



# Finance Act 1982

## 1982 CHAPTER 39

### PART III

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER III

#### CAPITAL GAINS

#### **80 Increase and indexation of annual exempt amount**

- (1) In section 5 of the Capital Gains Tax Act 1979 (exemption for first £3,000 of gains)—
- (a) for " £3,000 ", in each place where it occurs, there shall be substituted " the exempt amount for the year "; and
  - (b) for " £5,000", where it occurs in subsection (5)(M, there shall be substituted " an amount equal to twice the exempt amount for the year. "
- (2) After subsection (1) of that section there shall be inserted the following subsections—
- “(1A) Subject to subsection (1B) below, the exempt amount for any year of assessment shall be £5,000.
- (1B) If the retail prices index for the month of December preceding the year 1983-84 or any subsequent year of assessment is higher than it was for the previous December, then, unless Parliament otherwise determines, subsection (1A) above shall have effect for that year as if for the amount specified in that subsection as it applied for the previous year (whether by virtue of this subsection or otherwise) there were substituted an amount arrived at by increasing the amount for the previous year by the same percentage as the percentage increase in the retail prices index and, if the result is not a multiple of £100, rounding it up to the nearest amount which is such a multiple.

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- (1C) The Treasury shall, before the year 1983-84 and each subsequent year, make an order specifying the amount which by virtue of this section is the exempt amount for that year; and any such order shall be made by statutory instrument”.
- (3) In Schedule 1 to that Act
- (a) the heading shall be changed to " APPLICATION OF EXEMPT AMOUNT IN PARTICULAR CASES ";
  - (b) for the words " the amount of £3,000 ", where they occur in paragraphs 2(1) and 5(1D), and for " £3,000 " in every other place where it occurs, there shall be substituted the words " the exempt amount for the year ";
  - (c) for " £300 ", where it occurs in paragraphs 5(1B) and 6(4), there shall be substituted the words " one tenth of that exempt amount ";
  - (d) for " £1,500 ", in each place where it occurs in sub-paragraphs (2) and (4) of paragraph 6, and for " the amount of £1,500 ", where it occurs in sub-paragraph (6) of that paragraph, there shall be substituted the words " one half of the exempt amount for the year "; and
  - (e) in sub-paragraph (3) of paragraph 6 for the words from " £5,000 " onwards there shall be substituted the words " ' twice the exempt amount for the year ' of ' one half of the exempt amount for the year ' and ' the exempt amount for the year ' respectively ".
- (4) In section 24(8) of the Finance Act 1980 (definition of " retail prices index " for the purposes of the Income Tax Acts) after the word " Acts " in each place where it occurs, there shall be inserted the words " or the Capital Gains Tax Act 1979 ".
- (5) This section has effect for the year 1982-83 and subsequent years of assessment.

## **81 Increase of chattel exemption**

- (1) In the following enactments, namely.—
- (a) section 128 of the Capital Gains Tax Act 1979 (chattel exemption by reference to consideration of £2,000),
  - (b) section 12(2)(6) of the Taxes Management Act 1970 (information about assets acquired), and
  - (c) section 25(7) of that Act (information about assets disposed of),
- for " £2,000 ", in each case where it occurs, there shall be substituted " £3,000 ".
- (2) This section applies to disposals on or after 6th April 1982 and, accordingly, in relation to subsection (1)(b) above, to assets acquired on or after that date.

## **82 Extension of general relief for gifts**

- (1) Section 79 of the Finance Act 1980 (which gives relief for disposals between individuals and, by virtue of section 78 of the Finance Act 1981, disposals by individuals to trustees) shall have effect as if references to an individual included references to the trustees of a settlement; 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 (4) of that section, the words from " or " onwards shall cease to have effect.

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- (3) In subsection (5) of that section—
  - (a) in paragraph (a), for the words from " chargeable " to " purposes " there shall be substituted the words " attributable to the value of the asset "; and
  - (b) the words from " and where " onwards shall cease to have effect.
- (4) In section 78 of the Finance Act 1981 (subsections (1) and (3) of which are superseded by this section) in subsection (2) for the words " that section " there shall be substituted the words " section 79 of the Finance Act 1980 ".
- (5) This section applies to disposals on or after 6th April 1982.

### **83 Relief on compulsory purchase**

After section 111 of the Capital Gains Tax Act 1979 there shall be inserted the following sections—

#### **“111A Rollover relief on compulsory acquisition.**

- (1) This section applies where—
  - (a) on or after 6th April 1982 land (in this section referred to as " the old land ") is disposed of by any person (in this section referred to as " the landowner ") to an authority exercising or having compulsory powers; and
  - (b) the landowner did not take any steps, by advertising or otherwise, to dispose of the old land or to make his willingness to dispose of it known to the authority or others ; and
  - (c) the consideration for the disposal is applied by the landowner in acquiring other land (in this section referred to as " the new land ") not being land excluded from this paragraph by section 11 IB below.
- (2) Subject to section 11 IB below, in a case where the whole of the consideration for the disposal was applied as mentioned in subsection (1)(c) above, the landowner, on making a claim as respects the consideration so applied, shall be treated for the purposes of this Act—
  - (a) as if the consideration for the disposal of the old land were (if otherwise of a greater amount or value) of such amount as would secure that on the disposal neither a gain nor a loss accrues to him ; and
  - (b) as if the amount or value of the consideration for the acquisition of the new land were reduced by the excess of the amount or value of the actual consideration for the disposal of the old land over the amount of the consideration which he is treated as receiving under paragraph (a) above.
- (3) If part only of the consideration for the disposal of the old land was applied as mentioned in subsection (1)(c) above, then, subject to section 11 IB below, if the part of the consideration which was not so applied (in this subsection referred to as " the unexpended consideration ") is less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal of the old land, the landowner, on making a claim as respects the consideration which was so applied, shall be treated for the purposes of this Act—

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- (a) as if the amount of the gain so accruing were reduced to the amount of the unexpended consideration (and, if not all chargeable gain, with a proportionate reduction in the amount of the chargeable gain); and
  - (b) as if the amount or value of the consideration for the acquisition of the new land were reduced by the amount by which the gain is reduced (or, as the case may be, the amount by which the chargeable gain is proportionately reduced) under paragraph (a) above.
- (4) Nothing in subsection (2) or subsection (3) above affects the treatment for the purposes of this Act of the authority by whom the old land was acquired or of the other party to the transaction involving the acquisition of the new land.
- (5) For the purposes of this section—
- (a) subsection (2) of section 115 below shall apply in relation to subsection (2) (a) and subsection (2) (b) above as it applies in relation to subsection (1)(a) and subsection (1)(b) of that section ; and
  - (b) subsection (3) of that section shall apply as if any reference to the new assets were a reference to the new land, any reference to the old assets were a reference to the old land and any reference to that section were a reference to this.
- (6) Where this section applies, any such amount as is referred to in subsection (2) of section 110 above shall be treated as forming part of the consideration for the disposal of the old land and, accordingly, so much of that subsection as provides for a deemed disposal of other land shall not apply.
- (7) The provisions of this Act fixing the amount of the consideration deemed to be given for the acquisition or disposal of assets shall be applied before this section is applied.
- (8) In this section—
- " land " includes any interest in or right over land; and
  - " authority exercising or having compulsory powers " shall be construed in accordance with section 108(5) above.

#### **111B Provisions supplementary to section 111A.**

- (1) Land is excluded from paragraph (c) of subsection (1) of section 111A above if—
- (a) it is a dwelling-house or part of a dwelling house (or an interest in or right over a dwelling-house), and
  - (b) by virtue of, or of any claim under, any provision of sections 101 to 105 above (private residences) the whole or any part of a gain accruing on a disposal of it by the landowner at a material time would not be a chargeable gain;
- and for the purposes of this subsection " a material time " means any time during the period of six years beginning on the date of the acquisition referred to in the said paragraph (c).
- (2) If, at any time during the period of six years referred to in subsection (1) above, land which at the beginning of that period was not excluded from section 111A(1)(c) above by virtue of that subsection becomes so excluded, the amount of any chargeable gain accruing on the disposal of the old land

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shall be redetermined without regard to any relief previously given under section 111A above by reference to the amount or value of the consideration for the acquisition of that land; and all such adjustments of capital gains tax, whether by way of assessment or otherwise, may be made at any time, notwithstanding anything in section 34 of the Taxes Management Act 1970 (time limit for assessments).

- (3) Where the new land is a depreciating asset, within the meaning of section 117 below, that section has effect as if—
  - (a) any reference in subsection (1) or subsection (3) to section 115 or section 116 were a reference to subsection (2) or subsection (3) respectively of section 111A above ; and
  - (b) paragraph (b) of subsection (2) were omitted ; and
  - (c) the reference in subsection (4) to section 115(3) were a reference to that provision as applied by section 111A(5) above.
- (4) No claim may be made under section 108 above in relation to a transfer which constitutes a disposal in respect of which a claim is made under section 111A above.
- (5) Expressions used in this section have the same meaning as in section 111 A above.”

#### **84 Termination of life interest etc.**

- (1) In section 55 of the Capital Gains Tax Act 1979, in subsection (1), for the words from the beginning to " market value of the asset" there shall be substituted—

“On the termination, on the death of the person entitled to it, of a life interest in possession in all or any part of settled property—

  - (a) the whole or a corresponding part of each of the assets forming part of the settled property and not ceasing at that time to be settled property shall be deemed for the purposes of this Act at that time to be disposed of and immediately re-acquired by the trustee for a consideration equal to the whole or a corresponding part of the market value of the asset; but
  - (b) no chargeable gain shall accrue on that disposal.

and subsection (2) of that section shall cease to have effect.”;
- (2) In section 56 of that Act, after subsection (1) there shall be inserted—

“(1A) Where the life interest referred to in subsection (1) above is an interest in part only of the settled property to which section 54 applies, subsection (1)(a) above shall not apply but any chargeable gain accruing on the disposal shall be reduced by a proportion corresponding to that represented by the part.

(1B) The last sentence of subsection (1) of section 55 above, and subsection (6) of that section, shall apply for the purposes of subsection (1A) above as they apply for the purposes of section 55(1).”;

and subsection (2) of section 56 shall cease to have effect.
- (3) After section 56 of that Act there shall be inserted—

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**“56A Effect on sections 55 and 56 of relief under Finance Act 1980, section 79.**

- (1) This section applies where—
    - (a) a claim for relief was made under section 79 of the Finance Act 1980 in respect of the disposal of an asset to a trustee, and
    - (b) the trustee is deemed to have disposed of the asset, or part of it, by virtue of section 54(1) or 55(1)(a) above.
  - (2) Sections 56(1)(a) and 55(1)(b) shall not apply to the disposal of the asset or part by the trustee, but any chargeable gain accruing to the trustee on the disposal shall be restricted to the amount of the held-over gain (or a corresponding part of it) on the disposal of the asset to him.
  - (3) Subsection (2) above shall not have effect in a case within section 56(1A) above ; but in such a case the reduction provided for by section 56(1A) above shall be diminished by an amount equal to the proportion there mentioned of the held-over gain.
  - (4) In this section " held-over gain " has the same meaning as in section 79(1) of the Finance Act 1980.”
- (4) This section applies in relation to interests terminating on or after 6th April 1982.

**85 Maintenance funds for historic buildings**

- (1) Section 148 of the Capital Gains Tax Act 1979 (maintenance funds for historic buildings) shall be amended as follows.
- (2) In subsection (1) for the words " section 84 of the Finance Act 1976 " there shall be substituted the words " section 95 of the Finance Act 1982 ".
- (3) In subsection (1A) for the words from " section 89(4)(d)" to " of that Act " there shall be substituted the words " paragraph 1(1) or (5) or 3(1) of Schedule 16 to the Finance Act 1982 no charge to capital transfer tax in respect of the asset deemed to be disposed of or a reduced charge to that tax by virtue of paragraph 1(2) or (8) or 3(4) of that Schedule. "
- (4) After subsection (1A) there shall be inserted—
 

“(1B) This section applies also where a trustee disposes (or is deemed to dispose) of an asset comprised in a settlement if on the disposal the asset becomes settled property in respect of which a direction has effect under section 93 of the Finance Act 1982.”

**86 Indexation allowance on certain disposals**

- (1) This section applies to any disposal of an asset—
  - (a) which occurs on or after 6th April 1982, or, if the disposal is by a company, on or after 1st April 1982 ; and
  - (b) which occurs after the expiry of the period of twelve months beginning on the date on which the asset in question was acquired or provided (which period is

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- in the following provisions of this Chapter referred to, in relation to a disposal, as " the qualifying period "); and
- (c) on which, disregarding the indexation allowance for which provision is made below, a gain would accrue (whether or not that gain would be wholly a chargeable gain).
- (2) In relation to a disposal to which this section applies—
- (a) " the gross gain " means the amount of the gain referred to in subsection (2) (c) above, computed in accordance with Chapter II of Part II of the Capital Gains Tax Act 1979 ; and
- (b) " relevant allowable expenditure " means, subject to subsection (3) below, any sum which, in the computation of the gross gain, was taken into account by virtue of paragraph (a) or paragraph (b) of subsection (1) of section 32 of that Act.
- (3) In determining what sum (if any) was taken into account as mentioned in subsection (2) (b) above, account shall be taken of any provision of any enactment which, for the purpose of the computation under the said Chapter II, increases, excludes or reduces the whole or any part of any item of expenditure falling within the said section 32 or provides for it to be written-down.
- (4) The following provisions of this Chapter have effect to provide for an allowance (in those provisions referred to as " the indexation allowance ") which, on a disposal to which this section applies, is to be allowed against the gross gain so as to give the gain for the purposes of the Capital Gains Tax Act 1979 or, if the indexation allowance equals or exceeds the gross gain, so as to extinguish it; and, accordingly, at the end of subsection (1) of section 28 of that Act (computation of gains accruing on the disposal of assets) there shall be added the words " and sections 86 and 87 of the Finance Act 1982 ".
- (5) Notwithstanding anything in section 29 of the Capital Gains Tax Act 1979 (losses to be computed in like manner as gains)—
- (a) this section does not apply to a disposal on which a loss accrues; and
- (b) in any case where, on a disposal to which this section does apply, the indexation allowance exceeds the gross gain, no loss shall result and, accordingly, the disposal shall be one on which, after taking account of the indexation allowance, neither a gain nor a loss accrues.
- (6) The provisions of Schedule 13 to this Act have effect for supplementing this section and the following provisions of this Chapter and the preceding provisions of this section have effect subject to the provisions of that Schedule.

## **87 Calculation of indexation allowance**

- (1) The provisions of this section have effect for the purpose of computing the indexation allowance on a disposal to which section 86 above applies.
- (2) The indexation allowance is the aggregate of the indexed rise in each item of relevant allowable expenditure; and, in relation to any such item of expenditure, the indexed rise is a sum produced by multiplying the amount of that item by a figure expressed as a decimal and determined, subject to subsections (3) and (4) below, by the formula

$$(RD - RI) \div RI$$

where—

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RD is the retail prices index for the month in which the disposal occurs; and  
 RI is the retail prices index for March 1982 or the month which is the twelfth month after that in which the expenditure was incurred, whichever is the later.

- (3) If, in relation to any item of expenditure.—
- (a) the month in which the expenditure was incurred is less than thirteen months before the month in which the disposal occurs, or
  - (b) RD, as defined in subsection (2) above, is equal to or less than RI, as so defined,
- the indexed rise in that item is nil.
- (4) If, in relation to any item of expenditure, the figure determined in accordance with the formula in subsection (2) above would, apart from this subsection, be a figure having more than three decimal places, it shall be rounded to the nearest third decimal place.
- (5) For the purposes of this section—
- (a) relevant allowable expenditure falling within paragraph
  - (a) of subsection (1) of section 32 of the Capital Gains Tax Act 1979 shall be assumed to have been incurred at the time when the asset in question was acquired or provided; and
  - (b) relevant allowable expenditure falling within paragraph (b) of that subsection shall be assumed to have been incurred at the time when that expenditure became due and payable.

## **88 Identification of securities etc. disposed of: general rules**

- (1) With respect to securities held on, or acquired on or after, 6th April 1982 or, in the case of a company, 1st April 1982 the provisions of this section (other than subsection (8)) and section 89 below have effect in place of sections 65 and 66 of the Capital Gains Tax Act 1979 (pooling and other rules for identification of securities); and, in taking account of those provisions.—
- (a) this section, section 89 below and Part II of Schedule 13 shall have effect subject to section 58 of the Finance (No. 2) Act 1975 (disposal of shares and securities within prescribed period of acquisition); and
  - (b) the reference in section 68(4) of the Capital Gains Tax Act 1979 (general identification rules for gilt-edged securities) to section 66(1) of that Act shall be construed as including a reference to subsection (4) below.
- (2) Where a person disposes of securities, the securities disposed of shall be identified in accordance with the rules contained in this section with the securities of the same class acquired by him which could be comprised in that disposal, and shall be so identified notwithstanding that they are otherwise identified by the disposal or by a transfer or delivery giving effect to it (but so that where a person disposes of securities in one capacity, they shall not be identified with securities which he holds or can dispose of only in some other capacity).
- (3) Securities disposed of on an earlier date shall be identified before securities disposed of on a later date, and the identification of the securities first disposed of shall accordingly determine the securities which could be comprised in the later disposal.
- (4) Securities disposed of for transfer or delivery on a particular date or in a particular period—



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- (a) shall not be identified with securities acquired for transfer or delivery on a later date or in a later period; and
  - (b) shall be identified with securities acquired for transfer or delivery on or before that date or in or before that period, but on or after the date of the disposal, rather than with securities not so acquired.
- (5) The securities disposed of shall be identified—
- (a) with securities acquired within the twelve months preceding the disposal rather than with securities not so acquired, and with securities so acquired on an earlier date rather than with securities so acquired on a later date, and
  - (b) subject to paragraph (a) above, with securities acquired on a later date rather than with securities acquired on an earlier date ; and
  - (c) with securities acquired at different times on any one day in as nearly as may be equal proportions.
- (6) The rules contained in the preceding subsections shall have priority according to the order in which they are so contained.
- (7) Notwithstanding anything in subsections (3) to (5) above, where, under arrangements designed to postpone the transfer or delivery of securities disposed of, a person by a single bargain acquires securities for transfer or delivery on a particular date or in a particular period and disposes of them for transfer or delivery on a later date or in a later period, then—
- (a) the securities disposed of by that bargain shall be identified with the securities thereby acquired ; and
  - (b) securities previously disposed of which, but for the operation of paragraph (a) above in relation to acquisitions for transfer or delivery on the earlier date or in the earlier period, would have been identified with the securities acquired by that bargain—
    - (i) shall, subject to subsection (3) above, be identified with any available securities acquired for such transfer or delivery (that is to say, any securities so acquired other than securities to which paragraph (a) above applies and other than securities with which securities disposed of for such transfer or delivery would be identified apart from this subsection) ; and
    - (ii) in so far as they cannot be so identified shall be treated as disposed of for transfer or delivery on the later date, or in the later period, mentioned above.
- (8) The provisions of Part II of Schedule 13 to this Act have effect with respect to securities acquired before 6th April 1982 or, in the case of a company, before 1st April 1982.
- (9) In this section and Schedule 13 to this Act "securities" means—
- (a) shares or securities of a company; and
  - (b) any other assets where they are of a nature to be dealt in without identifying the particular assets disposed of or acquired;
- and shares or securities of a company shall not be treated for the purposes of this section and that Schedule as being of the same class unless they are so treated by the practice of The Stock Exchange or would be so treated if dealt with on The Stock Exchange.

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## **89 Identification of securities: special rules**

- (1) Where, in a case of a man and his wife living with him, one of them—
  - (a) disposes of securities to his wife or her husband on or after 6th April 1982, and
  - (b) disposes of other securities, which are of the same kind as those disposed of to the wife or husband, to another person (in this section referred to as "a third party "), the provisions of subsections (3) and (4) below have effect with respect to any securities acquired by the person making those disposals which, but for the provisions of section 88 above, could have been comprised in either of those disposals.
- (2) Where a company which is a member of a group of companies—
  - (a) disposes of securities to another member of the group on or after 1st April 1982, and
  - (b) disposes of other securities, which are of the same kind as those disposed of to that other company, to another person (in this section referred to as a " third party ") not being another member of the same group, the provisions of subsections (3) and (4) below have effect with respect to any securities acquired by the company making those disposals which, but for the provisions of section 88 above, could have been comprised in either of those disposals.
- (3) If, apart from the provisions of this subsection, securities disposed of to a third party—
  - (a) would be indexed securities, and
  - (b) but for the disposal referred to in subsection (1)(a) or, as the case may be, subsection (2)(a) above would be un-indexed securities,

the identification shall be reversed so that the securities disposed of to the third party (or, if the quantity disposed of to the third party was greater than the quantity disposed of to the wife or husband or, as the case may be, to the other company, a part of them equal to the quantity so disposed of) shall be unindexed securities.
- (4) If there is more than one disposal falling within subsection (1)(a) or, as the case may be, subsection (2)(a) above, or more than one disposal to a third party, the provisions of subsection (3) above shall be applied to securities disposed of on an earlier date before being applied to securities disposed of on a later date, and the re-identification of the securities first disposed of shall accordingly determine the way in which this section applies to the securities comprised in the later disposal.
- (5) In this section " indexed securities " means securities which were acquired or provided more than twelve months before the date of the disposal concerned and " unindexed securities " shall be construed accordingly.
- (6) Section 272 of the Taxes Act (groups of companies) shall apply for the purpose of this section as it applies for the purposes of sections 273 to 281 of that Act.
- (7) Subsection (9) of section 88 above applies for the purposes of this section as it applies for the purposes of that.