(f) above from the place where it is first landed in the United Kingdom to the place in the United Kingdom at which the seller in a sale at arm's length could reasonably be expected to deliver it or, if there is more than one place at which he could reasonably be expected to deliver it, the one nearest to the place of extraction ; or”.
- (2) This section shall have effect in relation to any expenditure in respect of which a claim is made after 31st December 1978.

120 Deduction of petroleum revenue tax in computing income for corporation tax

In section 17(1) of the principal Act (deduction of petroleum revenue tax in computing income for corporation tax) for the words from " For the purposes of this subsection " onwards there shall be substituted—

- “For the purposes of this subsection the relevant accounting period, in relation to any petroleum revenue tax paid by a company, is—
- (a) the accounting period of the company in or at the end of which the chargeable period for which that tax was charged ends ; or
- (b) if that chargeable period ends after the accounting period of the company in or at the end of which the trade giving rise to the income referred to above is permanently discontinued, that accounting period.”.

121 Gas banking schemes

Regulations under section 108 of the Finance Act 1980 (gas banking schemes) may provide for the modifications made by them to have effect from a date before the regulations are made and for any election made under that section to have effect from a date before the election is made.

PART VIII

SUPPLEMENTARY PETROLEUM DUTY

122 Charge of supplementary petroleum duty

- (1) Every participator in an oil field shall, in accordance with this Part of this Act, be chargeable with a tax (to be known as supplementary petroleum duty) on the gross profit accruing to him from the field in any chargeable period to which this section applies.
- (2) The duty shall be charged at the rate of 20 per cent.
- (3) For the purposes of the duty the gross profit shall, except so far as otherwise provided in this Part of this Act, be determined in accordance with section 2(4) and (5) of the Oil Taxation Act 1975 ("the principal Act") as for the purposes of petroleum revenue tax.
- (4) Any other expression used in this Part of this Act which also occurs in Part I of the principal Act shall be construed in the same way as for the purposes of that tax.
- (5) This section applies to the chargeable periods ending on 30th June 1981, 31st December 1981 and 30th June 1982.

123 Increase of gross profit by reference to royalties in kind

- (1) This section applies where part of a participator's share of the oil won and saved from an oil field is delivered by him in a chargeable period to the Secretary of State pursuant to a requirement imposed under the terms of a licence granted under the Petroleum (Production) Act 1934.
- (2) In determining for the purposes of the duty the gross profit accruing to the participator from the field in the chargeable period the aggregate of the amounts mentioned in section 2(5)(a), (b) and (c) of the principal Act shall be increased by multiplying it by a fraction of which—
 - (a) the numerator is the total of the quantity of oil won from the field which is delivered or relevantly appropriated by him in the period including the oil delivered to the Secretary of State ; and
 - (b) the denominator is that total excluding the oil delivered to the Secretary of State.
- (3) Where oil is delivered pursuant to a requirement which relates to oil of one or more kinds but not to others, subsection (2) above shall apply only in relation to oil of the kind or kinds to which the requirement relates; and where oil is delivered pursuant to a requirement which specifies different proportions in relation to different kinds of oil, that subsection shall apply separately in relation to each of those kinds.
- (4) For the purposes of section 2(5) of the principal Act as applied by this Part of this Act the exclusion by paragraph 4 of Schedule 3 to that Act of oil delivered to the Secretary of State under the terms of a licence granted under the said Act of 1934 shall be deemed to extend to oil which is inadvertently delivered to him in excess of the amount required; and oil so delivered shall be treated for the purposes of this section as delivered pursuant to a requirement imposed under the terms of such a licence.

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

124 Reduction of gross profit by reference to exempt allowance

- (1) For the purposes of the duty there shall be for each oil field in each chargeable period an exempt allowance of 500,000 metric tonnes of oil divided between the participators in shares proportionate to their shares of the oil won and saved from the field during the period.
- (2) If the gross profit accruing to a participator in a chargeable period from a field exceeds the cash equivalent of his share of the exempt allowance, the gross profit shall be reduced to an amount equal to the excess.
- (3) If the gross profit accruing to a participator in a chargeable period from a field does not exceed the cash equivalent of his share of the exempt allowance, the gross profit shall be reduced to nil.
- (4) Subject to subsection (5) below, the cash equivalent of a participator's share of the exempt allowance for an oil field for a chargeable period shall be equal to such proportion of the gross profit accruing to him from the field in that period (before any reduction under this section) as his share of the exempt allowance bears to his share, exclusive of excluded oil within the meaning of section 10 of the principal Act, of the oil won and saved from the field during the period.
- (5) If a participator in an oil field so elects by notice in writing given to the Board at the time when he makes his return under paragraph 2 of Schedule 2 to the principal Act for a chargeable period, the cash equivalent of his share of the exempt allowance for the field for that period shall be determined under subsection (4) above—
 - (a) to the extent that his share of that exempt allowance does not exceed his share of the oil (other than gas) won and saved from the field in the period, as if in computing the gross profit accruing to him in the period all amounts relating to gas fell to be disregarded ; and
 - (b) to the extent, if any, that his share of that allowance exceeds his share of the oil (other than gas) so won and saved, as if in computing the gross profit so accruing all amounts relating to oil other than gas fell to be disregarded.
- (6) In this section references to a participator's share of the oil won and saved from a field are to his share as expressed in metric tonnes and for that purpose 1,100 cubic metres of oil consisting of gas at a temperature of 15 degrees centigrade and pressure of one atmosphere shall be counted as equivalent to one metric tonne of oil other than gas.

125 Repayment of duty in case of field showing net loss on cessation

- (1) Subject to the provisions of this section, the duty paid by a participator in respect of an oil field shall be repaid to him if—
 - (a) a decision has been made under Schedule 8 to the principal Act (whether by the Board or on appeal) that the winning of oil from the field has permanently ceased ;
 - (b) an unrelievable field loss, within the meaning of section 6 of that Act, has accrued to the participator from the field; and
 - (c) a claim for repayment is made under this section.
- (2) The amount of duty to be repaid shall not exceed the amount of the unrelievable field loss ; and where duty paid by a participator in respect of an oil field is repaid under this section the amount to be taken into account under section 2(9)(e) of the principal

Act as the unrelievable field loss from that field in computing the assessable profit or allowable loss accruing from another field to—

- (a) the participator ; or
- (b) a company which, within the meaning of the said section 6, is associated with him in respect of the loss,

shall not be greater than the amount (if any) by which it exceeds the amount repaid.

- (3) If a claim for the allowance of the unrelievable field loss is made by the participator under Schedule 8 to the principal Act, the claim under this section shall be included in that claim ; and in any other case the claim under this section shall be made within six years after the date of the decision mentioned in subsection (1)(a) above.
- (4) Sub-paragraphs (2) and (3) of paragraph 4 of the said Schedule 8 shall, with the necessary modifications, apply in relation to a claim for repayment under this section as they apply in relation to a claim under sub-paragraph (1) of that paragraph.
- (5) References in this section to duty paid by a participator are to duty paid by him and not previously repaid.

126 Deduction of duty in computing assessable profit or allowable loss for petroleum revenue tax

- (1) For the purpose of computing under section 2 of the principal Act the assessable profit or allowable loss accruing to a participator in any chargeable period from an oil field—
 - (a) there shall be included as a negative amount his duty debit (if any) for the period ; and
 - (b) there shall be included as a positive amount his duty credit (if any) for the period.
- (2) The participator's duty debit or credit (if any) for the period is the difference (if any) between—
 - (a) the sum of the amounts mentioned in subsection (3) below; and
 - (b) the sum of—
 - (i) the amount taken into account under paragraph (a) of that subsection in computing his duty debit or credit for the preceding chargeable period; and
 - (ii) the amount of any duty repaid to him in the period in respect of the field ;and their difference (if any) is a duty debit if the sum mentioned in paragraph (a) above is greater than the sum mentioned in paragraph (b) above, and is otherwise a duty credit.
- (3) The amounts referred to in subsection (2)(a) above are—
 - (a) the amount shown in the statement delivered by the participator under sub-paragraph (1)(a) of paragraph 10 of Schedule 16 to this Act as the duty payable by him under that paragraph for the period in respect of the field; and
 - (b) the amount of duty paid in the period in respect of the field for previous chargeable periods.
- (4) For the purposes of subsection (3) (b) above duty for a period which is paid before the end of that period shall be treated as paid in the next chargeable period.

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- (5) Where a participator's liability to petroleum revenue tax has been determined by reference to an amount of duty paid by him and there is a repayment of the duty which cannot be taken into account under the foregoing provisions of this section, an additional assessment to that tax may be made at any time not later than six years after the end of the chargeable period in which the duty is repaid.
- (6) Paragraph 12 of Schedule 17 to the Finance Act 1980 (treatment of royalty payments where there is a transfer of an interest in an oil field) shall apply in relation to any duty debit or credit as it applies in relation to a licence debit or credit, taking references to subsection (6) of section 2 of the principal Act and paragraphs (a) and (b) of that subsection as references to subsection (2) above and paragraphs (a) and (b) of that subsection.

127 Deduction of duty in computing income for corporation tax

- (1) Where a participator in an oil field has paid any duty with which he was chargeable for a chargeable period, then, in computing for corporation tax the amount of his income arising in the relevant accounting period from oil extraction activities or oil rights, there shall be deducted an amount equal to that duty; and there shall be made all such adjustments of assessments to corporation tax as are required in order to give effect to this subsection.
- (2) For the purposes of subsection (1) above the relevant accounting period, in relation to any duty paid by a company, is—
 - (a) the accounting period of the company in or at the end of which the chargeable period for which the duty was charged ends; or
 - (b) if that chargeable period ends after the accounting period of the company in or at the end of which the trade giving rise to the income referred to in subsection (1) above is permanently discontinued, that accounting period.
- (3) Subject to subsection (4) below, if some or all of the duty in respect of which a deduction has been made under subsection (1) above is subsequently repaid, that deduction shall be reduced or extinguished accordingly; and any additional assessment to corporation tax required in order to give effect to this subsection may be made at any time not later than six years after the end of the accounting period in which the duty was repaid.
- (4) Subsection (3) above does not apply to any repayment of duty under section 125 above but any amount of duty repaid to a person under that section shall be treated as his income for the purpose of corporation tax.
- (5) Where, because of a deduction made under subsection (1) above in computing for corporation tax the amount of a company's income of any kind, the amount of advance corporation tax which can be set against the company's liability to corporation tax for an accounting period is less than the amount of advance corporation tax which could have been set against that liability if the deduction had not been made, then, if a claim in that behalf is made by the company not later than two years after the end of that accounting period, an amount of advance corporation tax equal to the difference shall be repaid to the company.
- (6) In this section " oil extraction activities " and " oil rights " have the meaning given in section 19(1) of the principal Act.

128 Supplementary provisions

- (1) Schedule 16 to this Act shall have effect with respect to the management and collection of the duty.
- (2) In section 1(1) of the Provisional Collection of Taxes Act 1968 after the words " petroleum revenue tax " there shall be inserted the words " supplementary petroleum duty ".
- (3) This Part of this Act shall be included in the Oil Taxation Acts for the purposes of section 108 of the Finance Act 1980 (gas banking schemes).

PART IX

DEVELOPMENT LAND TAX

129 Residential development of land held as stock in trade

- (1) Section 5 of the Development Land Tax Act 1976 (relevant base value) shall have effect with the following amendments.
- (2) In subsection (1)(c) (base C) after the words "115 per cent." there shall be inserted the words " or in a case in which subsection (5A) below applies 150 per cent. ".
- (3) After subsection (5) there shall be inserted—
 - “(5A) This subsection applies where on or after 10th March 1981 there is a deemed disposal of an interest in land held by the chargeable person as stock in trade and the project of material development which gives rise to the deemed disposal consists wholly or mainly of the construction or adaptation of a building or buildings for use as one or more private dwellings; and for the purposes of this subsection an interest in land is held by a chargeable person as stock in trade if, had he sold that interest on the date of the deemed disposal, the proceeds of the sale would have been taken into account in computing the profits or gains of a trade carried on by him.
 - (5B) In subsection (5A) above " dwelling" has, in England and Wales and in Northern Ireland, the meaning assigned to it by subsection (1) of section 129 of the Housing Act 1974 and, in Scotland, means a house within the meaning of section 208(1) of the Housing (Scotland) Act 1966.”
- (4) For paragraph (ii) of subsection (6) there shall be substituted—
 - “(ii) for paragraph (c) there were substituted—
 - “(c) the aggregate of the cost of the chargeable person's acquisition of the interest and 115 per cent, of any expenditure on improvements”.”.
- (5) This section has effect in relation to any disposal after 9th March 1981.

130 Exemption for urban development corporations

In section 11(1) of the Development Land Tax Act 1976 (bodies totally exempt from development land tax) there shall be inserted after paragraph (g)—

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“(gg) an urban development corporation established under section 135 of the Local Government, Planning and Land Act 1980”.

131 Exemption for projects begun within three years of acquisition of land

- (1) In section 18 of the Development Land Tax Act 1976 (exemption for projects begun within three years of acquisition of land)—
- (a) at the end of paragraph (b) of subsection (2) there shall be inserted the words " assuming that the law at the time of the acquisition of the relevant interest had been the same as it was at the date when the project began "; and
 - (b) at the end of subsection (3) there shall be inserted the words " ; and for the purposes of this subsection it shall be assumed that there will be no change in the law between the date of the application and the commencement of the project ".
- (2) Paragraph (a) of subsection (1) above has effect in relation to any disposal after 9th March 1981 and paragraph (b) in relation to any application made after that date.

132 Development for owner's use

- (1) After section 19 of the Development Land Tax Act 1976 there shall be inserted—

“19A Development for owner's use.

- (1) Subject to section 20 below, where—
- (a) realised development value accrues to a chargeable person on the deemed disposal after 9th March 1981 and before 1st April 1984 of an interest in land (in this section referred to as " the relevant interest");
 - (b) the project of material development which gives rise to the deemed disposal relates to a building or other land to be used and occupied in whole or in part by the chargeable person; and
 - (c) the development was authorised by planning permission which was in force when the project began,
- then, subject to the following provisions of this section, liability for development land tax on such proportion of that realised development value as is properly attributable to property to be so used and occupied shall be deferred until there is a disposal of the relevant interest in that property which does not fall within paragraph (i), (ii) or (iii) of section 19(1) above or subsection (2) below.
- (2) A disposal of the relevant interest falls within this subsection if—
- (a) it is a part disposal within the meaning of section 3(1)(a) above;
 - (b) the lease or other interest ends not later than twelve months after the date of the disposal ; and
 - (c) there is no other such disposal within twelve months after the end of the lease or other interest.
- (3) Where on the grant of a lease of any premises the premises become tied premises—
- (a) if the grant of the lease would not otherwise be a disposal falling within subsection (2) above, it shall be deemed to be so;

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- (b) whether or not any other person is actually in occupation of the premises, the lessor shall be treated for the purposes of this section as if he himself occupies the premises during any period during which the premises are tied premises ; and
- (c) if at any time during the lease the premises cease to be tied premises and are not from that time occupied by the lessor, the relevant interest, or if subsection (1)(b) above applies to part only of the building or other land so much of the relevant interest as subsists in that part, shall be treated for the purposes only of subsection (1) above and section 27 below as having been disposed of at that time ;

and for the purposes of this section premises subject to a lease are tied premises if they are tied premises within the meaning of section 140(2) of the Taxes Act in relation to the lessor and to a trade carried on by him.

- (4) In any case where it appears to the Board or, on an appeal, to the Commissioners concerned that a project of material development falling within subsection (1) above relates exclusively to property to be used and occupied by the chargeable person, the proportion of realised development value referred to in that subsection shall be 100 per cent, but in any other case—

- (a) the proportion properly attributable to the property to be so used and occupied, and
- (b) the method of apportionment adopted,

shall be such as appears to the Board or, on an appeal, to the Commissioners concerned to be just and reasonable.

- (5) In determining for the purposes of subsection (1)(c) above whether the development was authorised by planning permission in force when the project began, only such development as at that time—

- (a) was authorised by that permission without any requirement as to subsequent approval, or
- (b) was not so authorised but had been approved in a manner applicable to that planning permission,

shall for those purposes be taken to have been authorised by that permission at that time.

- (6) Subsections (7), (9) and (10) of section 19 above shall apply for the purposes of this section as they apply for the purposes of that section but with the substitution for the references to subsections (1) and (5) (a) of that section of references to subsections (1) and (2) above respectively.

- (7) If after a disposal falling within paragraph (iii) of subsection (1) of section 19 above there is a disposal of the lease referred to in paragraph (c) of subsection (7) of that section, subsection (1) above shall have effect as if at the time of the disposal of the lease there were a disposal of the relevant interest in so much of any building or other land as is the subject-matter of the lease.”.

- (2) In section 20 of that Act (groups of companies) after subsection (5) there shall be inserted—

“(6) For the purposes of section 19A above, where the chargeable person is a member of a group of companies subsection (1)(b) of that section shall have

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effect as if the references to the chargeable person were references to any member of the group.”.

- (3) This section has effect in relation to any disposal after 9th March 1981.

133 Extensions

- (1) In paragraph 5(1)(a) of Schedule 4 to the Development Land Tax Act 1976 (exclusion from material development of works whereby cubic content of building is not exceeded by more than one-tenth) for " one-tenth " there shall be substituted " one-third ".
- (2) In paragraph 6(1) of that Schedule for the words " one-tenth " there shall be substituted the words " one-third or as the case may be one-tenth ".
- (3) This section has effect in relation to any disposal after 9th March 1981.

PART X

MISCELLANEOUS AND SUPPLEMENTARY

134 Special tax on banking deposits

- (1) Every person who on 10th March 1981 was carrying on a banking business in the United Kingdom shall be chargeable for the year beginning on 1st April 1981 with a tax (to be known as the special tax on banking deposits) if the average chargeable deposits held by him in the base period exceeded £15 million.
- (2) The amount of tax chargeable in the case of any person shall be equal to 2 per cent, of the excess referred to in subsection (1) above or, if the excess is more than £200 million, the aggregate of 2 per cent, of the first £200 million and 2 ½ per cent, of the remainder.
- (3) Part I of Schedule 17 to this Act shall have effect for determining the base period and the chargeable deposits held by a person in that period; and Part II of that Schedule shall have effect with respect to the management and collection of the tax.
- (4) The tax paid by a person shall not be deductible in computing his income, profits or losses for the purposes of income tax or corporation tax.
- (5) In this section and Schedule 17 references to a person carrying on a banking business do not include references to the Bank of England or the central bank of any country outside the United Kingdom.

135 Chevening Estate

- (1) The enactments relating to capital gains tax, capital transfer tax and development land tax shall not apply in respect of property held on the trusts of the trust instrument set out in the Schedule to the Chevening Estate Act 1959.
- (2) This section shall be deemed always to have had effect.

136 Exchange control

- (1) The provisions of Schedule 18 to this Act shall have effect for supplementing the Exchange Control Act 1947 ; and that Act and those provisions shall have effect as if those provisions were contained in that Act.
- (2) In section 2(1) of the Banking and Financial Dealings Act 1971 (power to suspend financial dealings)—
 - (a) in paragraph (b) for the words " no authorised dealer in foreign currency ", and
 - (b) in paragraph (c) for the words " no authorised dealer in gold ",there shall be substituted the words " no person ".
- (3) Schedule 18 to this Act shall not come into force until such day as the Treasury may appoint by order made by statutory instrument.

137 Irish Land Acts

- (1) Any sums required to be paid under—
 - (a) section 47(2) of the Irish Land Act 1903 (sums required for paying dividends on and redeeming guaranteed stock); or
 - (b) section 26(2) of the Government of Ireland Act 1920 (sums equal to amounts payable in respect of purchase annuities),shall, instead of being paid out of moneys provided by Parliament, be paid out of the Consolidated Fund.
- (2) So much of section 33 of the said Act of 1903 as requires the accounts of the Irish Land Purchase Fund to be laid before Parliament shall cease to have effect but the National Debt Commissioners shall furnish the Treasury with such information relating to those accounts as the Treasury may require.
- (3) Any sums required to be paid under subsection (7) of section 16 of the National Loans Act 1968 in respect of the management of securities issued under the Northern Ireland Land Act 1925 shall be met out of the National Loans Fund with recourse to the Consolidated Fund.
- (4) This section shall come into force on 1st April 1982.

138 Penalties

- (1) The Table in section 98 of the Taxes Management Act 1970 (penalties) shall be amended as follows.
- (2) At the end of the first column there shall be inserted—

“Section 63(4), (5), (7) and (8) and section 84 of the Finance Act 1981.”

- (3) At the end of the second column there shall be inserted—

“Section 63(1), (2) and (3) of the Finance Act 1981.”

139 Short title, interpretation, construction and repeals

- (1) This Act may be cited as the Finance Act 1981.

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

- (2) In this Act "the Taxes Act" means the Income and Corporation Taxes Act 1970.
- (3) Part IV of this Act, 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 the Capital Gains Tax Act 1979.
- (4) Part V of this Act shall be construed as one with Part III of the Finance Act 1975.
- (5) In Parts VII and VIII of this Act " the principal Act" means the Oil Taxation Act 1975.
- (6) The enactments mentioned in Schedule 19 to this Act 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.