



Finance Act 1984

1984 CHAPTER 43

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX ETC.

CHAPTER I

GENERAL

17 Charge of income tax for 1984-85

- (1) Income tax for the year 1984-85 shall be charged at the basic rate of 30 per cent.; and in respect of so much of an individual's total income as exceeds the basic rate limit (£15,400) at such higher rates as are specified in the Table below :

TABLE

<i>Higher rate bands</i>	<i>Higher rate</i>
The first (£2,800)	40 per cent.
The second (£4,900)	45 per cent.
The third (£7,500)	50 per cent.
The fourth (£7,500)	55 per cent.
The fifth	60 per cent.

and paragraphs (a) and (b) of subsection (1) of section 32 of the Finance Act 1971 (charge of tax at the basic and higher rates) shall have effect accordingly.

- (2) The provisions of Schedule 7 to this Act shall have effect with respect to the additional rate for the year 1984-85 and subsequent years of assessment.

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- (3) In accordance with the provisions of Schedule 7 to this Act, for the year 1984-85 any sum which, by virtue of any provision of Part III of the Finance Act 1973 or Chapter I of Part III of the Finance Act 1974, is chargeable at the additional rate, as defined for the purposes of that provision, shall be charged to income tax at the additional rate of 15 per cent.

18 Corporation tax for financial years 1983 to 1986: charge, rates and consequential provisions

- (1) Corporation tax shall be charged for each of the financial years specified in the first column of the table in subsection (3) below at the rate specified in the second column of that table.
- (2) The fraction by which, under section 93(2) of the Finance Act 1972, chargeable gains are to be reduced before they are for the purposes of corporation tax included in the profits of a company shall, for each of the financial years specified in the first column of the table in subsection (3) below, be the fraction specified in the third column of that table (instead of the fraction specified in section 10(1)(a) of the Finance Act 1974).
- (3) The table referred to in subsections (1) and (2) above is as follows:—

TABLE

<i>Financial year</i>	<i>Rate of tax</i>	<i>Reducing fraction</i>
1983	50 per cent.	Two-fifths
1984	45 per cent.	One-third
1985	40 per cent.	One-quarter
1986	35 per cent.	One-seventh

- (4) In section 310 of the Taxes Act, subsections (1), (2) and (4) (relief for insurance companies where rate of corporation tax exceeds 37.5 per cent.) shall not have effect with respect to the financial year 1986 or any subsequent financial year.
- (5) After subsection (6) of the said section 310 there shall be inserted the following subsection:—
- “(7) For the purposes of subsection (6) above, 'unrelieved income' means income which has not been excluded from charge to tax by virtue of any provision and against which no relief has been allowed by deduction or set-off”.
- (6) With respect to the financial year 1986 and subsequent financial years, in paragraph 2(4) of Schedule 18 to the Finance Act 1972 (which refers to a particular part of unrelieved income) for the words from "subsection (4)" onwards there shall be substituted the words " subsection (7) of that section) from investments held in connection with the company's life assurance business ".

19 Rate of advance corporation tax for financial year 1984

The rate of advance corporation tax for the financial year 1984 shall be three-sevenths.

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20 Corporation tax: other rates and fractions

- (1) The small companies rate for each of the financial years 1983 to 1986 shall be 30 per cent.
- (2) For each of the financial years specified in the first column of the table set out below the fraction mentioned in subsection (2) of section 95 of the Finance Act 1972 (marginal relief for small companies) shall be the fraction specified in the second column of that table:—

TABLE

<i>Financial year</i>	<i>Marginal relief fraction</i>
1983	One-twentieth
1984	Three-eighths
1985	One-fortieth
1986	One-eightieth.

- (3) In section 10(3) of the Finance Act 1974 (which fixed for the purposes of section 96 of the Finance Act 1972 the special rate for certain industrial and provident societies, housing associations and building societies) after the words " subsequent years " there shall be inserted the words " up to and including the financial year 1984 " ; and the said section 96 shall not have effect with respect to the financial year 1985 or any subsequent financial year.
- (4) In any case where the said section 96 has effect in relation to one part of an accounting period of a body to which that section applies but, by virtue of subsection (3) above, does not have effect with respect to the other part—
 - (a) those parts of that accounting period shall be treated for the purposes of that section as if they were separate accounting periods; and
 - (b) the income of the body for that period (as defined in that section) shall be apportioned between those parts.

21 Personal reliefs

- (1) Section 24(5) of the Finance Act 1980 (increase of personal reliefs) shall not apply for the year 1984-85.
- (2) In section 8 of the Taxes Act (personal reliefs)—
 - (a) in subsection (1)(a) (married) for " £2,795 " there shall be substituted " £3,155 ";
 - (b) in subsection (1)(b) (single) and (2) (wife's earned income relief) for "£1,785 " there shall be substituted " £2,005 ";
 - (c) in subsection (1A) (age allowance) for " £3,755 " and " £2,360 " there shall be substituted " £3,955 " and " £2,490 " respectively ; and
 - (d) in subsection (1B) (income limit for age allowance) for " £7,600 " there shall be substituted " £8,100 ".

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22 Relief for interest

- (1) In paragraph 5 of Schedule 1 to the Finance Act 1974 (limit on relief for interest on certain loans for the purchase or improvement of land)—
- (a) in sub-paragraph (1), for the words from " that is to say" to " reduced" there shall be substituted the words " that is to say, the qualifying maximum for the year of assessment, reduced "; and
 - (b) in paragraph (b) of that sub-paragraph, for the words from " below " to " more " there shall be substituted the words " below is equal to or exceeds the qualifying maximum for the year of assessment "; and
 - (c) after that sub-paragraph there shall be inserted the following sub-paragraph:—

“(1A) In this Schedule references to the qualifying maximum for any year of assessment are references to such sum as Parliament may determine for the purpose for that year.”
- (2) In paragraph 6 of that Schedule (continuing relief for an existing home loan where the borrower raises a new loan to purchase another home in which he takes up residence) after sub-paragraph (1) there shall be inserted the following sub-paragraph:—
- “(1A) Where Part I of Schedule 9 to the Finance Act 1972 continues to apply to a loan by virtue of sub-paragraph (1)(a) above, paragraph 5 above shall also continue to have effect in relation to the loan as if that Part applied to it by virtue of paragraph 4(1)(a) above.”
- (3) In paragraph 24 of that Schedule (loans to purchase life annuities), in sub-paragraph (3), for the amounts of money there specified (which, by virtue of section 3(2) of the Finance (No. 2) Act 1983, are £30,000 for the year 1983-84) there shall be substituted in both places the words " the qualifying maximum for the year of assessment ".
- (4) For the year 1984-85 the qualifying maximum referred to in paragraphs 5(1) and 24(3) of Schedule 1 to the Finance Act 1974 shall be £30,000.
- (5) Subsections (1) to (3) above have effect with respect to the year 1984-85 and subsequent years of assessment

23 Variation of terms of repayment of certain loans

- (1) If, in a case where subsection (1) of section 28 of the Finance Act 1982 applies (variation of combined payments where loan interest payable under deduction of tax),
- (a) on or after the date on which this Act is passed, the qualifying lender concerned gives notice to the qualifying borrower under subsection (2)(a) of that section, and
 - (b) the qualifying borrower gives a notice under subsection (2)(b) of that section, then subsection (4)(b) of that section (which determines the maximum amount of each combined payment where the qualifying borrower has given such a notice) shall have effect subject to the modifications in subsection (2) below.
- (2) The modifications of the said subsection (4)(b) referred to in subsection (1) above are—
- (a) for the words " first combined payment payable by the borrower after the date referred to in subsection (1)(c) above " there shall be substituted the words "

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combined payment payable by the borrower on the effective date of the notice under subsection (2)(a) above "; and

- (b) for the words " year 1983-84 " there shall be substituted the words " year of assessment in which that effective date falls ".

- (3) After subsection (4) of the said section 28 there shall be inserted the following subsection:—

“(4A) For the purposes of subsection (4)(b) above, the effective date of a notice under subsection (2)(a) above is the date which, in accordance with regulations, is the due date for the first combined payment which, in consequence of that notice and the notice under subsection (2)(b) above, is a net payment for the purposes of subsection (3)(b) above.”

- (4) In subsection (1) above " qualifying lender ", " qualifying borrower " and " combined payment " have the same meaning as in section 28 of the Finance Act 1982.

24 Relief for interest: money borrowed for investment in employee-controlled company

- (1) Paragraph 10D of Schedule 1 to the Finance Act 1974 (loans applied in investing in employee-controlled companies) shall be amended as follows.

- (2) In sub-paragraph (2), for the words " at least 75 per cent." there shall be substituted the words " more than 50 per cent. ".

- (3) In sub-paragraph (3), for the words " 5 per cent. " there shall be substituted the words " 10 per cent. ".

- (4) After sub-paragraph (3) there shall be inserted the following sub-paragraph—

“(3A) Where an individual and his spouse are both full-time employees of the company, sub-paragraph (3) above shall apply in relation to them with the omission of the words ' or he and his spouse together own beneficially'.”.

- (5) Paragraph 10D shall have effect as if the amendments made by this section had been incorporated in that paragraph as originally enacted.

25 Self-employed persons living in job-related accommodation

- (1) In paragraph 4A of Schedule 1 to the Finance Act 1974 (restrictions on relief for loans for purchase etc. of land: persons living in job-related accommodation) after sub-paragraph (3) there shall be inserted the following sub-paragraphs:—

“(3A) Subject to sub-paragraph (3B) below, living accommodation is also job-related for a person if, under a contract entered into at arm's length and requiring him or his spouse to carry on a particular trade, profession or vocation, he or his spouse is bound—

- (a) to carry on that trade, profession or vocation on premises or other land provided by another person (whether under a tenancy or otherwise); and
- (b) to live either on those premises or on other premises provided by that other person.

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(3B) Sub-paragraph (3A) above does not apply if the living accommodation concerned is, in whole or in part, provided by—

- (a) a company in which the borrower or his spouse has a material interest; or
- (b) any person or persons together with whom the borrower or his spouse carries on a trade or business in partnership.”

(2) The amendment effected by subsection (1) above has effect—

- (a) with respect to interest paid on or after 6th April 1983 ; and
- (b) so far as (by virtue of section 101(8) of the Capital Gains Tax Act 1979) it relates to relief from tax on capital gains, with respect to residence on and after that date in living accommodation which is job-related within the meaning of the said paragraph 4A.

26 Determination of reduced rate for building societies and composite rate for banks etc.

(1) In the year 1984-85 and in every subsequent year of assessment the Treasury shall by order made by statutory instrument determine a rate which shall, for the following year of assessment, be—

- (a) the reduced rate for the purposes of section 343 of the Taxes Act (building societies); and
- (b) the composite rate for the purposes of section 27 of this Act.

(2) The order made under subsection (1) above in each year of assessment shall—

- (a) be made before 31st December in that year; and
- (b) be based only on information relating to periods before the end of the year of assessment in which the order is made.

(3) Whenever they exercise their powers under this section the Treasury shall aim at securing that (assuming for the purposes of this subsection that the amounts payable by building societies under section 343 of the Taxes Act and by deposit-takers under section 27 of this Act are income tax) the total income tax becoming payable to, and not being repayable by, the Crown is (when regard is had to the operation of those sections) as nearly as may be the same in the aggregate as it would have been if those sections had not been enacted.

(4) In relation to the exercise of their powers under this section at any time before the year 1988-89, the Treasury may regard subsection (3) above as directed only to amounts payable by building societies under section 343 and to the operation of that section.

(5) In section 343(1) of the Taxes Act, the proviso and in paragraph (a) the words from " which takes " to " this section " shall cease to have effect as from 6th April 1985.

(6) An order under this section shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.

(7) For the purposes of enabling the Treasury to comply with the requirements of subsection (3) above, the Board may by notice in writing require any deposit-taker (within the meaning of paragraph 2 of Schedule 8 to this Act) or building society to furnish to the Board such information about its depositors as the Board may reasonably require for those purposes; and may so require any deposit-taker at any time before the year 1988-89 notwithstanding subsection (4) above.

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- (8) The Table in section 98 of the Taxes Management Act 1970 (penalties) shall be amended by inserting at the end of the first column—

“Section 26 of the Finance Act 1984.”.

- (9) In subsection (7) above " depositors ", in relation to a building society, includes shareholders.

27 Interest paid on deposits with banks etc.

- (1) Any deposit-taker making a payment of interest in respect of any relevant deposit shall be liable to account for and pay an amount representing income tax on that payment, calculated by applying the composite rate (determined in accordance with section 26 of this Act) to the grossed-up amount of the payment, that is to say to the amount which after deduction of tax at the composite rate would be equal to the amount actually paid.
- (2) Any payment of interest within subsection (1) above shall be treated as not being within section 54 of the Taxes Act (annual interest).
- (3) Schedule 8 to this Act shall have effect for the purpose of supplementing this section.
- (4) Subject to paragraph 6(1) of Schedule 8, this section applies in relation to payments made after 5th April 1985.

28 Accommodation allowances and expenditure of MPs

- (1) An allowance—
- (a) which is paid to a Member of the Commons House of Parliament in respect of any period after 31st March 1984, and
 - (b) for which provision is made by Resolution of that House, and
 - (c) which is expressed to be in respect of additional expenses necessarily incurred by the Member in staying overnight away from his only or main residence for the purpose of performing his parliamentary duties, either in the London area, as defined in such a Resolution, or in his constituency,
- shall not be regarded as income for any income tax purpose.
- (2) For the year 1984-85 and subsequent years of assessment,—
- (a) no deduction shall be made under section 189 of the Taxes Act (relief for necessary expenses) in respect of expenditure incurred by a Member of the Commons House of Parliament in, or in connection with, the provision or use of residential or overnight accommodation to enable him to perform his duties as such a Member in or about the Palace of Westminster or his constituency ; and
 - (b) no allowance shall be made under Chapter I of Part III of the Finance Act 1971 (capital allowances) in respect of any expenditure so incurred.

29 Terminal grants to Representatives to the Assembly of the European Communities etc.

- (1) Grants made under section 3 of the European Assembly (Pay and Pensions) Act 1979 (resettlement grants to persons ceasing to be Representatives) and payments under section 13 of the Parliamentary Pensions etc. Act 1984 (grants to persons ceasing to

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hold certain Ministerial and other offices) shall be exempt from income tax under Schedule E as emoluments, but without prejudice to their being taken into account, to the extent permitted by section 188(3) of the Taxes Act, under section 187 of that Act.

(2) This section applies to grants and payments whenever made.

30 Reduction and abolition of reliefs in relation to foreign earnings and emoluments etc.

(1) Paragraphs 2 and 3 of Schedule 7 to the Finance Act 1977 (relief from income tax under Case I of Schedule E in relation to short or intermittent absences abroad and foreign employments) shall cease to apply in relation to years of assessment after the year 1984-85 ; and in relation to the year 1984-85 those paragraphs shall have effect with the substitution for the words " one-quarter " of the words " one-eighth ".

(2) Section 27 of the Finance Act 1978 (relief from income tax under Case I or Case II of Schedule D in relation to short or intermittent absences abroad) shall cease to apply in relation to years of assessment after the year 1984-85 ; and in relation to the year 1984-85 paragraph 4 of Schedule 4 to that Act shall have effect with the substitution for the words " one-quarter " of the words " one-eighth ".

(3) Subject to subsection (4) below, section 23(3) of the Finance Act 1974 (relief from income tax in respect of trade, profession or vocation carried on abroad) shall cease to apply in relation to any year of assessment after the year 1984-85.

(4) Section 23(3) of the Finance Act 1974 shall continue to have effect in relation to losses sustained before the year 1983-84 and capital allowances for any year of assessment before 1984-85 and shall have effect—

- (a) in relation to losses sustained in the year 1983-84, and capital allowances for the year 1984-85, with the substitution for the words " three-quarters " of the words " seven-eighths ";
- (b) in relation to losses sustained after 5th April 1984, with the omission of the restriction of the relief given by subsection (2) of section 23 ; and
- (c) in relation to any charge to tax for the year 1984-85, with the substitution for the words " one-quarter " of the words " one-eighth ".

(5) Paragraph 35 of Schedule 9 to the Finance Act 1981 (reduction of stock relief where relief from income tax given under section 23(3) of the Finance Act 1974) shall have effect in relation to any relief under that Schedule for which the relevant year of assessment is the year 1984-85—

- (a) with the omission of the words " of one-quarter of the amount of that income " ; and
- (b) with the substitution for the words " three-quarters " of the words " seven-eighths ";

and where by virtue of that paragraph any relief is reduced in the year which is the relevant year of assessment for that relief, it shall be so reduced in any subsequent year in which effect is given to it.

(6) For the purposes of subsection (4) above, any reference to capital allowances for a year of assessment shall be construed as a reference to those falling to be made in taxing the trade, profession or vocation for that year but excluding any part of the allowances carried forward from an earlier year.

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- (7) Subject to subsection (8) below, section 188(2)(a) of the Taxes Act (relief from income tax in relation to payments on retirement or removal from certain foreign offices and employments) shall cease to apply in any case where the relevant date (within the meaning of section 188) falls after 13th March 1984.
- (8) Subsection (7) above does not apply where the payment is made before 1st August 1984 in pursuance of an obligation incurred before 14th March 1984.
- (9) Subject to subsection (10) below, paragraph 3 of Schedule 2 to the Finance Act 1974 (relief from income tax in relation to foreign emoluments chargeable under Case I or Case II of Schedule E) shall cease to apply in relation to years of assessment after the year 1983-84.
- (10) Subsection (9) above does not apply in relation to any year of assessment, before the year 1989-90, in which—
- (a) the conditions mentioned in subsection (11) below are satisfied in relation to the holder of the office or employment in question; and
 - (b) the deduction from emoluments would (by virtue of paragraph 3(2) of Schedule 2 and disregarding this section) be one-half.
- (11) The conditions referred to in subsection (10) above are—
- (a) that the person in question either held a foreign employment at any time in the period beginning with 6th April 1983 and ending with 13th March 1984 or did not hold a foreign employment in that period but, in fulfilment of an obligation incurred before 14th March 1984, performed duties of a foreign employment in the United Kingdom before 1st August 1984 ; and
 - (b) that he has held a foreign employment in the year 1984-85 and in each subsequent year of assessment.
- In this subsection " foreign employment" means an office or employment the emoluments of which are foreign emoluments chargeable under Case I or Case II of Schedule E.
- (12) Where by virtue of subsection (10) above paragraph 3(2) of Schedule 2 to the Finance Act 1974 continues to have effect in relation to the year 1987-88 or the year 1988-89, it shall do so with the substitution for the words " one-half " of the words " one-quarter ".
- (13) In section 23(4) of the Act of 1974, for the words from " in the charging " to " this section " there shall be substituted the words " falling within subsection (1) above ".
- (14) In section 31(2) of the Finance Act 1977—
- (a) the words from the beginning to " emoluments); and " shall cease to have effect; and
 - (b) for the words " the said Schedule 2 " there shall be substituted the words " Schedule 2 to the Finance Act 1974 ".
- (15) Subsections (13) and (14) above shall have effect in relation to the year 1985-86 and subsequent years of assessment.

31 Scholarships

- (1) In subsection (3) of section 62A of the Finance Act 1976 (scholarships)—
- (a) after paragraph (b) there shall be inserted—

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- “; and
- (c) which would not be regarded, for the purposes of this Chapter, as provided by reason of a person's employment were subsection (2) above and section 72(3) below to be disregarded ;”; and
- (b) for the words from " so held " to the end there shall be substituted the words " held as mentioned in paragraph (b) above is attributable to relevant scholarships. ".
- (2) In subsection (4) of section 62A—
- (a) after the word " section " where it first occurs, there shall be inserted—
- “relevant scholarship ' means a scholarship which is provided by reason of a person's employment (whether or not that employment is director's or higher-paid employment); and”; and
- (b) at the end there shall be inserted—
- “For the purposes of the definition of relevant scholarship, ' employment' includes an office or employment whose emoluments do not fall to be assessed under Schedule E but would fall to be so assessed if the employee were resident, and ordinarily resident, and all the duties of the employment were performed wholly, in the United Kingdom.”.
- (3) In section 20 of the Finance Act 1983 (which inserts section 62A into the Act of 1976 and specifies the payments to which it applies), for subsection (3)(c) there shall be substituted—
- “(c) in relation to payments made after 5th April 1989, the person holding the scholarship is receiving full-time instruction at the university, college, school or other educational establishment at which he was receiving such instruction on—
- (i) 15th March 1983, in a case where the first payment in respect of the scholarship was made before that date ; or
- (ii) the date on which the first such payment was made, in any other case.
- (3A) For the purposes of subsection (3)(c) above, a payment made before 6th April 1989 in respect of any period beginning on or after that date shall be treated as made at the beginning of that period.”.
- (4) The amendments made by subsections (1) and (2) above shall have effect in relation to payments made on or after 6th April 1984 and those made by subsection (3) shall be deemed to have been incorporated in section 20 of the Finance Act 1983 as originally enacted.

32 Apportionment of income etc. of close companies

- (1) In paragraph 5(4) of Schedule 16 to the Finance Act 1972 (minimum amount on which an individual is to be assessed to income tax by virtue of apportionment), in paragraph (a), for the words " £200 " there shall be substituted the words " £1,000 ".
- (2) This section has effect in relation to accounting periods ending on or after 6th April 1984.

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33 Employees seconded to charities: extension of relief to individual traders etc.

Section 28 of the Finance Act 1983 (relief in cases where a company second an employee to a charity) shall have effect and be deemed always to have had effect with the insertion, after subsection (2), of the following subsections:—

“(2A) In any case where a person (" the employer ") who is not a company makes available to a charity, on a basis which is expressed and intended to be of a temporary nature, the services of a person who is in his employment for the purposes of a trade carried on by the employer, subsections (1) and (2) above apply as if references therein to a company were references to the employer.

(2B) This section applies in relation to a profession or vocation as it applies in relation to a trade, taking the reference in subsection (2) above to Case I of Schedule D as a reference to Case II of that Schedule.”

34 Building societies: interest to be payable gross on certain deposits

(1) In paragraph (iii) of the proviso to subsection (3) of section 343 of the Taxes Act (arrangements for payment of income tax on interest etc. paid by building societies) after the words " certificate of deposit" there shall be inserted the words " or on any qualifying time deposit " .

(2) After subsection (8A) of that section there shall be inserted the following subsection—

“(8B) In subsection (3) above " qualifying time deposit" means a deposit which is made with the society concerned by way of loan and which—

- (a) is in sterling and for an amount which is not less than £50,000;
- (b) is made on terms requiring repayment of the loan at the end of a specified period which expires before the end of the period of twelve months beginning on the date on which the deposit is made; and
- (c) is not made on terms which make provision for the transfer of the right to repayment.”

(3) This section has effect in relation to interest on qualifying time deposits (as defined above) which is or was payable after 30th September 1983.

35 Interest on quoted Eurobonds

(1) Section 54 of the Taxes Act (deduction of income tax from certain interest payments) shall not apply to interest paid on any quoted Eurobond where—

- (a) the person by or through whom the payment is made is not in the United Kingdom ; or
- (b) the payment is made by or through a person who is in the United Kingdom but either of the conditions mentioned in subsection (2) below is satisfied.

(2) The conditions are—

- (a) that it is proved, on a claim in that behalf made to the Board, that the person who is the beneficial owner of the quoted Eurobond and is entitled to the interest is not resident in the United Kingdom;
- (b) that the quoted Eurobond is held in a recognised clearing system.

(3) In a case falling within subsection (1)(b) above, the person by or through whom the payment is made shall deliver to the Board—

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- (a) on demand by the Board, an account of the amount of any such payment; and
 - (b) not later than 12 months after making any such payment, and unless within that time he delivers an account with respect to the payment under paragraph (a) above, a written statement specifying his name and address and describing the payment.
- (4) In section 248 of the Taxes Act (allowance of charges on company's income), the following paragraph shall be inserted after paragraph (a) of subsection (4)—
- “(aa) by virtue of section 35 of the Finance Act 1984 (interest on quoted Eurobonds), section 54 of this Act does not apply to the payment; or”.
- (5) Where by virtue of any provision of the Tax Acts interest paid on any quoted Eurobond is deemed to be income of a person other than the person who is the beneficial owner of the quoted Eurobond, subsection (2)(a) above shall apply as if it referred to that other person.
- (6) Subsections (3) to (6) of section 159 of the Taxes Act (assessment and charge to tax etc. in respect of foreign dividends) shall apply in relation to interest on quoted Eurobonds as they apply in relation to foreign dividends but with the following modifications—
- (a) subsection (4) shall apply as if it required a claim to have been made on or before the event by virtue of which tax would otherwise be chargeable; and
 - (b) paragraph 6 of Schedule 5 to that Act shall apply with the omission of paragraphs (a) and (b).
- (7) In this section—
- " quoted Eurobond " means a security which—
- (a) is issued by a company;
 - (b) is quoted on a recognised stock exchange (within the meaning of section 535 of the Taxes Act);
 - (c) is in bearer form ; and
 - (d) carries a right to interest; and
- " recognised clearing system " means any system for clearing quoted Eurobonds which is for the time being designated for the purposes of this section, by order made by the Board, as a recognised clearing system.
- (8) An order under subsection (7) above—
- (a) may contain such transitional and other supplemental provisions as appear to the Board to be necessary or expedient; and
 - (b) may be varied or revoked by a subsequent order so made.
- (9) In the Table in section 98 of the Taxes Management Act 1970, at the end of the second column there shall be inserted—

“Section 35(3) of the Finance Act 1984.”.

- (10) This section has effect in relation to payments of interest made after the passing of this Act.

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36 Deep discount securities

- (1) Schedule 9 to this Act shall have effect with respect to the treatment, for the purposes of income tax, corporation tax and capital gains tax, of deep discount securities.
- (2) For the purposes of this section—
 - " the amount payable on redemption " does not include any amount payable by way of interest;
 - " a deep discount", in relation to any redeemable security, means a discount which—
 - (a) represents more than 15 per cent, of the amount payable on redemption of that security ; or
 - (b) is 15 per cent, or less, but exceeds half Y per cent., of the amount so payable (where Y is the number of complete years between the date of issue of the security and the redemption date);
 - " a deep discount security " means any redeemable security which has been issued by a company at a deep discount, other than—
 - (a) a share in the company ;
 - (b) a security in respect of which the amount payable on redemption is determined by reference to the movement of the retail prices index (within the meaning of section 24 of the Finance Act 1980) or any similar general index of prices which is published by, or by an agent of, the government of any territory outside the United Kingdom ; or
 - (c) a security, the whole or any part of which falls, by virtue of section 233(2)(c) of the Taxes Act, within the meaning of " distribution " in the Corporation Tax Acts;
 - " a discount" means any amount by which the issue price of a redeemable security is less than the amount payable on redemption of that security; and
 - " the redemption date" in relation to any redeemable security, means the earliest date on which, under the terms on which the security is issued, the holder of the security will be entitled to require it to be redeemed by the company which issued it.
- (3) Where securities which were issued on or before 13th March 1984 have been exchanged, at any time after that date, for new securities which would be deep discount securities but for this subsection, the new securities shall not be treated as deep discount securities if—
 - (a) the old securities would not have been deep discount securities if they had been issued after 13th March 1984;
 - (b) the date which is the redemption date in relation to the new securities is not later than the date which was the redemption date in relation to the old securities ; and
 - (c) the amount payable on redemption of the new securities does not exceed the amount which would have been payable on redemption of the old securities.
- (4) For the purposes of this section, a security comprised in any letter of allotment or similar instrument shall be treated as issued unless the right to the security conferred by the letter or instrument remains provisional until accepted, and there has been no acceptance.
- (5) Subject to paragraph 3(8) of Schedule 9 to this Act, this section shall have effect in relation to securities issued after 13th March 1984.

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37 Business expansion scheme

- (1) In paragraph 6(2) of Schedule 5 to the Finance Act 1983 (trades which are excluded from being qualifying trades for purposes of business expansion scheme) there shall be added, at the end, the words " or of farming ".
- (2) After that paragraph there shall be inserted—
 - “(2A) A trade shall not be treated as failing to comply with this paragraph by reason only of its consisting to a substantial extent of receiving royalties or licence fees if—
 - (a) the company carrying on the trade is engaged throughout the relevant period in the production of films; and
 - (b) all royalties and licence fees received by it in that period are in respect of films produced by it or sound recordings in relation to such films or other products arising from such films.
 - (2B) In this paragraph—
 - ' film' means an original master negative of a film, an original master film disc or an original master film tape; and
 - ' sound recording' means, in relation to a film, its sound track, original master audio disc or, as the case may be, original master audio tape.”.
- (3) Subsection (1) of this section has effect in relation to shares issued after 13th March 1984.

38 Approved share option schemes

- (1) The provisions of this section shall apply where, on or after 6th April 1984, an individual obtains a right to acquire shares in a body corporate—
 - (a) by reason of his office or employment as a director or employee of that or any other body corporate ; and
 - (b) in accordance with the provisions of a scheme approved under Schedule 10 to this Act.
- (2) Subject to subsection (5) below, tax shall not be chargeable under any provision of the Tax Acts in respect of the receipt of the right.
- (3) If the conditions mentioned in subsection (4) below are satisfied and he exercises the right in accordance with the provisions of the scheme at a time when it is approved under Schedule 10—
 - (a) tax shall not be chargeable under any provision of the Tax Acts in respect of the exercise nor under section 79(4) of the Finance Act 1972 in respect of an increase in the market value of the shares ;
 - (b) section 29A(1) of the Capital Gains Tax Act 1979 (assets deemed to be acquired at market value) shall not apply in calculating the consideration for the acquisition of the shares by him or for any corresponding disposal of them to him.
- (4) The conditions are that—
 - (a) the period beginning with his obtaining the right and ending with his exercising it is not less than three, nor greater than ten, years ;

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- (b) the right is not exercised within three years of the date on which he last exercised (in circumstances in which paragraphs (a) and (b) of subsection (3) above apply) any right obtained under the scheme or under any other scheme approved under Schedule 10 (any such right exercised on the same day as the right in question being disregarded).
- (5) Where the aggregate of—
- (a) the amount or value of any consideration given by him for obtaining the right; and
 - (b) the price at which he may acquire the shares by exercising the right;
- is less than the market value, at the time he obtains the right, of the same quantity of issued shares of the same class, he shall be chargeable to tax under Schedule E for the year of assessment in which he obtains the right on the amount of the difference; and the amount so chargeable shall be treated as earned income, whether or not it would otherwise fall to be so treated.
- (6) For the purposes of section 32(1)(a) of the Capital Gains Tax Act 1979 (computation of chargeable gains: allowable expenditure), the consideration given for shares acquired in the exercise of the right shall be taken to have included that part of any amount on which income tax is payable in accordance with subsection (5) above which is attributable to the shares disposed of.
- This subsection applies whether or not the exercise is in accordance with the provisions of the scheme and whether or not the scheme is approved at the time of the exercise.
- (7) Subsections (8) and (9) below apply where he is chargeable to tax under subsection (5) above on any amount ("the amount of the discount") and subsequently, in circumstances in which subsection (3) above does not apply—
- (a) is chargeable to tax under section 186 of the Taxes Act (directors and employees of companies granted rights to acquire shares: charge to tax under Schedule E); or
 - (b) is treated by virtue of section 67 of the Finance Act 1976 (benefits in kind: employee shareholdings) as having had the benefit of a notional interest-free loan.
- (8) In a case falling within subsection (7)(a) above the amount of the gain on which he is chargeable to tax under section 186 shall be reduced by that part of the amount of the discount which is attributable to the shares in question.
- (9) In a case falling within subsection (7)(b) above the amount of the notional loan initially outstanding shall be reduced by that part of the amount of the discount which is attributable to the shares in question.
- (10) The Table in section 98 of the Taxes Management Act 1970 (penalties) shall be amended by inserting at the end of the first column—

“Paragraph 14 of Schedule 10 to the Finance Act 1984.”.

39 Share options

- (1) In section 47(1)(b)(ii) of the Finance Act 1980 (section 29A(1) of the Capital Gains Tax Act 1979 not to apply in calculating consideration for acquisition of shares

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- under savings-related share option scheme), the words " by him or any corresponding disposal of them to him " shall be added at the end.
- (2) In Schedule 10 to that Act, in paragraph 1(1) (conditions for approval of such schemes) the following paragraphs shall be inserted after paragraph (a)—
- “(aa) if they are satisfied that there are no features of the scheme (other than any which are included to satisfy requirements of this Schedule) which have or would have the effect of discouraging any of the persons who fulfil the conditions in paragraph 20(1)(a) to (c) below from actually participating in the scheme; and
- (ab) where the company concerned is a member of a group of companies, if they are satisfied that the scheme does not and would not have the effect of conferring benefits wholly or mainly on directors of companies in the group or on those employees of companies in the group who are in receipt of the higher or highest levels of remuneration ; and”.
- (3) In paragraph 1 of that Schedule the following sub-paragraph shall be inserted after sub-paragraph (1):—
- “(1A) In sub-paragraph (1)(ab) above, a group of companies means a company and any other companies of which it has control.”
- (4) In paragraph 3(1) of that Schedule, for the words from " any of the conditions " to " ceases to be satisfied " there shall be substituted the words " they cease to be satisfied as mentioned in paragraph 1 above ".
- (5) In paragraph 13 the words " (not exceeding £50 monthly) " shall be omitted and at the end there shall be inserted—
- “(2) Subject to sub-paragraph (3) below, the scheme must not—
- (a) permit the aggregate amount of a person's contributions under certified contractual savings schemes linked to schemes approved under this Schedule to exceed £100 monthly, nor
- (b) impose a minimum on the amount of a person's contributions which exceeds £10 monthly.
- (3) The Treasury may by order made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament, amend sub-paragraph (2) above by substituting for any amount for the time being specified in that sub-paragraph such amount as may be specified in the order.”
- (6) In paragraph 20 of that Schedule (conditions as to persons eligible to participate)—
- (a) at the end of sub-paragraph (1) there shall be added the words " and those who do participate in the scheme must actually do so on similar terms "; and
- (b) at the end of sub-paragraph (2) there shall be added the words " or do not actually do so ".
- (7) In section 40 of the Finance Act 1982 (share options), subsections (4) and (5) (payment of tax by instalments) shall cease to have effect in relation to any right to acquire shares which is obtained after 5th April 1984.
- (8) In relation to any such right which is obtained before 6th April 1984 and exercised after 5th April 1983, section 40 of the Act of 1982 shall be amended as follows—

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- (a) in subsections (4) and (5) (payment of tax by instalments)—
 - (i) for the word " three ", in each place where it occurs, there shall be substituted the word " five "; and
 - (ii) for the word " third ", in each place where it occurs, there shall be substituted the word " fifth "; and
 - (b) for paragraph (c) of subsection (4) there shall be substituted the following paragraph:—
 - “(c) the second, third and fourth instalments shall be due on such dates as will secure, so far as may be, that the interval between any two consecutive instalments is the same”.
- (9) Subsection (1) above shall apply to acquisitions and disposals made after 14th November 1980, subsection (5) above shall come into force on such day as the Treasury may by order made by statutory instrument appoint for the purposes of this subsection, and the amendments made by this section to Schedule 10 to the 1980 Act shall apply in relation to schemes whenever approved.

40 Share incentive schemes: shares in authorised unit trusts

- (1) In section 79 of the Finance Act 1972 (share incentive schemes) in subsection (2) (exemptions from the income tax charge on increase in value) at the end of paragraph (b) there shall be inserted the following paragraph:—
- “(bb) the acquisition was an acquisition of an interest in shares and that interest consists of shares in an authorised unit trust (hereafter in this section referred to as " units ") and—
 - (i) prior to the acquisition the unit trust was approved by the Board for the purposes of this section and, at the time of the acquisition, continues to be so approved, and
 - (ii) the condition in subsection (2B) below is fulfilled with respect to the body corporate (in that subsection referred to as " the relevant company "), directorship of or employment by which gave rise to the right or opportunity by virtue of which the acquisition was made ; or ””
- (2) After subsection (2A) of that section there shall be inserted the following subsection:—
- “(2B) The condition referred to in subsection (2)(bb) above is fulfilled with respect to the relevant company if, for no continuous period of one month or more, throughout which any director or employee of the relevant company either—
- (a) has, by virtue of his office or employment, any such right or opportunity as is referred to in subsection (1) above to acquire units in the unit trust, or
 - (b) retains any beneficial interest in any units in the unit trust which he acquired in pursuance of such a right or opportunity,
- do investments in the relevant company and in any other company in relation to which the relevant company is an associated company make up more than 10 per cent. by value of the investments subject to the trusts of the unit trust.”
- (3) After subsection (4) of that section there shall be inserted the following subsection:—

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- “(4A) In any case where subsection (4) above applies and the acquisition was an acquisition of units,—
- (a) any reference in that subsection or in subsections (5), (6), (9) and (11) below to shares shall be construed as a reference to units ; and
 - (b) any reference in those subsections to an interest in shares shall be omitted.”
- (4) In Part VII of Schedule 12 to the Finance Act 1972 (provisions supplementary to sections 77 to 79 of that Act) after paragraph 3 there shall be inserted the following paragraph:—
- “3A The Board may by notice in writing require the managers or trustees of any unit trust scheme which is an authorised unit trust approved by the Board for the purposes of section 79 of this Act to furnish to the Board, within such time as they may direct (but not being less than thirty days), such information as the Board think necessary for the purposes of enabling them—
- (a) to determine whether the condition in subsection (2B) of that section is being or has at any time been fulfilled; and
 - (b) to determine the liability to tax of any unit holder whose rights were acquired as mentioned in subsection (1) of that section.”
- (5) In paragraph 6 of that Schedule (interpretation) after the definition of " associated company " there shall be inserted—
- “' authorised unit trust' and ' unit holder' have the meaning assigned to them by section 358 of the Taxes Act;”
- (6) In section 98 of the Taxes Management Act 1970 (penalty for failure to furnish information etc.) in the entry in the second column which begins " Paragraph 3 of Part VII of Schedule 12 to the Finance Act 1972 " after the words " Paragraph 3 " there shall be inserted the words " or paragraph 3A " .
- (7) This section applies to acquisitions on or after 6th April 1984.

41 Share incentive schemes: exemption for certain acquisitions

- (1) After subsection (1) of section 79 of the Finance Act 1972 (share incentive schemes) there shall be inserted—
- “(1A) Where—
- (a) a director or employee of a body corporate acquires shares in pursuance of an opportunity to acquire shares of that class offered to directors and employees of the body in their capacity as such (' the discount offer '); and
 - (b) the discount offer is made in conjunction with an offer to the public (' the main offer ') under which shares of the same class may be acquired on the same terms, except that a discount in price is offered to directors and employees ; and
 - (c) the director or employee is chargeable to tax under Schedule E on an amount equal to the discount in the price of the shares acquired by him ; and

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- (d) at least 75 per cent, of the aggregate number of shares of the class in question which are acquired in pursuance of the discount offer and the main offer taken together are shares acquired in pursuance of the main offer,

he shall be treated for the purposes of subsection (1) above as acquiring the shares in pursuance of an offer to the public.

- (1B) Where a director or an employee acquires an interest in shares, subsection (1A) above shall apply as if the references in that subsection to the acquisition of shares were references to the acquisition of an interest in shares.”.

- (2) In paragraph 3 of Part VII of Schedule 12 to that Act (furnishing of information) there shall be inserted at the end—

“(2) For the purposes of this paragraph subsections (1A) and (1B) of section 79 shall be disregarded.”

42 Discounts on bills of exchange drawn by trading companies etc.

- (1) This section applies in any case where—
- (a) a bill of exchange drawn by a company is or was accepted by a bank and discounted by that or any other bank or by a discount house ; and
 - (b) the bill becomes or became payable on or after 1st April 1983; and
 - (c) the discount suffered by the company is not (apart from this section) deductible in computing the company's profits or any description of those profits for purposes of corporation tax.
- (2) Subject to subsection (3) below, in computing, in a case where this section applies, the corporation tax chargeable for the accounting period of the company in which the bill of exchange is paid, an amount equal to the discount referred to in subsection (1)(c) above shall be allowed as a deduction against the total profits for the period as reduced by any relief other than group relief and, except for the purposes of an allowance under section 248(1) of the Taxes Act, that amount shall be treated for the purposes of the Corporation Tax Acts as a charge on income.
- (3) Subsection (2) above shall not apply if the discount is not ultimately suffered by the company and shall not apply unless—
- (a) the company exists wholly or mainly for the purpose of carrying on a trade ; or
 - (b) the bill is drawn to obtain funds which are wholly and exclusively expended for the purposes of a trade carried on by the company ; or
 - (c) the company is an investment company, as defined by section 304(5) of the Taxes Act.
- (4) Where an amount falls to be allowed as mentioned in subsection (2) above, there may be deducted, in computing the profits or gains of the company to be charged under Case I of Schedule D, the incidental costs incurred on or after 1st April 1983 in securing the acceptance of the bill by the bank; and those incidental costs shall be treated for the purposes of section 304 of the Taxes Act as expenses of management.
- (5) For the purposes of subsection (4) above " incidental costs" means fees, commission and any other expenditure wholly and exclusively incurred for the purpose of securing the acceptance of the bill.

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- (6) In this section " bank " means a bank carrying on a bona fide banking business in the United Kingdom and "discount house " means a person bona fide carrying on the business of a discount house in the United Kingdom.

43 Incidental costs of obtaining loan finance

- (1) In section 38 of the Finance Act 1980 (incidental costs of obtaining loan finance)—
- (a) at the beginning of subsection (1) there shall be inserted the words " Subject to subsection (3B) below ";
 - (b) in subsection (2) for the words " Subject to subsection (3)" there shall be substituted the words " Subject to subsections (3) and (3A) "; and
 - (c) at the beginning of subsection (3) there shall be inserted the words " Except as provided by subsection (3A) below ".
- (2) After subsection (3) of that section there shall be inserted the following subsections:—
- “(3A) A loan or loan stock—
- (a) which carries such a right as is referred to in subsection (3) above, and
 - (b) which, by virtue of that subsection, is not a qualifying loan or qualifying loan stock,
- shall, nevertheless be regarded as a qualifying loan or qualifying loan stock, as the case may be, if the right is not, or is not wholly, exercised before the expiry of the period of three years from the date when the loan was obtained or the stock was issued.
- (3B) For the purposes of the application of subsection (1) above in relation to a loan or loan stock which is a qualifying loan or qualifying loan stock by virtue of subsection (3A) above—
- (a) if the right referred to in paragraph (a) of subsection (3A) above is exercised as to part of the loan or stock within the period referred to in that subsection, only that proportion of the incidental costs of obtaining finance which corresponds to the proportion of the stock in respect of which the right is not exercised within that period shall be taken into account; and
 - (b) in so far as any of the incidental costs of obtaining finance are incurred before the expiry of the period referred to in subsection (3A) above they shall be treated as incurred immediately after that period expires.”
- (3) The amendments effected by this section have effect in relation to expenditure incurred on or after 1st April 1983.

44 Trustee savings banks

- (1) For the purposes of sections 256 to 264 (group income and group relief) and 272 to 281 (groups of companies) of the Taxes Act, a trustee savings bank as defined in section 54(1) of the Trustee Savings Banks Act 1981 shall be deemed to be a body corporate.
- (2) In section 272(2) of the Taxes Act (meaning of "company" in provisions relating to transfer of assets within a group of companies) the following shall be added at the end—

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“; and

- (d) a trustee savings bank as defined in section 54(1) of the Trustee Savings Banks Act 1981.”
- (3) Subsection (1) above, so far as it applies to sections 256 and 257 of the Taxes Act, has effect in relation to dividends paid, and other payments made, after the passing of this Act and, so far as it applies to sections 258 to 264 of that Act, has effect in relation to any accounting period of the surrendering company ending on or after 20th November 1982.
- (4) Subsection (2) above, and subsection (1) above so far as it applies to sections 272 to 281, shall be deemed to have come into force on 21st November 1982.

45 Pension funds etc.: extension of tax exemptions to dealings in financial futures and traded options

- (1) For the purpose of each of the enactments specified in subsection (2) below (which confer on certain pension funds and schemes either exemption from income tax in respect of income derived from investments or exemption from capital gains tax in respect of gains accruing on the disposal of investments) a contract entered into in the course of dealing in financial futures or traded options shall be regarded as an investment.
- (2) The enactments referred to in subsection (1) above are—
- (a) sections 211(2), 214(2), 216(2), 217(2), and 226(6) of the Taxes Act;
 - (b) subsections (2) and (7) of section 21 of the Finance Act 1970; and
 - (c) subsections (2)(a) and (3) of section 36 of the Finance Act 1980.
- (3) In this section " traded option " means an option which is for the time being quoted on a recognised stock exchange, within the meaning of section 535 of the Taxes Act, or on the London International Financial Futures Exchange.

46 Consortia: group income and relief

- (1) With respect to dividends and other payments paid or made after 31st December 1984, in section 256 of the Taxes Act (group income) in subsection (6)(c) (which provides that, for the purposes of that section, a company is owned by a consortium if, among other conditions, three-quarters of the company's ordinary share capital is beneficially owned by five or fewer companies resident in the United Kingdom) the words " five or fewer " shall be omitted.
- (2) In section 258 of the Taxes Act (group relief) for subsection (8) (company owned by a consortium) there shall be substituted the following subsection:—
- “(8) For the purposes of this and the following sections of this Chapter, a company is owned by a consortium if three-quarters or more of the ordinary share capital of the company is beneficially owned between them by companies of which none beneficially owns less than one-twentieth of that capital, and those companies are called the members of the consortium.”
- (3) Subject to subsections (4) and (5) below, subsection (2) above has effect with respect to accounting periods of the surrendering company (within the meaning of the said section 258) ending after the passing of this Act.

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- (4) In any case where, immediately before the passing of this Act,—
- (a) for the purposes of sections 258 onwards of Chapter I of Part XI of the Taxes Act, a company was owned by a consortium, and
 - (b) any of the members of that consortium beneficially owned less than one-twentieth of the ordinary share capital of the company,
- then, as respects accounting periods of the company ending on or before 31st March 1986, if and so long as all the ordinary share capital of the company continues to be beneficially owned between them by five or fewer companies which include a member falling within paragraph (b) above, the ordinary share capital which is beneficially owned by that member shall be deemed for the purposes of subsection (8) of section 258 of the Taxes Act (as set out in subsection (2) above) to constitute not less than one-twentieth of that capital.
- (5) In any case where section 258(8) of the Taxes Act is relevant to the question whether two companies are associated with one another for the purposes of Part II of the Oil Taxation Act 1975 (by virtue of the definition in section 19(3) of that Act), without prejudice to subsection (4) above, subsection (2) above has effect in relation to any allowance or distribution made, interest paid or other thing done after the passing of this Act.

47 Group relief: apportionment

- (1) In section 262 of the Taxes Act (companies joining or leaving group or consortium) subsection (2) (true accounting period to be treated as two or more separate accounting periods with profits and losses etc. apportioned) shall be amended as follows:—
- (a) in paragraph (a), the words " on a time basis according to their lengths " shall be omitted ; and
 - (b) in paragraph (b), the word " so " shall be omitted ; and
 - (c) at the end there shall be added the words " and an apportionment under this subsection shall be on a time basis according to the respective lengths of the component accounting periods except that, if it appears that that method would work unreasonably or unjustly, such other method shall be used as appears just and reasonable. "
- (2) At the end of subsection (4) of the said section 262 (application of subsections (2) and (3) to consortia) there shall be added the words " except that in a case where—
- (a) the surrendering company is owned by a consortium and two or more members of the consortium claim relief in respect of losses or other amounts of the surrendering company, or
 - (b) the claimant company is owned by a consortium and claims relief in respect of losses or other amounts of two or more members of the consortium,
- the basis of apportionment which is adopted under subsection (2) above in relation to the losses or other amounts or, as the case may be, the total profits of the true accounting period of the company owned by the consortium shall be the same on each of the claims."
- (3) Subsections (1) and (2) above apply in any case where—
- (a) the occasion giving rise to the apportionment under subsection (2) of the said section 262 occurs after 13th March 1984; and
 - (b) the true accounting period referred to in that subsection begins after 7th November 1983.

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48 Ending of stock relief

- (1) No relief shall be given and no charge shall be made under Schedule 9 to the Finance Act 1981 in respect of any period of account beginning after 12th March 1984.
- (2) The following provisions of that Schedule shall have effect as if any period of account beginning on or before and ending after 12th March 1984 ended on that date—
 - (a) paragraph 3(1), (2) and (4) (entitlement to relief from income tax);
 - (b) paragraph 4(1), (3) and (4) (recovery of income tax relief on cessation of trade etc.);
 - (c) paragraph 12(1), (2) and (4) (entitlement to relief from corporation tax);
 - (d) paragraph 13(1) and (3) (recovery of corporation tax relief on cessation of trade etc.);
 - (e) paragraph 19 (new businesses);
 - (f) paragraph 20 (successions: transfers between related traders);and accordingly no relief shall be given or charge made under those provisions in respect of any such period of account by virtue of any event occurring after that date.
- (3) Subsection (2) above shall not affect the date on which trading stock is to be valued for the purposes of sub-paragraph (2)(a) of paragraph 19 of that Schedule.
- (4) No obligation shall arise under paragraph 1 of that Schedule to prepare and publish the all stocks index for any month after March 1984.
- (5) Where there is a change in the persons carrying on a trade, profession or vocation after 12th March 1984 and (apart from this subsection) sub-paragraph (2) of paragraph 21 of that Schedule (successions: changes in persons carrying on trades) would apply—
 - (a) sub-paragraphs (1) to (4) of that paragraph shall not apply; and
 - (b) sub-paragraph (5) shall apply with the omission of paragraph (a).
- (6) An election for the herd basis made under paragraph 2 of Schedule 6 to the Taxes Act after the passing of this Act but not later than two years after the end of the first period of account of the person making the election commencing on or after 13th March 1984 shall be valid notwithstanding that it is not made within the time required by paragraph 2(3) or 6(2) of that Schedule.
- (7) An election which is valid by virtue only of subsection (6) above shall have effect only for the first relevant chargeable period and for subsequent chargeable periods.
- (8) For the purposes of subsection (7) above the first relevant chargeable period is—
 - (a) in a case where the election so specifies, the first chargeable period for which the profits or gains or losses of the trade in question are computed by reference to the facts of the period of account commencing on or before and ending after 12th March 1984, or
 - (b) in any other case, the first chargeable period for which that computation is by reference to the facts of the first period of account commencing on or after 13th March 1984.
- (9) In this section " period of account" means any period for which an account is made up for the trade, profession or vocation in question.

49 Stock relief: houses taken in part exchange

- (1) This section applies in any case where—

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- (a) a person carrying on a trade which consists of or includes the construction or substantial reconstruction of dwelling-houses (in this section referred to as a "builder") disposes to an individual or two or more individuals of his interest in a dwelling-house, and
 - (b) immediately before the disposal, that interest formed part of the builder's trading stock, otherwise than by virtue of this section, and
 - (c) the consideration which the builder receives for the disposal consists of or includes an interest in another dwelling-house which, immediately before the disposal, was occupied by the individual or, as the case may be, at least one of the individuals referred to in paragraph (a) above or by a relative, and
 - (d) the individual or individuals referred to in paragraph (a) above intends or intend that the dwelling-house should be occupied by himself or, as the case may be, by at least one of them or by a relative.
- (2) Notwithstanding anything in paragraph 28(2) of Schedule 9 to the Finance Act 1981 (which provides that land cannot be trading stock unless it is developed by the person carrying on the trade) in a case where this section applies, the interest referred to in subsection (1)(c) above shall form part of the builder's trading stock.
- (3) In this section—
- (a) "dwelling-house" means a building or part of a building which is used or intended to be used as a dwelling ;
 - (b) "relative" means—
 - (i) the husband or wife of a relevant individual, or
 - (ii) the parent or remoter forebear, child or remoter issue, or brother or sister of a relevant individual or of the husband or wife of a relevant individual,

"relevant individual" meaning, for this purpose, the individual referred to in subsection (1)(a) above or, as the case may be, one of the individuals there referred to; and
 - (c) "trading stock" has the same meaning as in Schedule 9 to the Finance Act 1981.
- (4) This section applies in any case where the disposal referred to in subsection (1)(a) above occurred or occurs on or after 15th March 1983.

50 Furnished holiday lettings

- (1) Schedule 11 to this Act shall have effect with respect to the treatment for the purposes of income tax, corporation tax and capital gains tax of the commercial letting of furnished holiday accommodation in the United Kingdom.
- (2) For the purposes of this section a letting—
 - (a) is a commercial letting if it is on a commercial basis and with a view to the realisation of profits; and
 - (b) is of furnished accommodation if the tenant is entitled to the use of furniture.
- (3) Accommodation shall not be treated as holiday accommodation for the purposes of this section unless—
 - (a) it is available for commercial letting to the public generally as holiday accommodation for periods which amount, in the aggregate, to not less than 140 days ;

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- (b) the periods for which it is so let amount, in the aggregate, to at least 70 days ;
and
 - (c) for a period comprising at least seven months (which need not be continuous but includes any months in which it is let as mentioned in paragraph (b) above) it is not normally in the same occupation for a continuous period exceeding 31 days.
- (4) Any question whether accommodation let by any person other than a company is, at any time in a year of assessment, holiday accommodation shall be determined—
- (a) if the accommodation was not let by him as furnished accommodation in the preceding year of assessment but is so let in the following year of assessment, by reference to the 12 months beginning with the date on which he first so let it in the year of assessment;
 - (b) if the accommodation was let by him as furnished accommodation in the preceding year of assessment but is not so let in the following year of assessment, by reference to the 12 months ending with the date on which he ceased so to let it in the year of assessment ; and
 - (c) in any other case, by reference to the year of assessment.
- (5) Any question whether accommodation let by a company is at any time in an accounting period holiday accommodation shall be determined—
- (a) if the accommodation was not let by it as furnished accommodation in the period of 12 months immediately preceding the accounting period but is so let in the period of 12 months immediately following the accounting period, by reference to the 12 months beginning with the date in the accounting period on which it first so let it;
 - (b) if the accommodation was let by it as furnished accommodation in the period of 12 months immediately preceding the accounting period but is not so let by it in the period of 12 months immediately following the accounting period, by reference to the 12 months ending with the date in the accounting period on which it ceased so to let it; and
 - (c) in any other case, by reference to the period of 12 months ending with the last day of the accounting period.
- (6) Where, in any year of assessment or accounting period, a person lets furnished accommodation which is treated as holiday accommodation for the purposes of this section in that year or period (" the qualifying accommodation "), he may make a claim under this subsection, within two years after that year or period, for averaging treatment to apply for that year or period to that and any other accommodation specified in the claim which was let by him as furnished accommodation during that year or period and would fall to be treated as holiday accommodation in that year or period if paragraph (b) of subsection (3) were satisfied in relation to it.
- (7) Where a claim is made under subsection (6) above in respect of any year of assessment or accounting period, any such other accommodation shall be treated as being holiday accommodation in that year or period if the number of days for which the qualifying accommodation and any other such accommodation was let by the claimant as mentioned in paragraph (a) of subsection (3) above during the year or period amounts on average to at least 70.
- (8) Qualifying accommodation may not be specified in more than one claim in respect of any one year of assessment or accounting period.

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- (9) For the purposes of this section a person lets accommodation if he permits another person to occupy it, whether or not in pursuance of a lease ; and " letting " and " tenant" shall be construed accordingly.
- (10) This section has effect—
- (a) for the purposes of income tax for the year 1982-83 and subsequent years of assessment;
 - (b) for the purposes of capital gains tax and corporation tax on chargeable gains—
 - (i) in so far as it applies in relation to sections 115 to 120 of the Capital Gains Tax Act 1979, where the acquisition of, or of the interest in, the new assets takes place on or after 6th April 1982, and
 - (ii) otherwise, in relation to disposals made on or after that date ; and
 - (c) for the purposes of corporation tax, otherwise than on chargeable gains, in relation to accounting periods commencing in the financial year 1982 and subsequent periods.

51 Taxation of woodlands

- (1) In section 92 of the Taxes Act, after subsection (3) (meaning of " occupier" for purposes of Schedule B), there shall be inserted the following subsection—
- “(4) A person who, in connection with any trade carried on by him, has the use of any woodlands wholly or mainly for the purpose of—
- (a) felling, processing or removing timber ; or
 - (b) clearing or otherwise preparing the lands, or any part of them, for replanting ;
- shall not be treated as an occupier of the lands for the purposes of Schedule B and subsections (1) and (2) above.”.
- (2) This section has effect in relation to any use commencing after 13th March 1984.

52 Carry back of surplus ACT

- (1) In section 85 of the Finance Act 1972 (payments of advance corporation tax to be set against a company's liability to corporation tax), in subsection (3), for the words " two years", in the second place where they occur, there shall be substituted the words " six years ".
- (2) Subject to subsection (3) below, subsection (1) above has effect with respect to accounting periods ending on or after 1st April 1984 in which there is an amount of surplus advance corporation tax.
- (3) Notwithstanding the amendment made by subsection (1) above, if a company claims under subsection (3) of the said section 85 to have any surplus advance corporation tax of an accounting period (in this subsection referred to as " the basis period ") treated for the purposes of that section as if it were advance corporation tax paid in respect of distributions made by the company in an accounting period—
- (a) which ends before 1st April 1984, and
 - (b) which begins outside the two years preceding the basis period,

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the amount of that surplus advance corporation tax which may be so treated shall be limited to so much of that surplus as was paid by the company (and not repaid) in respect of distributions actually made in the basis period.

53 Double taxation relief to be applied before advance corporation tax

(1) In section 100 of the Finance Act 1972 (double taxation relief) in subsection (3) for the words " to (6) " there shall be substituted the words " and (5) ";

in subsection (4) for the words " subsections (5) and (6)" there shall be substituted the words " subsection (5) " ; and in subsection (6), for paragraphs (a) and (b) and the following words, there shall be substituted the following:—

- “(a) so far as that liability relates to the relevant income, it shall be taken to be reduced by the amount of the credit for foreign tax attributable to that income, as determined in accordance with subsections (4) and (5) above; and
- (b) subject to paragraph (c) below, the company may for the purposes of this section allocate that advance corporation tax in such amounts and to the corporation tax attributable for that period as it thinks fit; and
- (c) the amount of advance corporation tax which may be allocated to the corporation tax attributable to the relevant income shall not exceed the amount of corporation tax which remains so attributable after the reduction under paragraph (a) above;

and if the limit which is imposed by paragraph (c) above on the amount of advance corporation tax which may be set against the company's liability to corporation tax on its relevant income is lower than the limit which would apply under section 85(2) above if the relevant income were the company's only income for the relevant accounting period, the limit in paragraph (c) above shall apply in relation to the relevant income and section 85(2) above shall have effect in relation only to so much of the income of the company chargeable to corporation tax for that period as does not include the relevant income.”

(2) In section 85(3) of that Act (surplus advance corporation tax) after the words " subsection (2) above" there shall be inserted the words " or section 100(6) below ".

(3) This section applies to accounting periods ending on or after 1st April 1984.

54 Exemption from tax of regional development grants

(1) A regional development grant—

- (a) which is made to a person carrying on a trade, and
- (b) which, apart from this subsection, would be taken into account as a receipt in computing the profits of that trade,

shall not be taken into account as a receipt in computing the profits of the trade which are chargeable under Case I of Schedule D.

(2) A regional development grant which is made to an investment company as defined in subsection (5) of section 304 of the Taxes Act—

- (a) shall not be taken into account as a receipt in computing its profits under Case VI of Schedule D; and
- (b) shall not be deducted, by virtue of the proviso to subsection (1) of that section, from the amount treated as expenses of management.

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- (3) In this section " regional development grant" means a payment by way of grant under Part II of the Industrial Development Act 1982 (regional development grants).
- (4) This section applies in relation to a profession or vocation as it applies to a trade, taking the reference in subsection (1) above to Case I of Schedule D as a reference to Case II of that Schedule.

55 Grants to assist industry in Northern Ireland

- (1) In section 42 of the Finance Act 1980 (certain payments by way of grant to be taken into account as receipts in computing profits) in subsection (2), at the end of paragraph (b) there shall be inserted "or
- (c) any of Articles 7, 9 and 30 of the Industrial Development (Northern Ireland) Order 1982";
- and at the end of the subsection there shall be added the words " and other than a grant falling within subsection (3) below ".
- (2) At the end of the said section 42 there shall be added the following subsection:—
- “(3) A payment by way of grant which is made—
- (a) under Article 7 of the Order referred to in subsection (2)(c) above, and
- (b) in respect of a liability for corporation tax (including a liability which has already been met),
- shall not be taken into account as mentioned in subsection (1) above, whether by virtue of this section or otherwise.”
- (3) This section has effect with respect to payments made on or after 1st April 1984.

56 Certain reliefs extended to Northern Ireland housing associations and societies

- (1) Section 341A of the Taxes Act (tax exemptions for self-build societies) shall extend to Northern Ireland and in subsection (11) (definitions) after the words " Part I of the Housing Act 1974 " there shall be inserted the words " or, in Northern Ireland, Part VII of the Housing (Northern Ireland) Order 1981 " and at the end of the section there shall be added the following subsection:—
- “(12) In the application of this section to Northern Ireland—
- (a) any reference in subsections (4) to (6) above to the Secretary of State shall be construed as a reference to the Department of the Environment for Northern Ireland;
- (b) the reference in subsection (4)(a) to the Industrial and Provident Societies Act 1965 shall be construed as a reference to the Industrial and Provident Societies Act (Northern Ireland) 1969 ; and
- (c) in subsection (6) any reference to a statutory instrument shall be construed as a reference to a statutory rule for the purposes of the Statutory Rules (Northern Ireland) Order 1979 and for the words from " annulment" onwards there shall be substituted the words " negative resolution within the meaning of section 41(6) of the Interpretation Act (Northern Ireland) 1954”.”

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- (2) In consequence of the amendments effected by subsection (1) above, in section 29 of the Finance Act 1982 (supplementary regulations as to deduction of tax from certain loan interest) subsection (1)(b) (self-build societies) shall be amended as follows:—
- (a) after the words "Part I of the Housing Act 1974" there shall be added the words " or, in Northern Ireland, Part VII of the Housing (Northern Ireland) Order 1981 "; and
 - (b) at the end there shall be added the words " or Northern Ireland ".
- (3) After section 342A of the Taxes Act there shall be inserted the following section—

“342B Disposals by Northern Ireland housing associations.

- (1) In any case where—
- (a) a registered Northern Ireland housing association disposes of any land to another such association, or
 - (b) in pursuance of a direction of the Department of the Environment for Northern Ireland given under Chapter II of Part VII of the Housing (Northern Ireland) Order 1981 requiring it to do so, a registered Northern Ireland housing association disposes of any of its property, other than land, to another such association,
- both parties to the disposal shall be treated for the purposes of corporation tax in respect of chargeable gains as if the land or property disposed of were acquired from the association making the disposal for a consideration of such an amount as would secure that on the disposal neither a gain nor a loss accrued to that association.
- (2) In subsection (1) above " registered Northern Ireland housing association" means a registered housing association within the meaning of Part VII of the Order referred to in paragraph (b) of that subsection.”
- (4) Subsection (1) above has effect for the year 1984-85 and subsequent years of assessment and subsection (3) above has effect with respect to disposals on or after 6th April 1984.

57 Proceedings in magistrates' courts and county courts

- (1) In section 65 of the Taxes Management Act 1970 (recovery of assessed tax in magistrates' courts)—
- (a) in subsection (1) for " £50" in each place where it occurs there shall be substituted " £250 ";
 - (b) in subsection (4) for the words from " in the manner " to the end there shall be substituted the words " in proceedings under Article 62 of the Magistrates' Courts (Northern Ireland) Order 1981 "; and
 - (c) at the end of that section there shall be added the following subsection—
- “(5) The Treasury may by order made by statutory instrument increase the sums specified in subsection (1) above; and any such statutory instrument shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.”
- (2) In section 66 of that Act (recovery of assessed tax in county courts) for subsection (2) there shall be substituted the following subsection—

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“(2) An officer of the Board who is authorised by the Board to do so may address the court in any proceedings under this section in a county court in England and Wales.”