



# Finance Act 1987

## 1987 CHAPTER 16

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance. [15th May 1987]

Most Gracious Sovereign

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

### PART I

#### CUSTOMS AND EXCISE AND VALUE ADDED TAX

#### CHAPTER I

#### CUSTOMS AND EXCISE

##### *Duties of excise*

#### **1 Unleaded petrol**

- (1) After section 13 of the Hydrocarbon Oil Duties Act 1979 there shall be inserted the following section—

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**“13A Rebate on unleaded petrol.**

- (1) On unleaded petrol charged with the excise duty on hydrocarbon oil and delivered for home use there shall be allowed at the time of delivery a rebate of duty at the rate of £0.0096 a litre.
- (2) For the purposes of this section petrol is "unleaded" if it contains not more than 0.013 grams of lead per litre of petrol or, if the petrol is delivered for home use before 1st April 1990, not more than 0.020 grams of lead per litre of petrol.
- (3) Rebate shall not be allowed under this section in any case where it is allowed under section 14 below.”
- (2) In section 24 of that Act (control of use of duty-free and rebated oil) in subsection (1) (power of Commissioners to make regulations) after the words "section 12" there shall be inserted "section 13A".
- (3) In section 27 of that Act (interpretation) in the definition of "rebate" after the words "section 11" there shall be inserted "13A".
- (4) This section shall be deemed to have come into force at 6 o'clock in the evening of 17th March 1987.

**2 Vehicles excise duty**

- (1) The Vehicles (Excise) Act 1971 and the Vehicles (Excise) Act (Northern Ireland) 1972 shall be amended in accordance with this section.
- (2) In Schedule 4 to each of the Acts of 1971 and 1972 (annual rates of duty on goods vehicles)—
  - (a) in Part I, in sub-paragraph (2) of paragraph 6 (farmer's goods vehicle or showman's goods vehicle having a plated gross weight or a plated train weight) in paragraph (b) (weight exceeding 7.5 tonnes but not exceeding 12 tonnes) for "£155" (which applies to farmers' goods vehicles only) there shall be substituted "£175"; and
  - (b) in Part II, for Tables A(1), C(1) and D(1) (rates for farmers' goods vehicles having plated weight exceeding 12 tonnes) there shall be substituted the Tables set out in Part I of Schedule 1 to this Act.
- (3) In section 16 of the Act of 1971, in subsection (5) (annual rates of duty for trade licences), including that subsection as set out in paragraph 12 of Part I of Schedule 7 to that Act, for "£70" and "£14" there shall be substituted respectively "£85" and "£17".
- (4) In section 16 of the Act of 1972, in subsection (6) (annual rates of duty for trade licences), including that subsection as set out in paragraph 12 of Part I of Schedule 9 to that Act, for "£70" and "£14" there shall be substituted respectively "£85" and "£17".
- (5) The amendments of the Acts of 1971 and 1972 set out in Part II of Schedule 1 to this Act shall have effect for the purpose of, and in connection with, establishing recovery vehicles as a class of vehicles . chargeable with a specific duty of excise.

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- (6) The Acts of 1971 and 1972 and section 102 of the Customs and Excise Management Act 1979, as it applies in relation to licences under the Act of 1971, shall have effect subject to the further amendments in Part III of Schedule 1 to this Act.
- (7) Subsection (2) above applies in relation to licences taken out after 17th March 1987; and subsections (3) to (5) above apply in relation to licences taken out after 31st December 1987.
- (8) In Part III of Schedule 1 to this Act—
- (a) paragraphs 8 to 11 shall not affect any amount payable in respect of any day before the day on which this Act is passed,
  - (b) paragraphs 12 and 13 shall not affect any amount payable in respect of, or any part of, the calendar month in which this Act is passed or in respect of, or any part of, any previous calendar month, and
  - (c) paragraphs 20 and 21 shall not affect the penalty for an offence committed before the passing of this Act,
- but, subject to that, that Part of that Schedule shall come into force on the passing of this Act.

### **3 Abolition of general betting duty on on-course bets**

- (1) General betting duty shall not be chargeable on any bet made on or after 29th March 1987 which is an on-course bet within the meaning of Part I of the Betting and Gaming Duties Act 1981 (in this section referred to as "the 1981 Act") and, accordingly, with respect to bets made on or after that date, section 1 of the 1981 Act (charge to, and rates of, duty) shall be amended as follows—
- (a) in subsection (1) after the words "on any bet" there shall be inserted "which is not an on-course bet and"; and
  - (b) in subsection (2) the words from the beginning of paragraph (a) to "bet" in paragraph (b) shall be omitted.
- (2) With respect to bets made on or after 29th March 1987 but before the betting commencement date within the meaning of section 6 of the Finance Act 1986, Part III of the Miscellaneous Transferred Excise Duties Act (Northern Ireland) 1972 (in this section referred to as "the 1972 Act") (which made separate provision for Northern Ireland corresponding to that made by the 1981 Act and which ceased to have effect on the betting commencement date except in relation to bets made before that date) shall be deemed to have been amended as follows—
- (a) in section 16(1) (charge of duty) after the words "on any bet" there shall be inserted "which is not an on-course bet and"; and
  - (b) in section 17 (rates of duty) in subsection (1) paragraph (a) and, in paragraph (b), the words from the beginning to "bet" shall be omitted.
- (3) In Schedule 1 to the 1981 Act (supplementary provisions)—
- (a) in paragraph 1 (definitions) at the end of the definition of "general betting business" there shall be added the words "or would or might involve such sums becoming so payable if on-course bets were not excluded from that duty"; and
  - (b) in paragraph 2 (power to make regulations for administration of general betting duty) in sub-paragraph (4)(a) after the words "liable for duty" there shall be inserted "or would be or might be or become liable for duty if on-course bets were not excluded from duty".

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- (4) The amendments made by subsection (3) above shall be deemed to have come into force on 29th March 1987.
- (5) During the period beginning with 29th March 1987 and ending with the betting commencement date within the meaning of section 6 of the Finance Act 1986, in Schedule 2 to the 1972 Act (supplementary provisions) the references to a business which involves, or may involve, general betting duty becoming payable by any person and the references to an activity by reason of which a person is or may be or become liable for that duty shall be deemed to have included respectively references to a business which would or might involve that duty becoming payable, and to an activity by reason of which a person would be or might be or become liable for that duty, if on -course bets were not excluded from that duty.

#### 4 Gaming machine licence duty: rates

With respect to licences for any period beginning on or after 1st June 1987, for the Tables set out in section 23(1) of the Betting and Gaming Duties Act 1981 there shall be substituted the following Tables—

“Table A

##### SMALL-PRIZE MACHINES

<i>Description of machines authorised by the licence</i>	<i>Duty on whole-year licence</i>
	£
Chargeable at the lower rate	150 per machine
Chargeable at the higher rate	375 per machine

Table B

##### OTHER MACHINES

<i>Description of machines authorised by the licence</i>	<i>Duty on whole-year licence</i>
	£
Chargeable at the lower rate	375 per machine
Chargeable at the higher rate	960 per machine”

#### 5 Gaming machine licence duty: other amendments

- (1) With respect to licences for any period beginning on or after 1st October 1987, in the Betting and Gaming Duties Act 1981 (in this section referred to as "the 1981 Act") for subsection (3) of section 21 (which specifies the periods for which licences may be granted) there shall be substituted the following subsection—

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- “(3) A gaming machine licence may be a whole-year, a half-year or a quarter-year licence and shall be granted for a period of twelve, six or three months beginning with the first day of any month.”
- (2) In subsection (3) of section 26 of the 1981 Act (which provides that if one or more gaming machines are made available on any premises in such a way that they can be played, any gaming machine anywhere on the premises shall be treated as provided for gaming) after the word "and" there shall be inserted "subject to subsection (3A) below".
- (3) After subsection (3) of the said section 26 there shall be inserted the following subsection—
- “(3A) The Commissioners may by regulations make provision for the purpose of enabling spare gaming machines to be kept on premises for use in the case of the breakdown of other gaming machines on those premises; and such regulations may provide that, in such circumstances and subject to such conditions as may be specified in the regulations, a gaming machine on any premises which is not made available as mentioned in subsection (3) above, or is not in a state in which it can be played, shall not be treated by virtue of that subsection as provided for gaming on those premises.”
- (4) With effect from 1st October 1987, in Schedule 4 to the 1981 Act at the beginning of paragraph 4 (months preceding and following licences for summer months) there shall be inserted the words "Subject to sub-paragraph (2) below" and at the end of that paragraph there shall be added the following sub-paragraph—
- “(2) Sub-paragraph (1) above shall not apply in relation to the provision of a machine on any premises—
- (a) during March of any year, if any person has become entitled to a repayment of duty under paragraph 11 below on the surrender of a licence in respect of those premises or any machine on those premises during the preceding February,
- (b) during October of any year, if any person has become entitled to such a repayment on the surrender of such a licence during the preceding March, June or September.”
- (5) With respect to the surrender of licences on or after 1st October 1987, in Schedule 4 to the 1981 Act, in sub-paragraph (1) of paragraph 11 (surrender of licences) for the words from "be entitled" onwards there shall be substituted "be entitled to a repayment of duty, in respect of each complete month in the unexpired period of the licence, of an amount equal—
- (a) in the case of a whole-year licence, to one-twelfth of the duty paid on the grant of the licence, and
- (b) in the case of a half-year licence, to one-twelfth of the duty that would have been payable on the grant of the licence if it had been a whole-year licence."

#### *Amendments of the Management Act*

### **6 Access to approved wharves and transit sheds**

- (1) At the end of section 20 of the Customs and Excise Management Act 1979 (approved wharves) there shall be added the following subsection—

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“(4) An officer may at any time enter an approved wharf and inspect it and any goods for the time being at the wharf.”

(2) At the end of section 25 of that Act (approval of transit sheds) there shall be added the following subsection—

“(5) An officer may at any time enter a transit shed and inspect it and any goods for the time being in the transit shed.”

## 7 Powers of search and access etc. in respect of vehicles

(1) In section 27 of the Customs and Excise Management Act 1979 (officers' power of boarding) in subsection (1) for the words from "a vehicle" to "any officer" there shall be substituted "a vehicle is—

- (a) entering, leaving or about to leave the United Kingdom,
- (b) within the prescribed area,
- (c) within the limits of or entering or leaving a port or any land adjacent to a port and occupied wholly or mainly for the purpose of activities carried on at the port,
- (d) at, entering or leaving an aerodrome,
- (e) at, entering or leaving an approved wharf, transit shed, customs warehouse or free zone, or
- (f) at, entering or leaving any such premises as are mentioned in subsection (1) of section 112 below,

any officer".

(2) In section 28 of that Act (officers' powers of access, etc.) in subsection (1) after the words "any vehicle" there shall be inserted "which falls within paragraphs (a) to (f) of subsection (1) of section 27 above or is".

## 8 Local export control

(1) In section 58A of the Customs and Excise Management Act 1979 (local export control) at the end of subsection (1) there shall be inserted "and, subject to and to such modifications as may be specified in the directions, this section and section 58D below shall apply in relation to goods which, for the purposes of any Community regulation relating to export refunds or monetary compensatory amounts, are treated as exports as if the supply of the goods were their exportation or, as the case may require, their shipping for exportation".

(2) In subsection (3)(b) of that section (conditions for the application of local export control) after the word "shipped" there shall be inserted "for exportation or exported by land".

(3) After subsection (7) of that section (power of Commissioners to relax requirements) there shall be inserted—

“(7A) Without prejudice to the powers of the Commissioners under subsection (7) above, they may direct that, in relation to goods of a description specified in the directions which are shipped for exportation or exported by land by an exporter of a description so specified, paragraph (a) of subsection (3) above shall have effect as if—

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- (a) in sub-paragraph (i) the words "time and" were omitted; and
  - (b) for sub-paragraph (ii) there were substituted—
    - “(ii) at the time that notice is delivered or immediately thereafter, the exporter enters such particulars of the goods and of such other matters as may be required by the directions in a record maintained by him at such place as the proper officer may require; and
    - (iii) the proper officer informs the exporter that he consents to the removal of the goods; and”.
- (4) In section 58D of that Act (operative date for Community purposes) in subsection (2) (b) for the words following "above" there shall be substituted "as set out in section 58 A(7 A)(b) above, the day entry is made".

## **9 Records relating to importation and exportation**

After section 75 of the Customs and Excise Management Act 1979 there shall be inserted the following—

### *“Keeping and preservation of records*

#### **75A Records relating to importation and exportation.**

- (1) Every person who is concerned (in whatever capacity) in the importation or exportation of goods of which an entry or specification is required for that purpose by or under this Act shall keep such records as the Commissioners "may require.
- (2) The Commissioners may require any records kept in pursuance of this section to be preserved for such period not exceeding four years as they may require.
- (3) The duty under this section to preserve records may be discharged by the preservation of the information contained therein by such means as the Commissioners may approve; and where that information is so preserved a copy of any document forming part of the records shall, subject to the following provisions of this section, be admissible in evidence in any proceedings, whether civil or criminal, to the same extent as the records themselves.
- (4) The Commissioners may, as a condition of an approval under subsection (3) above of any means of preserving information, impose such reasonable requirements as appear to them necessary for securing that the information will be as readily available to them as if the records themselves had been preserved.
- (5) The Commissioners may at any time for reasonable cause revoke or vary the conditions of any approval given under subsection (3) above.
- (6) A statement contained in a document produced by a computer shall not by virtue of subsection (3) above be admissible in evidence—
  - (a) in civil proceedings in England and Wales, except in accordance with sections 5 and 6 of the Civil Evidence Act 1968:

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- (b) in criminal proceedings in England and Wales, except in accordance with sections 68 to 70 of the Police and Criminal Evidence Act 1984;
- (c) in civil proceedings in Northern Ireland, except in accordance with sections 2 and 3 of the Civil Evidence Act (Northern Ireland) 1971; and
- (d) in criminal proceedings in Northern Ireland, except in accordance with the said sections 2 and 3, which shall, for the purposes of this section, apply with the necessary modifications to such proceedings.”

## 10 Information powers

In section 77 of the Customs and Excise Management Act 1979 (information in relation to goods imported, exported or shipped for carriage coastwise) in subsection (1)(a) the words "importation, exportation or" shall be omitted, and after that section there shall be inserted the following section—

### “77A Information powers.

- (1) Every person who is concerned (in whatever capacity) in the importation or exportation of goods for which an entry or specification is required for that purpose by or under this Act shall—
  - (a) furnish to the Commissioners, within such time and in such "form as they may reasonably require, such information relating to the goods or to the importation or exportation as the Commissioners may reasonably specify; and
  - (b) if so required by an officer, produce or cause to be produced for inspection by the officer—
    - (i) at the principal place of business of the person upon whom the demand is made or at such other place as the officer may reasonably require, and
    - (ii) at such time as the officer may reasonably require,
 any documents relating to the goods or to the importation or exportation.
- (2) Where, by virtue of subsection (1) above, an officer has power to require the production of any documents from any such person as is referred to in that subsection, he shall have the like power to require production of the documents concerned from any other person who appears to the officer to be in possession of them; but where any such other person claims a lien on any document produced by him, the production shall be without prejudice to the lien.
- (3) An officer may take copies of, or make extracts from, any document produced under subsection (1) or subsection (2) above.
- (4) If it appears to him to be necessary to do so, an officer may, at a reasonable time and for a reasonable period, remove any document produced under subsection (1) or subsection (2) above and shall, on request, provide a receipt for any document so removed; and where a lien is claimed on a document produced under subsection (2) above, the removal of the document under this subsection shall not be regarded as breaking the lien.
- (5) Where a document removed by an officer under subsection (4) above is reasonably required for the proper conduct of a business, the officer shall, as



soon as practicable, provide a copy of the document, free of charge, to the person by whom it was produced or caused to be produced.

- (6) Where any documents removed under the powers conferred by this section are lost or damaged, the Commissioners shall be liable to compensate their owner for any expenses reasonably incurred by him in replacing or repairing the documents.
- (7) If any person fails to comply with a requirement under this section, he shall be liable on summary conviction to a penalty of level 3 on the standard scale.”

## CHAPTER II

### VALUE ADDED TAX

#### 11 Accounting for and payment of tax

- (1) At the end of section 14(1) of the principal Act (which provides for tax to be accounted for and paid in accordance with regulations) there shall be added the words “, and regulations may make different provision for different circumstances”.
- (2) In Schedule 7 to that Act (administration, collection and enforcement) after subparagraph (3) of paragraph 2 there shall be inserted—

“(3A) Regulations under this paragraph may make provision whereby, in such cases and subject to such conditions as may be determined by or under the regulations, tax in respect of a supply may be accounted for and paid by reference to the time when consideration for the supply is received; and any such regulations may make such modifications of the provisions of this Act (including in particular, but without prejudice to the generality of the power, the provisions as to the time when, and the circumstances in which, credit for input tax is to be allowed) as appear to the Commissioners necessary or expedient.”.

#### 12 Credit for input tax

- (1) In section 15 of the principal Act, for subsections (1) to (3) there shall be substituted—
  - “(1) The amount of input tax for which a taxable person is entitled to credit at the end of any period shall be so much of the input tax for the period (that is input tax on supplies and importations in the period) as is allowable by or under regulations as being attributable to supplies within subsection (2) below.
  - (2) The supplies within this subsection are the following supplies made or to be made by the taxable person in the course or furtherance of his business—
    - (a) taxable supplies;
    - (b) supplies outside the United Kingdom which would be taxable supplies if made in the United Kingdom;
    - (c) supplies which section 35 below provides are to be disregarded for the purposes of this Act and which would otherwise be taxable supplies.

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- (3) The Commissioners shall make regulations for securing a fair and reasonable attribution of input tax to supplies within subsection (2) above, and any such regulations may provide for—
- (a) determining a proportion by reference to which input tax for any prescribed accounting period is to be provisionally attributed to those supplies;
  - (b) adjusting, in accordance with a proportion determined in like manner for any longer period comprising two or more prescribed accounting periods or parts thereof, the provisional attribution for any of those periods; and
  - (c) the making of payments in respect of input tax, by the Commissioners to a taxable person (or a person who has been a taxable person) or by a taxable person (or a person who has been a taxable person) to the Commissioners, in cases where events prove inaccurate an estimate on the basis of which an attribution was made.”.
- (2) In section 6(1) of that Act, for the words "the charge to tax" there shall be substituted the words "this Act".
- (3) In section 35(1) and (2) of that Act, for the words "shall be disregarded" there shall be substituted the words "shall, except where the contrary intention appears, be disregarded".
- (4) This section shall have effect in relation to supplies and importations made on or after 1st April 1987, and shall be deemed to have come into force on 23rd March 1987.

### **13 Supplies abroad etc.**

- (1) The principal Act shall be amended as follows.
- (2) In section 2(5), at the end there shall be added the words ", and a person who is registered under paragraph 11A of that Schedule is a taxable person (notwithstanding that he does not make and does not intend to make taxable supplies)".
- (3) In section 48(1), for the definition of "taxable person" there shall be substituted—  
 “taxable person' means a person who is a taxable person under section 2(2) or (5) above;”.
- (4) In Schedule 1, after paragraph 11 there shall be inserted—
- “11A (1) Where a person satisfies the Commissioners that he is within sub-paragraph (2) below, they may, if he so requests and they think fit, register him from such date and subject to such conditions as they think fit.
- (2) A person is within this sub-paragraph if—
- (a) he has a business establishment in the United Kingdom or his usual place of residence is in the United Kingdom;
  - (b) he does not make and does not intend to make taxable supplies; and
  - (c) he makes or intends to make in the course or furtherance of his business supplies within sub-paragraph (3) below.
- (3) A supply is within this sub-paragraph if—

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- (a) it is made outside the United Kingdom but it would be a taxable supply if made in the United Kingdom; or
    - (b) section 35 of this Act provides that it is to be disregarded for the purposes of this Act, and it would otherwise be a taxable supply.
  - (4) The Commissioners may at any time, if they think fit, cancel as from that time the registration of a person who is not liable to be registered and whose registration was effected under this paragraph.
  - (5) A registered person whose registration was effected under this paragraph shall, if he makes or forms the intention of making taxable supplies, notify the Commissioners within thirty days that he has done so or formed the intention of doing so.
  - (6) Conditions under sub-paragraph (1) above—
    - (a) may be imposed wholly or partly by reference to, or without reference to, any conditions prescribed for the purposes of this paragraph; and
    - (b) may (whenever imposed) be subsequently varied by the Commissioners.
  - (7) Where the Commissioners refuse to act on a request made by a person under sub-paragraph (1) above, or where they cancel a person's registration under sub-paragraph (4) above, they shall give him written notice of their decision and of the grounds on which it was made.
  - (8) For the purposes of this paragraph—
    - (a) a person carrying on a business through a branch or agency in the United Kingdom shall be treated as having a business establishment in the United Kingdom; and
    - (b) 'usual place of residence', in relation to a body corporate, means the place where it is legally constituted.”
- (5) In Schedule 5, item 2 of and Note (1) to Group 15 shall cease to have effect.

## **14 Registration**

- (1) Schedule 1 to the principal Act shall be amended as follows.
- (2) For paragraph 1 there shall be substituted—
  - “1 (1) Subject to sub-paragraphs (2) to (5) below, a person who makes taxable supplies but is not registered is liable to be registered—
    - (a) after the end of any quarter, if the value of his taxable supplies—
      - (i) in that quarter has exceeded £7,250; or
      - (ii) in the four quarters then ending has exceeded £21,300; or
    - (b) at any time, if there are reasonable grounds for believing that the value of his taxable supplies in the period of one year then beginning will exceed £21,300.
  - (2) A person is not liable to be registered by virtue of sub-paragraph (1)(a)(i) above after the end of any quarter if the Commissioners are satisfied that the value of his taxable supplies in that quarter and the next three quarters will not exceed £21,300.

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- (3) A person is not liable to be registered by virtue of sub-paragraph (1)(a)(ii) above after the end of any quarter if the Commissioners are satisfied that the value of his taxable supplies in the next four quarters will not exceed £20,300.
- (4) In determining the value of a person's supplies for the purposes of sub-paragraph (1)(a) above, supplies made at a time when he was previously registered shall be disregarded if—
- (a) his registration was cancelled otherwise than under paragraph 10 below, and
  - (b) the Commissioners are satisfied that before his registration was cancelled he had given them all the information they needed in order to determine whether to cancel the registration.
- (5) In determining the value of a person's supplies for the purposes of sub-paragraph (1) above, supplies of goods that are capital assets of the business in the course or furtherance of which they are supplied shall be disregarded.”.
- (3) For paragraph 2 there shall be substituted—
- “2 (1) Subject to sub-paragraph (2) below, a registered person who makes taxable supplies shall cease to be liable to be registered at any time if the Commissioners are satisfied that the value of his taxable supplies in the period of one year then beginning will not exceed £20,300.
- (2) A person shall not cease to be liable to be registered by virtue of sub-paragraph (1) above if the Commissioners are satisfied that the reason the value of his taxable supplies will not exceed £20,300 is that in the period in question he will cease making taxable supplies, or will suspend making them for a period of thirty days or more.
- (3) In determining the value of a person's supplies for the purposes of sub-paragraph (1) above, supplies of goods that are capital assets of the business in the course or furtherance of which they are supplied shall be disregarded.”.
- (4) For paragraph 3 there shall be substituted—
- “3 (1) A person who by virtue of paragraph 1(1)(a) above is liable to be registered after the end of any quarter shall notify the Commissioners of that liability within thirty days of the end of that quarter.
- (2) The Commissioners shall register any such person (whether or not he so notifies them) with effect from the end of the month in which the thirtieth day falls or from such earlier date as may be agreed between them and him.”.
- (5) For paragraph 4 there shall be substituted—
- “4 (1) A person who by virtue of paragraph 1(1)(b) above is liable to be registered by reason of the value of his taxable' supplies in any period shall notify the Commissioners of that liability within thirty days of the beginning of that period.

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- (2) Subject to sub-paragraph (3) below, the Commissioners shall register any such person (whether or not he so notifies them) with effect from the end of the thirty days or from such earlier date as may be agreed between them and him.
- (3) Where there are reasonable grounds for believing that the value of such a person's taxable supplies in the first thirty days of the period will exceed £21,300, the Commissioners may, if they think fit, register him with effect from the beginning of the period.”.
- (6) Paragraph 6 shall cease to have effect.
- (7) For paragraph 7 there shall be substituted—
- “7 (1) A registered person who ceases to make taxable supplies shall notify the Commissioners of that fact within thirty days of the day on which he does so.
- (2) Subject to sub-paragraph (3) below, the Commissioners shall cancel the registration of a registered person who ceases to make taxable supplies with effect from the day on which he so ceases or from such later date as may be agreed between them and him.
- (3) The Commissioners shall not be under a duty to cancel the registration of such a person (although they may cancel it if they think fit) if they are satisfied that he is (on ceasing to make taxable supplies) within paragraph 11 A(2) below.”.
- (8) In paragraph 9, for the words "paragraph 2(b)" there shall be substituted the words "paragraph 2".
- (9) In paragraph 11, for sub-paragraph (2) there shall be substituted—
- “(2) Where there is a material change in the nature of the supplies made by a person exempted from registration under sub-paragraph (1)(a) above he shall notify the Commissioners of the change—
- (a) within thirty days of the day on which it occurred; or
- (b) if no particular day is identifiable as the day on which it occurred, within thirty days of the end of the quarter in which it occurred.
- (2AA) Where there is a material alteration in any quarter in the proportion of taxable supplies of such a person that are zero-rated, he shall notify the Commissioners of the alteration within thirty days of the end of the quarter.”.
- (10) For paragraph 13 there shall be substituted—
- “13 The value of a supply of goods or services shall be determined for the purposes of this Schedule on the basis that no tax is chargeable on the supply.”.

## **15 Supplies to groups**

- (1) In the principal Act, after section 29 there shall be inserted—

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**“29A Supplies to groups.**

- (1) Subject to subsections (2) and (3) below, subsection (4) below applies where—
    - (a) a business, or part of a business, carried on by a taxable person is transferred as a going concern to a body corporate treated as a member of a group under section 29 above;
    - (b) on the transfer of the business or part, chargeable assets of the business are transferred to the body corporate; and
    - (c) the transfer of the assets is treated by virtue of section 3(3)(c) above as neither a supply of goods nor a supply of services.
  - (2) Subsection (4) below shall not apply if the representative member of the group is entitled to credit for the whole of the input tax on supplies to it and importations by it—
    - (a) during the prescribed accounting period in which the assets are transferred, and
    - (b) during any longer period to which regulations under section 15(3)(b) above relate and in which the assets are transferred.
  - (3) Subsection (4) below shall not apply if the Commissioners are satisfied that the assets were acquired by the taxable person transferring them more than three years before the day on which they are transferred.
  - (4) The chargeable assets shall be treated for the purposes of this Act as being, on the day on which they are transferred, both supplied to the representative member of the group for the purpose of its business and supplied by that member in the course or furtherance of its business.
  - (5) A supply treated under subsection (4) above as made by a representative member shall not be taken into account as a supply made by him when determining the allowance of input tax in his case under section 15 above.
  - (6) The value of a supply treated under subsection (4) above as made to or by a representative member shall be taken to be the open market value of the chargeable assets.
  - (7) For the purposes of this section, the open market value of any chargeable assets shall be taken to be the price that would be paid on a sale (on which no tax is payable) between a buyer and a seller who are not in such a relationship as to affect the price.
  - (8) The Commissioners may reduce the tax chargeable by virtue of subsection (4) above in a case where they are satisfied that the person by whom the chargeable assets are transferred has not received credit for the full amount of input tax arising on the acquisition by him of the chargeable assets.
  - (9) For the purposes of this section, assets are chargeable assets if their supply in the United Kingdom by a taxable person in the course or furtherance of his business would be a taxable supply (and not a zero-rated supply).”.
- (2) This section shall have effect in relation to transfers of assets made on or after 1st April 1987, and shall be deemed to have come into force on 23rd March 1987.

## 16 Tour operators

(1) After section 37 of the principal Act there shall be added—

### “37A Tour operators.

- (1) The Treasury may by order modify the application of this Act in relation to supplies of goods or services by tour operators or in relation to such of those supplies as may be determined by or under the order.
  - (2) Without prejudice to the generality of subsection (1) above, an order under this section may make provision—
    - (a) for two or more supplies of goods or services by a tour operator to be treated as a single supply of services;
    - (b) for the value of that supply to be ascertained, in such manner as may be determined by or under the order, by reference to the difference between sums paid or payable to and sums paid or payable by the tour operator;
    - (c) for account to be taken, in determining the tax chargeable on that supply, of the different rates of tax that would have been applicable apart from this section;
    - (d) excluding any body corporate from the application of section 29 above;
    - (e) as to the time when a supply is to be treated as taking place.
  - (3) In this section 'tour operator' includes a travel agent acting as principal and any other person providing for the benefit of travellers services of any kind commonly provided by tour operators or travel agents.
  - (4) Section 45(3) below shall not apply to an order under this section, notwithstanding that it makes provision for excluding any tax from credit under section 14 above.”.
- (2) In section 45 of that Act, at the beginning of subsection (4) there shall be inserted the words "Subject to section 37A(4) above".

## 17 Valuation of supplies at less than market value

- (1) In Schedule 4 to the principal Act, at the beginning of paragraph 1(1)(c) there shall be inserted the words "if the supply is a taxable supply,".
- (2) This section shall have effect in relation to supplies made on or after 1st April 1987, and shall be deemed to have come into force on 23rd March 1987.

## 18 Issue of securities

- (1) In Schedule 6 to the principal Act (exemptions), in Group 5 (finance)—
  - (a) at the end of item 5 there shall be added the words "or the underwriting of an issue within item 1"; and
  - (b) after item 6 there shall be inserted the following item—

“6A The making of arrangements for, or the underwriting of, an issue within item 6.”.

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- (2) This section shall have effect in relation to supplies made on or after 1st April 1987, and shall be deemed to have come into force on 23rd March 1987.

## **19 Interpretation and miscellaneous further amendments**

- (1) In this Chapter "the principal Act" means the Value Added Tax Act 1983.
- (2) The principal Act shall have effect subject to the further amendments in Schedule 2 to this Act; and the amendment in that Schedule of section 7 of the principal Act shall have effect with respect to services supplied on or after 1st April 1987.

## **PART II**

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

#### **CHAPTER I**

##### GENERAL

##### *Tax rates*

## **20 Charge of income tax for 1987-88**

- (1) Income tax for the year 1987-88 shall be charged at the basic rate of 27 per cent.; and in respect of so much of an individual's total income as exceeds the basic rate limit (£17,900) at such higher rates as are specified in the Table below:

TABLE

<i>Higher rate bands</i>	<i>Higher rate</i>
The first £2,500	40 per cent.
The next £5,000	45 per cent.
The next £7,900	50 per cent.
The next £7,900	55 per cent.
The remainder	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) Section 24(4) of the Finance Act 1980 (indexation of thresholds) shall not, so far as it relates to the higher rate bands, apply for the year 1987-88.

## **21 Charge of corporation tax for financial year 1987**

Corporation tax shall be charged for the financial year 1987 at the rate of 35 per cent.



## **22 Corporation tax: small companies**

- (1) For the financial year 1987 the small companies rate shall be 27 per cent.
- (2) For the financial year 1987, the fraction mentioned in section 95(2) of the Finance Act 1972 (marginal relief for small companies) shall be one fiftieth.

## **23 Deduction rate for sub-contractors in construction industry**

Section 69(4) of the Finance (No. 2) Act 1975 (which requires deductions to be made from payments to certain sub-contractors in the construction industry) shall have effect in relation to payments made on or after 2nd November 1987 with the substitution for the words "29 per cent." of the words "27 per cent."

*Personal reliefs etc.*

## **24 Personal reliefs: operative date for PAYE**

For the year 1987-88, in subsection (7) of section 24 of the Finance Act 1980 (which specifies the date from which indexed changes in income tax thresholds and allowances are to be brought into account for the purposes of PA YE) for "5th May" there shall be substituted "18th May".

## **25 Relief for interest**

For the year 1987-88 the qualifying maximum referred to in paragraphs 5(1) and 24(3) of Schedule 1 to the Finance Act 1974 (limit on relief for interest on certain loans for the purchase or improvement of land) shall be £30,000.

## **26 Increased personal relief for those aged eighty and over**

- (1) Subject to the provisions of this section, subsection (1) of section 8 of the Taxes Act (personal reliefs) shall have effect—
  - (a) in relation to a claim by a person who proves that he or his wife was at any time within the year of assessment of the age of eighty or upwards, as if the sum specified in paragraph (a) (married) were £4,845; and
  - (b) in relation to a claim by a person who proves that he was at any time within the year of assessment of the age of eighty or upwards, as if the sum specified in paragraph (b) (single) were £3,070.
- (2) For the purposes of subsection (1) above, a person who would have been of the age of eighty or upwards within the year of assessment if he had not died in the course of it shall be treated as having been of that age within that year.
- (3) For any year of assessment for which a person is entitled to increased personal relief by virtue of this section, he shall not be entitled to increased relief under subsection (1A) of section 8 of the Taxes Act (increased relief for persons of sixty-five and upwards).
- (4) For the purpose of any enactment which refers to Part I of the Taxes Act or to Chapter II of that Part, subsections (1) and (2) above shall be taken to be included' in that Chapter.
- (5) In the following enactments—

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- (a) subsection (1B) of section 8 of the Taxes Act (tapering of relief under subsection (1A)),
- (b) subsection (2) of section 14 of that Act (which, as applied by section 15A of that Act, determines the amount of widow's bereavement allowance), and
- (c) paragraph 3(3) of Schedule 4 to the Finance Act 1971 (exclusion of certain reliefs where there is separate taxation of wife's earnings),

any reference to subsection (1A) of section 8 of the Taxes Act includes a reference to subsection (1) above.

- (6) In subsection (8) of section 36 of the Finance Act 1976 (application of provisions relating to transfer of balance of certain reliefs between spouses) the reference in paragraph (b) to section 8(1A)(b) of the Taxes Act includes a reference to subsection (1) (b) above.
- (7) In section 24 of the Finance Act 1980 (indexation of income tax thresholds and allowances), any reference to section 8 of the Taxes Act includes a reference to subsection (1) above.
- (8) This section has effect for the year 1987-88 and subsequent years of assessment.

## **27 Invalid care allowance and unemployment benefit**

- (1) In section 8 of the Taxes Act (personal reliefs) in paragraph (b) of subsection (2) (wife's earned income relief) after sub-paragraph (iii) there shall be inserted the words “and (iv) invalid care allowance”.
- (2) In Schedule 4 to the Finance Act 1971 (separate taxation of wife's earnings) in paragraph 1 (meaning of wife's earnings) at the end of paragraph (b) there shall be inserted the words "unemployment benefit or invalid care allowance".
- (3) This section—
  - (a) so far as it relates to invalid care allowance, has effect for the year 1984-85 and subsequent years of assessment, and
  - (b) so far as it relates to unemployment benefit, has effect for the year 1987-88 and subsequent years of assessment;

and all such adjustments (whether by repayment of tax or otherwise) shall be made as are appropriate to give effect to this section.

## **28 Increased relief for blind persons**

For the year 1987-88 and subsequent years of assessment, in section 18 of the Taxes Act—

- (a) in subsection (1) (single blind persons and married couples of whom one is blind) for "£360" there shall be substituted "£540"; and
- (b) in subsection (2) (married couples, both of whom are blind) for "£720" there shall be substituted "£1,080".

## **29 Income support etc.**

- (1) For subsection (2) of section 219 of the Taxes Act (which specifies certain social security benefits which are not to be treated as income for the purposes of the Income Tax Acts) there shall be substituted the following subsection—

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“(2) The following payments shall not be treated as income for any purpose of the Income Tax Acts—

- (a) payments of income support, family credit or housing benefit under the Social Security Act 1986 or the Social Security (Northern Ireland) Order 1986 other than payments of income support which are taxable by virtue of section 29 of the Finance Act 1987;
- (b) payments of child benefit; and
- (c) payments excepted by subsection (1) above from the charge to tax imposed by that subsection.”;

and, accordingly, paragraph 101(b) of Schedule 10 to the Social Security Act 1986 shall cease to have effect.

(2) Subject to the following provisions of this section, payments to any person of income support under the Social Security Act 1986 in respect of any period shall be charged to income tax under Schedule E if during that period—

- (a) his right to income support is subject to the condition specified in section 20(3)(d)(i) of that Act (availability for employment); or
- (b) he is one of a married or unmarried couple and section 23 of that Act (trade disputes) applies to him but not to the other person;

and in paragraph (b) above "married couple" and "unmarried couple" have the same meaning as in Part II of the Social Security Act 1986.

(3) Where the amount of income support paid to any person in respect of any week or part of a week exceeds the taxable maximum for that period as defined in Part I of Schedule 3 to this Act, the excess shall not be taxable.

(4) Where payments of unemployment benefit and payments of income support are made to any person in respect of the same week or part of a week, the amount taxable in respect of that period in respect of those payments shall not exceed the taxable maximum for that period within the meaning of subsection (3) above.

(5) In their application to Northern Ireland subsections (2) to (4) above and Part I of Schedule 3 to this Act shall have effect as if—

- (a) for the references to the Social Security Act 1986, to Part II of that Act and to sections 20(3)(d)(i) and 23 of that Act there were substituted respectively references to the Social Security (Northern Ireland) Order 1986, Part III of that Order and Articles 21(3)(d)(i) and 24 of that Order; and
- (b) for the references to paragraph 1 of Part I of Schedule 4 to the Social Security Act 1975 and paragraph 1(a) of Part IV of that Schedule there were substituted respectively references to paragraph 1 of Part I of Schedule 4 to the Social Security (Northern Ireland) Act 1975 and paragraph 1(a) of Part IV of that Schedule.

(6) The consequential amendments in Part II of Schedule 3 to this Act shall have effect.

(7) Except as provided by subsection (8) below, this section and Schedule 3 to this Act shall have effect in relation to payments in respect of periods beginning on or after the income support date.

(8) Subsection (1) above, so far as it relates to family credit or housing benefit, shall have effect in relation to payments in respect of periods beginning on or after the family credit date and the housing benefit date respectively; and nothing in that subsection

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shall affect payments of family income supplement in respect of periods before the family credit date.

- (9) In subsections (7) and (8) above, the "income support date", the "family credit date" and the "housing benefit date" mean the days on which regulations containing the first schemes under section 20 of the Social Security Act 1986 and Article 21 of the Social Security (Northern Ireland) Order 1986 providing respectively for income support, for family credit and for housing benefit come into force.

*Friendly societies, trade unions and charities*

**30 Registered friendly societies**

- (1) In so far as the profits of a registered friendly society from life or endowment business relate to contracts made on or after 1st September 1987, section 332 of the Taxes Act (registered friendly societies: tax exempt limits etc.) shall be amended in accordance with subsections (2) and (3) below.
- (2) In paragraph (a) of subsection (2) for the words from "the assurance" onwards there shall be substituted—
- “(i) the assurance of gross sums under contracts under which the total premiums payable in any period of twelve months exceed £100; or
- (ii) the granting of annuities of annual amounts exceeding £156; and”.
- (3) For subsection (3) there shall be substituted the following subsection—
- “(3) In determining for the purposes of subsection (2)(a)(i) above the total premiums payable in any period of twelve months—
- (a) where those premiums are payable more frequently than annually, there shall be disregarded an amount equal to 10 per cent. of those premiums; and
- (b) so much of any premium as is charged on the ground that an exceptional risk of death is involved shall be disregarded;
- and in applying the limit of £156 in subsection (2)(a)(ii) above, any bonus or addition declared upon an annuity shall be disregarded.”
- (4) In section 64 of the Friendly Societies Act 1974 (which relates to the maximum contractual benefits a person may have with friendly societies and is in the following provisions of this section referred to as "section 64"), paragraph (a) of subsection (1) shall not apply as respects sums assured under contracts made on or after 1st September 1987; and after that subsection there shall be inserted the following subsections—
- “(1A) With respect to contracts for the assurance of gross sums under tax exempt life or endowment business, a member of a registered friendly society or branch shall not be entitled to have outstanding with any one or more such societies or branches (taking together all such societies or branches throughout the United Kingdom) contracts under which the total premiums payable in any period of twelve months exceed £100 unless all those contracts were entered into before 1st September 1987.

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- (1B) In applying the limit in subsection (1A) above, the premiums under any contract for an annuity which was made before 1st June 1984 by a new society, shall be brought into account as if the contract were for the assurance of a gross sum.”
- (5) At the end of subsection (2) of section 64 (provisions disregarded in applying limits) there shall be added the following “and
- (d) so far as concerns the total premiums payable in any period of twelve months,—
    - (i) 10 per cent. of the premiums payable under any contract under which the premiums are payable more frequently than annually; and
    - (ii) £10 of the premiums payable under any contract made before 1st September 1987 by a society which is not a new society; and
    - (iii) so much of any premium as is charged on the ground that an exceptional risk of death is involved.”
- (6) In subsection (2B) of section 64 (contracts not to be qualifying policies where limits are exceeded)—
- (a) in paragraph (a) after the words "sums assured" there shall be inserted "or premiums payable"; and
  - (b) in paragraph (b) after the words "sums assured by" there shall be inserted "or, as the case may be, the premiums payable under".
- (7) At the end of subsection (6) of section 64 (declaration that limits are not exceeded) there shall be added the words "and that the total premiums under those contracts do not exceed those limits".
- (8) At the end of section 41(9) of the Finance Act 1985 (gains on non-qualifying policies issued by friendly societies in the course of tax exempt business to be chargeable under section 399 of the Taxes Act at basic rate as well as at higher rates) there shall be added the words "but any relief under section 400 of that Act shall be computed as if this subsection had not been enacted".

### **31 Relief in respect of certain income of trade unions**

- (1) In section 338 of the Taxes Act (which, as amended by section 36 of the Finance Act 1982, provides for exemption for certain income and gains of a trade union precluded by Act or rules from assuring to any person a sum exceeding £2,400 by way of gross sum or £500 a year by way of annuity) for "£2,400" and "£500" there shall be substituted respectively "£3,000" and "£625".
- (2) This section has effect in relation to income or gains which are applicable and applied as mentioned in the said section 338 on or after 17th March 1987.

### **32 Charities: payroll deduction scheme**

- (1) In section 27(7) of the Finance Act 1986 (which limits to £100 the deductions attracting relief) for "£100" there shall be substituted "£120".
- (2) This section has effect for the year 1987-88 and subsequent years of assessment.

*Employees etc.*

**33 Employee share schemes, etc.**

- (1) Schedule 10 to the Finance Act 1980 (savings-related share option schemes) and Schedule 10 to the Finance Act 1984 (approved share option schemes) shall have effect subject to the amendments in Part I of Schedule 4 to this Act (which enable schemes to allow rights acquired under them to be exchanged for other rights in certain circumstances); and the transitional provisions in Part II of that Schedule and the consequential provisions relating to capital gains tax in Part III thereof shall have effect.
- (2) Subject to subsection (3) below, the provisions of Part IV of Schedule 4 to this Act shall have effect for the purpose only of determining whether an individual has a material interest in a company for the purposes of the employee share scheme legislation.
- (3) Paragraph 8 of Schedule 4 to this Act shall also have effect for the purpose of determining whether interest on a loan made on or after 6th April 1987 is eligible for relief under section 75 of the Finance Act 1972 by virtue of paragraph 9 of Schedule 1 to the Finance Act 1974.
- (4) In this section "the employee share scheme legislation" means—
  - (a) Schedule 9 to the Finance Act 1978,
  - (b) Schedule 10 to the Finance Act 1980, and
  - (c) Schedule 10 to the Finance Act 1984.

**34 Employees seconded to educational bodies**

- (1) With respect to expenditure attributable to the employment of a person on or after 26th November 1986 and before 1st April 1997, section 28 of the Finance Act 1983 (employees seconded to charities) shall have effect as if the references in subsections (1) and (2A) of that section to a charity included references to any of the bodies specified in subsection (2) below.
- (2) The bodies referred to in subsection (1) above are—
  - (a) in England and Wales, any local education authority and any educational institution maintained by such an authority;
  - (b) in Scotland, any education authority, any educational establishment maintained by such an authority, and any college of education or central institution within the meaning of the Education (Scotland) Act 1980;
  - (c) in Northern Ireland, any education and library board, college of education or controlled school within the meaning of the Education and Libraries (Northern Ireland) Order 1986 and any institution of further education which is under the management of an education and library board by virtue of Article 28 of that Order; and
  - (d) any other educational body which is for the time being approved for the purposes of this section by the Secretary of State or, in Northern Ireland, the Department of Education for Northern Ireland.
- (3) Any approval granted by the Secretary of State or the Department of Education for Northern Ireland under subsection (2)(d) above before 1st September 1987 may be expressed to have effect for any period before that date.

### **35 Relief for costs of training etc.**

- (1) Where, on or after 6th April 1987, a person (in this section referred to as the "employer") incurs expenditure in paying or reimbursing relevant expenses incurred in connection with a qualifying course of training which—
  - (a) is undertaken by a person (in this section referred to as the "employee") who is the holder or past holder of any office or employment under the employer, and
  - (b) is undertaken with a view to retraining the employee,the employee shall not thereby be regarded as receiving any emolument which forms part of his income for any purpose of Schedule E.
- (2) Schedule 5 to this Act shall have effect to determine for the purposes of this section—
  - (a) what is a qualifying course of training;
  - (b) whether such a course is undertaken by an employee with a view to retraining; and
  - (c) what are relevant expenses in relation to such a course.
- (3) Subject to subsection (4) below, where—
  - (a) an employer incurs expenditure in paying or reimbursing relevant expenses as mentioned in subsection (1) above, and
  - (b) that subsection has effect in relation to the income of the employee for the purposes of Schedule E,then, if and so far as that expenditure would not, apart from this subsection, be so deductible, it shall be deductible in computing for the purposes of Schedule D the profits or gains of the trade, profession or vocation of the employer for the purposes of which the employee is or was employed.
- (4) If the employer carries on a business, the expenses of management of which are eligible for relief under section 304 of the Taxes Act, subsection (3) above shall have effect as if for the words from "in computing" onwards there were substituted "as expenses of management for the purposes of section 304 of the Taxes Act".
- (5) In any case where—
  - (a) an employee's liability to tax for any year of assessment is determined (by assessment or otherwise) on the assumption that subsection (1) above applies in his case and, subsequently, there is a failure to comply with any provision of paragraph 4 of Schedule 5 to this Act, or
  - (b) an employer's liability to tax for any year is determined (by assessment or otherwise) on the assumption that, by virtue only of subsection (3) above (or subsections (3) and (4) above), he is entitled to a deduction on account of any expenditure and, subsequently, there is such a failure as is referred to in paragraph (a) above,an assessment under section 29(3) of the Taxes Management Act 1970 of an amount due in consequence of the failure referred to above may be made at any time not later than six years after the end of the chargeable period in which the failure occurred.
- (6) Where an event occurs by reason of which there is a failure to comply with any provision of paragraph 4 of Schedule 5 to this Act, the employer of the employee concerned shall within sixty days of coming to know of the event give a notice in writing to the inspector containing particulars of the event.
- (7) If the inspector has reason to believe that an employer has not given a notice which he is required to give under subsection (6) above in respect of any event, the inspector

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may by notice in writing require the employer to furnish him within such time (not being less than sixty days) as may be specified in the notice with such information relating to the event as the inspector may reasonably require for the purposes of this section.

- (8) The Table in section 98 of the Taxes Management Act 1970 (penalties) shall be amended as follows—

(a) at the end of the first column there shall be inserted—

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“Section 35(7) of the Finance Act 1987”; and

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(b) at the end of the second column there shall be inserted—

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“Section 35(6) of the Finance Act 1987”.

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### *Companies*

#### **36 Time for payment of corporation tax by certain long-established companies and building societies**

- (1) Section 244 of the Taxes Act (which, in the case of certain companies trading before the financial year 1965, provides that the interval within which corporation tax is to be paid in respect of any accounting period shall be longer than the period of nine months provided for, in relation to companies generally, by section 243(4) of that Act) shall not apply with respect to any accounting period of a company beginning on or after 17th March 1987.
- (2) Section 344 of the Taxes Act (which, in the case of certain building societies carrying on business in the year 1965-66, makes special provision as to the time for payment of corporation tax) shall not apply with respect to any accounting period of a building society ending on or after 6th April 1990.
- (3) In Schedule 6 to this Act—
- (a) Part I has effect with respect to and in connection with the payment of corporation tax for certain accounting periods by a company to which, by virtue of section 244 of the Taxes Act, section 243(4) of that Act did not apply as respects the last accounting period ending before 17th March 1987; and
- (b) Part II has effect with respect to and in connection with the payment by a building society to which section 344 of the Taxes Act applies of corporation tax for accounting periods ending in the year 1989-90.

#### **37 Close companies: meaning of "associate"**

- (1) In subsection (3) of section 303 of the Taxes Act (close companies: meaning of "associate")—
- (a) in paragraph (c) for the words "any other person interested therein" there shall be substituted—
- “(i) the trustee or trustees of the settlement concerned or, as the case may be, the personal representatives of the deceased, and
- (ii) if the participator is a company, any other company interested in those shares or obligations”; and



- (b) the proviso shall be omitted.
- (2) In determining whether, by virtue of paragraph 9 of Schedule 1 to the Finance Act 1974, interest on a loan is eligible for relief under section 75 of the Finance Act 1972, the amendments made by subsection (1) above shall have effect with respect to loans made after 13th November 1986.
- (3) Subject to subsection (2) above, the amendments made by subsection (1) above shall be deemed to have come into force on 6th April 1986.

*Unit trusts and investment companies*

**38 Authorised unit trusts**

- (1) For section 354 of the Taxes Act there shall be substituted—

**“354 Authorised unit trusts.**

- (1) In respect of income arising to the trustees of an authorised unit trust, and for the purposes of the provisions relating to relief for capital expenditure, the Tax Acts shall have effect as if—
    - (a) the trustees were a company resident in the United Kingdom, and
    - (b) the rights of the unit holders were shares in the company.
  - (2) The Tax Acts shall also have effect as if the aggregate amount shown in the accounts of the trust as income available for payment to unit holders or for investment were dividends on the shares referred to in subsection (1) above paid to them in proportion to their rights, the date of payment, in the case of income not paid to unit holders, being taken to be—
    - (a) the date or latest date provided by the terms of the authorised unit trust for any distribution in respect of the distribution period in question;
    - (b) if no date is so provided, the last day of the distribution period.
  - (3) References in the Corporation Tax Acts to a body corporate shall be construed in accordance with the preceding provisions of this section, and section 242 of this Act shall apply with any necessary modifications.
  - (4) Section 304 of this Act shall apply in relation to an authorised unit trust whether or not it falls within the definition of 'investment company' in subsection (5) of that section; and sums periodically appropriated for managers' remuneration shall be treated for the purposes of that section as sums disbursed as expenses of management.
  - (5) In this section 'distribution period' means a period over which income from the investments subject to the trusts is aggregated for the purposes of ascertaining the amount available for distribution to unit holders.”.
- (2) This section shall have effect in relation to distribution periods (within the meaning of section 354 of the Taxes Act) beginning on or after 1st April 1987.

**39 Other unit trusts**

- (1) After section 354 of the Taxes Act there shall be inserted—

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**“354A Other unit trusts.**

- (1) This section applies to—
  - (a) any unit trust scheme that is not an authorised unit trust, and
  - (b) any authorised unit trust to which, by virtue of section 60 of the Finance Act 1980, section 354 of this Act does not apply, except where the trustees of the scheme are not resident in the United Kingdom.
- (2) Income arising to the trustees of the scheme shall be regarded for the purposes of the Tax Acts as income of the trustees (and not as income of the unit holders); and the trustees (and not the unit holders) shall be regarded as the persons to or on whom allowances or charges are to be made under the provisions of those Acts relating to relief for capital expenditure.
- (3) For the purposes of the Tax Acts the unit holders shall be treated as receiving annual payments (made by the trustees under deduction of tax) in proportion to their rights.
- (4) The total amount of those annual payments in respect of any distribution period shall be the amount which, after deducting income tax at the basic rate in force for the year of assessment in which the payments are treated as made, is equal to the aggregate amount shown in the accounts of the scheme as income available for payment to unit holders or for investment.
- (5) The date on which the annual payments are treated as made shall be the date or latest date provided by the terms of the scheme for any distribution in respect of the distribution period in question, except that, if—
  - (a) the date so provided is more than twelve months after the end of the period, or
  - (b) no date is so provided,the date on which the payments are treated as made shall be the last day of the period.
- (6) In this section 'distribution period' has the same meaning as in section 354 of this Act, but—
  - (a) if the scheme does not make provision for distribution periods, then for the purposes of this section its distribution periods shall be taken to be successive periods of twelve months the first of which began with the day on which the scheme took effect, and
  - (b) if the scheme makes provision for distribution periods of more than twelve months, then for the purposes of this section each of those periods shall be taken to be divided into two (or more) distribution periods, the second succeeding the first after twelve months (and so on for any further periods).
- (7) In this section 'unit trust scheme' has the same meaning as in the Financial Services Act 1986, except that the Treasury may by regulations provide that any scheme of a description specified in the regulations shall be treated as not being a unit trust scheme for the purposes of this section.
- (8) Regulations under this section—

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- (a) may contain such supplementary and transitional provisions as appear to the Treasury to be necessary or expedient, and
  - (b) shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.
- (9) Sections 16 and 17 of the Finance Act 1973 (which make provision for charging tax at the additional rate on certain trust income) shall not apply to a scheme to which this section applies.
- (10) Paragraph 8(1) of Schedule 23 to the Finance Act 1985 (which charges tax at the additional rate on certain sums treated as received by trustees in respect of accrued interest) shall not apply in relation to profits or gains treated as received by the trustees of a scheme to which this section applies if or to the extent that those profits or gains represent accruals of interest (within the meaning of Chapter IV of Part II of that Act) which are treated as income in the accounts of the scheme.”.
- (2) This section shall have effect in relation to distribution periods (within the meaning of section 354A of the Taxes Act) beginning on or after 6th April 1987.

#### **40 Unit trusts: miscellaneous amendments**

- (1) For section 358 of the Taxes Act there shall be substituted—

**“358 Definitions: unit trusts.**

In this Act—

'authorised unit trust' means, as respects an accounting period, a unit trust scheme in the case of which an order under section 78 of the Financial Services Act 1986 is in force during the whole or part of the accounting period;

'unit holder' means a person entitled to a share of the investments subject to the trusts of a unit trust scheme;

'unit trust scheme' has the same meaning as in section 354A of this Act.”.

- (2) In section 526(5) of the Taxes Act the following definitions shall be inserted at the appropriate places in alphabetical order—

“'authorised unit trust' has the meaning given by section 358 of this Act”;

“'unit holder', in relation to a unit trust scheme, has the meaning given by section 358 of this Act”;

“'unit trust scheme' has the same meaning as in section 354A of this Act”.

- (3) In section 92 of the Capital Gains Tax Act 1979, for the words from the beginning of the section to the end of paragraph (a) there shall be substituted—

“(1) Subject to subsection (2) below, in this Act—

- (a) 'unit trust scheme' has the same meaning as in the Financial Services Act 1986”.

- (4) At the end of section 92 of the Capital Gains Tax Act 1979 there shall be added—

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- “(2) The Treasury may by regulations provide that any scheme of a description specified in the regulations shall be treated as not being a unit trust scheme for the purposes of this Act.
- (3) Regulations under this section—
- (a) may contain such supplementary and transitional provisions as appear to the Treasury to be necessary or expedient, and
  - (b) shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.”.

(5) This section, and the repeals effected by section 72 below and Part VI of Schedule 16 to this Act, shall come into force on such day as the Board may by order appoint; and different days may be appointed for different purposes.

(6) An order under subsection (5) above—

    - (a) may contain such transitional provisions as appear to the Board to be necessary or expedient, and
    - (b) shall be made by statutory instrument.

#### **41 Investment companies, etc.**

- (1) In section 304(1) of the Taxes Act, for the words "income for the purposes of Schedule A" there shall be substituted the words "profits apart from this section".
- (2) This section shall have effect in relation to sums disbursed on or after 1st April 1987.

#### *Business expansion scheme*

#### **42 Carry-back of relief**

- (1) In paragraph 2 of Schedule 5 to the Finance Act 1983, at the beginning of sub-paragraph (3) (which provides that relief is to be given as a deduction from income for the year in which the relevant shares are issued) there shall be inserted the words "Subject to sub-paragraph (4A) below"; and after sub-paragraph (4) there shall be inserted—

“(4A) If—

- (a) the shares are issued before 6th October in a year of assessment, and
- (b) the claimant so requests in his claim for relief,

the relief shall be given partly by way of deduction from the claimant's total income for the year of assessment in which the shares are issued and partly by way of deduction from his total income for the preceding year of assessment.

- (4B) A deduction from the claimant's total income for the year of assessment preceding that in which the shares are issued shall be of such amount as may be specified in the claim, but—

- (a) that amount shall not exceed one half of the total relief in respect of the shares, and
- (b) the aggregate of that amount and the amounts of any other deductions made by virtue of sub-paragraph (4A) above from the

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claimant's total income for the year of assessment preceding that in which the shares are issued shall not exceed £5,000.”.

(2) For sub-paragraph (9) of paragraph 2 of that Schedule there shall be substituted—

“(9) Section 52(7) of Chapter II shall apply, but with the deletion of the reference to section 204(3) of the Taxes Act (pay as you earn).

(10) Where effect is given to a claim for relief by repayment of tax, section 47 of the Finance (No. 2) Act 1975 (repayment supplement) shall have effect in relation to the repayment as if the time from which the twelve months mentioned in subsections (1)(a) and (4)(a) of that section are to be calculated were the end of the year of assessment in which the shares are issued or, if the period mentioned in sub-paragraph (4)(a) above ends in a later year, the end of that later year.”.

(3) For sub-paragraph (2) of paragraph 3 of that Schedule there shall be substituted—

“(2) No more than £40,000 may be deducted by way of relief under paragraph 2 above from the total income of an individual for a year of assessment.”.

(4) In paragraph 12 of that Schedule, after sub-paragraph (2) there shall be added—

“(3) Section 60(4) and (5) of Chapter II shall apply in relation to the limit of £5,000 imposed by paragraph 2(4B) above as it applies in relation to the limit of £40,000 imposed by paragraph 3(2) above; and for this purpose the reference in section 60(5) to a division in proportion to the amounts subscribed by the husband and the wife shall be construed as a reference to a division in proportion to the aggregate amounts of the relevant deductions sought by each of them in their claims under paragraph 2(4A) above.”.

(5) In paragraph 14 of that Schedule, after sub-paragraph (1) there shall be inserted—

“(1A) Where by virtue of paragraph 2(4A) above relief has been given for each of two consecutive years of assessment, any withdrawal of relief shall be made for the first of those years before being made for the second.”.

(6) This section shall have effect in relation to shares issued on or after 6th April 1987.

### **43 Films**

(1) In paragraph 6 of Schedule 5 to the Finance Act 1983 (qualifying trades), for paragraphs (a) and (b) of sub-paragraph (2A) there shall be substituted—

“(a) the company carrying on the trade is engaged throughout the relevant period in—

- (i) the production of films, or
- (ii) the production of films and the distribution of films produced by it in the relevant period; and

(b) all royalties and licence fees received by it in that period are in respect of films produced by it in that period or sound recordings in relation to such films or other products arising from such films.”.

(2) This section shall have effect in relation to shares issued on or after 17th March 1987.

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*Oil industry: advance corporation tax*

**44 Limited right to carry back surrendered ACT**

(1) In any case where,—

- (a) on a date not earlier than 17th March 1987, a company which is the surrendering company for the purposes of section 92 of the Finance Act 1972 (setting of company's advance corporation tax against subsidiary's liability) paid a dividend, and
- (b) at no time in the accounting period of the surrendering company in which that dividend was paid was the surrendering company under the control of a company resident in the United Kingdom (construing "control" in accordance with section 302 of the Taxes Act), and
- (c) under subsection (1) of the said section 92 the benefit of the advance corporation tax (in this section referred to as "ACT") paid in respect of that dividend was surrendered to a subsidiary of the surrendering company, and
- (d) that ACT is not such that the restriction in paragraph (a) or paragraph (b) of subsection (2) of section 16 of the Oil Taxation Act 1975 (ACT on distributions to associated companies etc.) applies with respect to it, and
- (e) in one or more of the accounting periods of the subsidiary beginning in the six years preceding the accounting period in which falls the date referred to in paragraph (a) above, the subsidiary has a liability to corporation tax in respect of income which consists of or includes income arising from oil extraction activities or oil rights, within the meaning of Part II of the Oil Taxation Act 1975 (in this section referred to as "ring fence income"),

sections 85 and 92 of the Finance Act 1972 shall have effect—subject to subsections (3) to (7) below.

(2) Where the conditions in subsection (1) above are fulfilled, the subsidiary to which the benefit of the ACT is surrendered is in the following provisions of this section referred to as a "qualifying subsidiary"; and in those provisions—

- (a) "section 85" means section 85 of the Finance Act 1972 (payments of ACT to be set against company's liability to corporation tax on its profits) and "section 92" means section 92 of that Act;
- (b) "the surrendering company" has the same meaning as in section 92;
- (c) "surrendered ACT" means ACT which, by virtue of subsection (2) of section 92, a qualifying subsidiary is treated as having paid in respect of a distribution made on a particular date; and
- (d) "the principal accounting period" means the accounting period of the qualifying subsidiary in which that date falls.

(3) So much of subsection (3A) of section 92 as would prevent surrendered ACT being set against a qualifying subsidiary's liability to corporation tax under subsection (3) of section 85 (carry back to earlier periods) shall not apply; but the said subsection (3) shall have effect subject to the following provisions of this section.

(4) Surrendered ACT may not under subsection (3) of section 85 be set against a qualifying subsidiary's liability to corporation tax for an accounting period earlier than the principal accounting period unless throughout—

- (a) that period,
- (b) the principal accounting period, and

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- (c) any intervening accounting period,  
the qualifying subsidiary was carrying on activities which, under and for the purposes specified in section 13 of the Oil Taxation Act 1975, constitute a separate trade (oil extraction activities etc.).
- (5) Subject to subsection (6) below, for each accounting period of the surrendering company in which is paid a dividend, the ACT on which gives rise, under section 92, to surrendered ACT, the total amount of that surrendered ACT in respect of which claims may be made under subsection (3) of section 85 (whether by one qualifying subsidiary of the surrendering company or by two or more taken together) shall not exceed whichever of the following limits is appropriate to the accounting period of the surrendering company—
- (a) for periods ending on or after 17th March 1987 and before 1st April 1989, £10 million;
  - (b) for periods ending on or after 1st April 1989 and before 1st April 1991, £15 million;
  - (c) for later periods, £20 million.
- (6) In any case where an accounting period of the surrendering company is less than twelve months, the amount which is appropriate to it under paragraphs (a) to (c) of subsection (5) above shall be proportionately reduced.
- (7) The amount of surrendered ACT of the principal accounting period which, on a claim under subsection (3) of section 85, may be treated as if it were ACT paid in respect of distributions made by the qualifying subsidiary concerned in any earlier accounting period shall not exceed the amount of ACT that would have been payable in respect of a distribution made at the end of that earlier period of an amount which, together with the ACT so payable in respect of it, would equal the qualifying subsidiary's ring fence income of that period.
- (8) In determining the amount (if any) of ACT which may be repayable—
- (a) under section 17(3) of the Oil Taxation Act 1975, or
  - (b) under section 127(5) of the Finance Act 1981,
- any ACT in respect of a distribution actually made on or after 17th March 1987 shall be left out of account.

#### **45 Surrender of ACT where oil extraction company owned by a consortium**

- (1) In any case where—
- (a) a company (in this section referred to as "the consortium company") is owned by a consortium consisting of two members only, each of which owns 50 per cent. of the issued share capital of the company, and
  - (b) the consortium company carries on a trade consisting of or including activities falling within paragraphs (a) to (c) of subsection (1) of section 13 of the Oil Taxation Act 1975 (oil extraction etc.), and
  - (c) all of the issued share capital of the consortium company is of the same class and carries the same rights as to voting, dividends and distribution of assets on a winding up,
- section 92 of the Finance Act 1972 (setting of company's advance corporation tax against subsidiary's liability) shall have effect, subject to the following provisions of this section, as if the company were a subsidiary of each member of the consortium.

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- (2) This section has effect with respect to advance corporation tax paid by either member of the consortium in respect of a dividend paid by it on or after 17th March 1987; and, in relation to a surrender under the said section 92 of the benefit of the advance corporation tax paid in respect of such a dividend,—
- (a) "surrendered ACT" means advance corporation tax which, by virtue of subsection (2) of that section, the consortium company is treated as having paid; and
  - (b) "the notional distribution date" means the date of the distribution in respect of which the surrendered ACT is treated as paid.
- (3) No surrender under subsection (1) of section 92 of the Finance Act 1972 of the benefit of advance corporation tax may be made by virtue of this section—
- (a) unless the conditions in paragraphs (a) to (c) of subsection (1) above are fulfilled throughout that accounting period of the consortium company in which falls the notional distribution date; or
  - (b) if arrangements are in existence by virtue of which any person could cause one or more of those conditions to cease to be fulfilled at some time during that or any later accounting period.
- (4) In the application of section 85 of the Finance Act 1972 (payments of ACT to be set against company's liability to corporation tax on its income) in relation to surrendered ACT resulting from a surrender by either one of the consortium members under section 92 of that Act, the reference in subsection (2) of section 85 (the limit on the amount to be set against corporation tax) to the consortium company's income charged to corporation tax shall be construed as a reference to one half of so much of that income as consists of income arising from oil extraction activities or oil rights, within the meaning of Part II of the Oil Taxation Act 1975.
- (5) So much of any surplus advance corporation tax as consists of or includes surrendered ACT shall not be treated under section 85(4) of the Finance Act 1972 as if it were advance corporation tax paid in respect of distributions made by the consortium company in a later accounting period unless the conditions in paragraphs (a) to (c) of subsection (1) above are fulfilled throughout that later period.
- (6) In any case where—
- (a) as a result of a surrender by one of the consortium members, the consortium company is treated as paying an amount of surrendered ACT which exceeds the limit applicable under subsection (2) of section 85 of the Finance Act 1972 (as modified by subsection (4) above), and
  - (b) that excess falls to be treated under subsection (4) of that section as advance corporation tax paid by the consortium company in respect of distributions made in a later accounting period,
- then, for the purposes of the application of subsection (2) of that section (as modified by subsection (4) above) in relation to that later accounting period, the excess of the surrendered ACT shall be treated as resulting from a surrender by that one of the consortium members referred to in paragraph (a) above.
- (7) Where section 92 of the Finance Act 1972 has effect as mentioned in subsection (2) above, subsection (9) of that section shall have effect with the omission of paragraph (b) (and the word "and" immediately preceding it).
- (8) Notwithstanding the provisions of subsection (1) above the consortium company shall not be regarded as a subsidiary for the purposes of section 44 above.



#### **46 ACT on redeemable preference shares**

- (1) In section 16 of the Oil Taxation Act 1975 (oil extraction activities etc.: restriction on setting advance corporation tax against profits therefrom) in subsection (2), after the words "United Kingdom" there shall be inserted "or, where subsection (2A) below applies, in respect of any distribution consisting of a dividend on a redeemable preference share".
- (2) At the end of subsection (2) of the said section 16 there shall be inserted the following subsections—
  - “(2A) Subject to subsection (2B) below, this subsection applies in relation to the payment of a dividend on redeemable preference shares if the dividend is paid on or after 17th March 1987 and—
    - (a) at the time the shares are issued, or
    - (b) at the time the dividend is paid,the company paying the dividend is under the control of a company resident in the United Kingdom, and in this subsection "control" shall be construed in accordance with section 302 of the Taxes Act.
  - (2B) Subsection (2A) above does not apply if or to the extent that it is shown that the proceeds of the issue of the redeemable preference shares—
    - (a) were used to meet expenditure incurred by the company issuing them in carrying on oil extraction activities or in acquiring oil rights otherwise than from a connected person; or
    - (b) were appropriated to meeting expenditure to be so incurred by that company;and section 533 of the Taxes Act (connected persons) applies for the purposes of this subsection.”
- (3) At the end of the said section 16 there shall be added the following subsections—
  - “(4) For the purposes of subsections (2) to (2B) above, shares in a company are redeemable preference shares either if they are so described in the terms of their issue or if, however they are described, they fulfil the condition in paragraph (a) below and either or both of the conditions in paragraphs (b) and (c) below—
    - (a) that, as against other shares in the company, they carry a preferential entitlement to a dividend or to any assets in a winding up or both;
    - (b) that, by virtue of the terms of their issue, the exercise of a right by any person or the existence of any arrangements, they are liable to be redeemed, cancelled or repaid, in whole or in part;
    - (c) that, by virtue of any material arrangements, the holder has a right to require another person to acquire the shares or is obliged in any circumstances to dispose of them or another person has a right or is in any circumstances obliged to acquire them.
  - (5) For the purposes of paragraph (a) of subsection (4) above, shares are to be treated as carrying a preferential entitlement to a dividend as against other shares if, by virtue of any arrangements, there are circumstances in which a minimum dividend will be payable on those shares but not on others; and for the purposes of paragraph (c) of that subsection arrangements relating to

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shares are material arrangements if the company which issued the shares or a company associated with that company is a party to the arrangements.”

## CHAPTER II

### CAPITAL GAINS

#### 47 Retirement relief

- (1) In Schedule 20 to the Finance Act 1985 (relief for certain disposals associated with retirement) in paragraphs 13(1) (the amount available for relief) and 16(4) (b) (aggregation of spouse's interest in the business) for "£100,000" there shall be substituted "£125,000".
- (2) Subsection (1) above has effect with respect to qualifying disposals (within the meaning of the said Schedule 20) occurring on or after 6th April 1987.

## PART III

### STAMP DUTY AND STAMP DUTY RESERVE TAX

#### *Stamp duty*

#### 48 Unit trusts

In section 57 of the Finance Act 1946 and in section 28 of the Finance (No. 2) Act (Northern Ireland) 1946—

- (a) for the definition in subsection (1) of "unit trust scheme" there shall be substituted—
  - “unit trust scheme' has the same meaning as in the Financial Services Act 1986 (but subject to subsection (1A) of this section)”;
- (b) in the definition in subsection (1) of "trust instrument", for the words from "by virtue" to "aforesaid" there shall be substituted the words "on which the property in question is held";
- (c) after subsection (1) there shall be inserted—

“(1A) The Treasury may by regulations provide that any scheme of a description specified in the regulations shall be treated as not being a unit trust scheme for the purposes of this Part of this Act.

(1B) Regulations under this section—

- (a) may contain such supplementary and transitional provisions as appear to the Treasury to be necessary or expedient, and
- (b) shall be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.”.

#### **49 Contract notes**

- (1) Sections 77 to 79 of the Finance (1909-10) Act 1910, so far as unrepealed, shall cease to have effect.
- (2) Subsection (1) above shall come into force on such day as the Treasury may appoint by order made by statutory instrument.

#### **50 Warrants to purchase Government stock, etc.**

- (1) Where an interest in, a right to an allotment of or to subscribe for, or an option to acquire, exempt securities is transferred to or vested in any person by any instrument, no stamp duty shall be chargeable on the instrument by virtue of either of the following headings in Schedule 1 to the Stamp Act 1891—
  - (a) "Conveyance or Transfer on Sale";
  - (b) "Conveyance or Transfer of any kind not hereinbefore described".
- (2) No stamp duty under the heading "Bearer Instrument" in Schedule 1 to the Stamp Act 1891 shall be chargeable—
  - (a) on the issue of an instrument which relates to such an interest, right or option as is mentioned in subsection (1) above, or
  - (b) on the transfer of the interest, right or option constituted by, or transferable by means of, such an instrument.
- (3) For the purposes of this section, "exempt securities" means—
  - (a) securities the transfer of which is exempt from all stamp duties,
  - (b) securities constituted by or transferable by means of an instrument the issue of which is by virtue of section 30 of the Finance Act 1967 or section 7 of the Finance Act (Northern Ireland) 1967 exempt from stamp duty under the heading "Bearer Instrument" in Schedule 1 to the Stamp Act 1891, or
  - (c) securities the transfer of which is exempt by virtue of section 30 of the Finance Act 1967 or section 7 of the Finance Act (Northern Ireland) 1967 from stamp duty under that heading;and "securities" means stock or marketable securities and includes loan capital as defined in section 78(7) of the Finance Act 1986.
- (4) Subsection (1) above applies to any instrument executed on or after 1st August 1987.
- (5) Subsection (2) above applies—
  - (a) to any instrument which falls within section 60(1) of the Finance Act 1963, or section 9(1)(a) of the Finance Act (Northern Ireland) 1963, and is issued on or after 1st August 1987, and
  - (b) to any instrument which falls within section 60(2) of the Finance Act 1963, or section 9(1)(b) of the Finance Act (Northern Ireland) 1963, if the interest, right or option constituted by or transferable by means of it is transferred on or after 1st August 1987.

#### **51 Bearer instruments relating to stock in foreign currencies**

- (1) With respect to the issue of instruments and the transfer of stock on or after the day on which this Act is passed, section 30 of the Finance Act 1967 (stamp duty exemption for bearer instruments relating to stock in foreign currencies) and section 7 of the Finance

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Act (Northern Ireland) 1967 (the equivalent provision for Northern Ireland) shall have effect subject to the amendments in subsections (2) to (4) below.

- (2) In subsection (1) for the words "in the currency of a territory outside the scheduled territories" there shall be substituted "in any currency other than sterling or in any units of account defined by reference to more than one currency (whether or not including sterling)".
- (3) In subsection (2) for the words from "between" to "other currencies" there shall be substituted "between sterling and one or more other currencies".
- (4) Subsection (4) and, in subsection (5), the definition of "the scheduled territories" shall cease to have effect.

## **52 Clearance services**

- (1) In section 70(6) of the Finance Act 1986 (transfer of securities to clearance system), for the word "relevant" (in each place where it occurs) there shall be substituted the words "shares, stock or other marketable".
- (2) The amendments made by this section have effect in relation to instruments executed on or after 1st August 1987.

## **53 Borrowing of stock by market makers**

In section 82(6) of the Finance Act 1986, for the words "subsection (3)" there shall be substituted the words "subsection (4)".

## **54 Shared ownership transactions**

- (1) In section 97 of the Finance Act 1980 (which provides for certain leases to be stamped as conveyances) in subsection (3)(b)—
  - (a) for the words "registered under" there shall be substituted the words "within the meaning of, and
  - (b) for the words "Article 124" there shall be substituted the words "Part VII".
- (2) Section 97 of the Finance Act 1980 and section 108(5) and (6) of the Finance Act 1981 shall apply to a lease within subsection (3) below as they apply to a lease granted by a body mentioned in section 97(3) of the Finance Act 1980.
- (3) A lease is within this subsection if it is granted—
  - (a) by a person against whom the right to buy under Part V of the Housing Act 1985 is exercisable by virtue of section 171A of that Act (preservation of right to buy on disposal to private sector landlord), and
  - (b) to a person who is the qualifying person for the purposes of the preserved right to buy and in relation to whom that dwelling-house is the qualifying dwelling-house.
- (4) This section applies to leases granted on or after 1st August 1987.

## **55 Crown exemption**

- (1) Where any conveyance, transfer or lease is made or agreed to be made to a Minister of the Crown or to the Solicitor for the affairs of Her Majesty's Treasury, no stamp

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duty shall be chargeable by virtue of any of the following headings in Schedule 1 to the Stamp Act 1891—

- (a) "Conveyance or Transfer on Sale",
- (b) "Conveyance or Transfer of any kind not hereinbefore described",
- (c) "Lease or Tack",

on the instrument by which the conveyance, transfer or lease, or the agreement for it, is effected.

- (2) In this section "Minister of the Crown" has the same meaning as in the Ministers of the Crown Act 1975.
- (3) Article 3(6) of the Secretary of State for the Environment Order 1970 and Article 4(5) of the Secretary of State for Transport Order 1976 (which exempt transfers by, to or with those Ministers) shall cease to have effect.
- (4) This section applies to instruments executed on or after 1st August 1987.

*Stamp duty reserve tax*

**56 Stamp duty reserve tax**

Schedule 7 to this Act (which contains miscellaneous amendments of Part IV of the Finance Act 1986) shall have effect.

**PART IV**

**INHERITANCE TAX**

**57 Reduced rates of tax**

- (1) In the Inheritance Tax Act 1984 (in this Part of this Act referred to as "the 1984 Act") section 8(1) (indexation of rate bands) shall not apply to chargeable transfers made in the year beginning 6th April 1987.
- (2) For the Table in Schedule 1 to that Act there shall be substituted the Table set out below:

“TABLE OF RATES OF TAX

<i>Portion of value</i>		<i>Rate of tax Per cent.</i>
<i>Lower limit</i>	<i>Upper limit</i>	
£	£	
0	90,000	Nil
90,000	140,000	30
140,000	- 220,000	40
220,000	330,000	50
330,000	—	60”

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- (3) Subsection (2) above applies to any chargeable transfer (within the meaning of the 1984 Act) made on or after 17th March 1987.

## **58 Securities, other business property and agricultural property**

- (1) The 1984 Act and Schedule 20 to the Finance Act 1986 (gifts with reservation) shall have effect subject to the amendments in Schedule 8 to this Act, being amendments—
- (a) making provision with respect to the treatment for the purposes of the 1984 Act of shares and securities dealt in on the Unlisted Securities Market;
  - (b) making other amendments of Chapter I of Part V of the 1984 Act (business property);
  - (c) making provision with respect to the application to certain transfers of relief under that Chapter and under Chapter II of that Part (agricultural property); and
  - (d) making provision with respect to the payment of tax by instalments.
- (2) Subject to subsection (3) below, Schedule 8 to this Act shall have effect in relation to transfers of value made, and other events occurring, on or after 17th March 1987.
- (3) The amendments of the 1984 Act made by Schedule 8 to this Act shall be disregarded in determining under section 113A(3) or section 113B(3) of the 1984 Act whether any property acquired by the transferee before 17th March 1987 would be relevant business property in relation to a notional transfer of value made on or after that date.

## **59 Maintenance funds for historic buildings etc.**

Schedule 9 to this Act shall have effect.

## **60 Acceptance in lieu: waiver of interest**

- (1) In section 233 of the 1984 Act (interest on unpaid tax) in subsection (1), at the beginning of the words following paragraph (c) there shall be inserted the words "then, subject to subsection (1A) below".
- (2) After subsection (1) of that section there shall be inserted the following subsection—
- “(1A) If, under section 230 above, the Board agree to accept property in satisfaction of any tax on terms that the value to be attributed to the property for the purposes of that acceptance is determined as at a date earlier than that on which the property is actually accepted, the terms may provide that the amount of tax which is satisfied by the acceptance of the property shall not carry interest under this section from that date.”
- (3) This section applies in any case where the acceptance referred to in section 230 of the 1984 Act occurs on or after 17th March 1987.

## PART V

### OIL TAXATION

#### 61 Nomination of disposals and appropriations

- (1) The provisions of Schedule 10 to this Act shall have effect, being provisions for and in connection with the establishment of a scheme of nominations by participators in oil fields of certain proposed sales, supplies and appropriations of oil.
- (2) Nothing in this section or Schedule 10 to this Act applies—
  - (a) to oil which is gaseous at a temperature of 15 degrees centigrade and pressure of one atmosphere; or
  - (b) to oil of a kind which is normally disposed of crude by deliveries in quantities of 25,000 metric tonnes or less; or
  - (c) to oil which is excluded from this section by regulations under subsection (8) below;and references to oil in this section and Schedule 10 to this Act shall be construed accordingly.
- (3) As respects each participator in an oil field, it shall be determined, for each calendar month in a chargeable period beginning with the month of March 1987, whether his aggregate nominated proceeds, as defined in Schedule 10 to this Act, exceed the proceeds of his disposals and appropriations in that month, as defined in subsection (6) below and, if they do, that excess shall be brought into account in accordance with subsection (5) below.
- (4) For each chargeable period of an oil field, "the excess of nominated proceeds for the period", in relation to a participator in that field, means the sum of the excess (if any) of each of the months in that chargeable period, as determined in his case under subsection (3) above.
- (5) In subsection (5) of section 2 of the principal Act (amounts to be taken into account in determining whether a gross profit or loss accrues to a participator in any chargeable period) at the end of paragraph (d) there shall be added "and
  - (e) the excess of the nominated proceeds for that period, as defined in section 61 of the Finance Act 1987."
- (6) In relation to any calendar month, the proceeds of a participator's disposals and appropriations from an oil field means the total of—
  - (a) the price received or receivable for so much of any oil forming part of his equity production from the field in that month as was disposed of by him crude in sales at arm's length; and
  - (b) the market value, ascertained in accordance with Schedule 3 to the principal Act, of the rest of his equity production from the field in that month;and in this subsection any reference to a participator's equity production from an oil field in any month shall be construed in accordance with paragraph 1(2) of Schedule 10 to this Act.
- (7) The Treasury may by regulations made by statutory instrument make provision for any purpose for which regulations described as "Treasury regulations" may be made under Schedule 10 to this Act.

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

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- (8) The Board may by regulations made by statutory instrument make provision, including provision having effect with respect to things done on or after 9th February 1987,—
- (a) as to oil which is excluded from this section, as mentioned in subsection (2) above; and
  - (b) for any purpose for which regulations, other than those described as "Treasury regulations", may be made under Schedule 10 to this Act;
- and regulations made by virtue of paragraph (a) above may amend paragraphs (a) and (b) of subsection (2) above.
- (9) A statutory instrument made in the exercise of the power conferred by subsection (7) or subsection (8) above shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.

## **62 Market value of oil to be determined on a monthly basis**

- (1) In the following provisions of the principal Act (which refer to the market value of oil at the material time in a particular calendar month) the words "at the material time" shall be omitted—
- (a) in section 2 (assessable profits and allowable losses), in subsection (9), paragraphs (a)(i) and (a)(ii);
  - (b) in section 5A (allowance of exploration and appraisal expenditure), subsection (5B);
  - (c) in section 14 (valuation of oil disposed of or appropriated in certain circumstances), subsections (4) and (4A)(b); and
  - (d) in paragraph 2 of Schedule 2 (returns by participators), sub-paragraphs (2)(a)(iii) and (2)(b)(ii).
- (2) In the following provisions of the principal Act (which refer to the market value of stocks of oil at the end of a chargeable period) for the words "at the end" there shall be substituted "in the last calendar month"—
- (a) section 2(4)(b);
  - (b) section 2(5)(d); and
  - (c) in Schedule 2, paragraph 2(2)(d)(ii);
- and in the provisions specified in paragraphs (a) and (b) above for the word "then" there shall be substituted "at the end of that period".
- (3) In Schedule 3 to the principal Act (miscellaneous provisions relating to petroleum revenue tax) paragraphs 2, 2A and 3 (market value of oil) shall be amended in accordance with Part I of Schedule 11 to this Act; and the consequential amendments of the principal Act in Part II of that Schedule shall have effect.
- (4) A participator in an oil field who is required by paragraph 2 of Schedule 2 to the principal Act to deliver to the Board a return for a chargeable period shall, not later than the end of the second month after the end of that period, deliver to the Board an additional return of all relevant sales of oil (as defined in subsection (6) below) stating—
- (a) the date of the contract of sale;
  - (b) the name of the seller;
  - (c) the name of the buyer;
  - (d) the quantity of oil actually sold and, if it is different, the quantity of oil contracted to be sold;



- (e) the price receivable for that oil;
  - (f) the date which, under the contract, was the date or, as the case may be, the latest date for delivery of the oil and the date on which the oil was actually delivered; and
  - (g) such other particulars as the Board may prescribe.
- (5) Where two or more companies which are participators in the same oil field are members of the same group of companies, within the meaning of section 258 of the Taxes Act, a return made for the purposes of subsection (4) above by one of them and expressed also to be made on behalf of the other or others shall be treated for the purposes of this section as a return made by each of them.
- (6) For the purposes of the return required by subsection (4) above from a participator in an oil field, a relevant sale of oil is a contract for the sale of oil to which the participator or any company which is resident in the United Kingdom and associated with the participator for the purposes of section 115(2) of the Finance Act 1984 is a party (as seller, buyer or otherwise), being a sale of oil—
- (a) for delivery at any time during the chargeable period referred to in subsection (4) above; and
  - (b) details of which are not included in the return made for the period under paragraph 2 of Schedule 2 to the principal Act (by virtue of subparagraph (3A) thereof); and
  - (c) which is for the delivery of at least 500 metric tonnes of oil; and
  - (d) which is not a contract for the sale of oil consisting of gas of which the largest component by volume over the chargeable period concerned is methane or ethane or a combination of those gases.
- (7) A return under subsection (4) above shall be in such form as the Board may prescribe and shall include a declaration that the return is correct and complete; and if a participator fails to deliver a return under that subsection he shall be liable—
- (a) to a penalty not exceeding £500; and
  - (b) if the failure continues after it has been declared by the court or the Commissioners before whom proceedings for the penalty have been commenced, to a further penalty not exceeding £100 for each day on which the failure so continues;
- except that a participator shall not be liable to a penalty under this subsection if the failure is remedied before proceedings for the recovery of the penalty are commenced.
- (8) Where a participator fraudulently or negligently delivers an incorrect return under subsection (4) above, he shall be liable to a penalty not exceeding £2,500 or, in the case of fraud, £5,000.
- (9) This section has effect with respect to chargeable periods ending after 31st December 1986.

### **63 Blends of oil from two or more fields**

- (1) If, at any time prior to its disposal or relevant appropriation, oil won from an oil field is mixed with oil won from another oil field, the provisions of this section shall have effect to determine what is the share of a participator in one of those fields of the oil won from that field in any chargeable period ending after 1st January 1987; and in the following provisions of this section—

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- (a) "blended oil" means oil which has been so mixed; and
  - (b) "the originating fields" means the oil fields from which the blended oil is derived.
- (2) If, for the purposes of commerce, blended oil is allocated to the participators in the originating fields in accordance with an agreed method, then, subject to the following provisions of this section, for the purposes of the oil taxation legislation, the blended oil which, in accordance with that method, is allocated to a participator in one of the originating fields in respect of any chargeable period shall be taken to be that participator's share of the oil won from that field in that period.
- (3) With respect to any blended oil, each of the participators in the originating fields (either jointly or individually) shall, not later than 1st August 1987 or, if it is later, not later than thirty days after the date on which the first allocation is made in accordance with a particular method falling within subsection (2) above, furnish to the Board for the purposes of this section such details as may be prescribed with respect to that method and to the blended oil concerned; and if any participator fails to comply with this subsection he shall be liable—
- (a) to a penalty not exceeding £500; and
  - (b) if the failure continues after it has been declared by the court or the Commissioners before whom proceedings for the penalty have been commenced, to a further penalty not exceeding £100 for each day on which the failure so continues;
- except that a participator shall not be liable to a penalty under this subsection if the failure is remedied before proceedings for the recovery of the penalty are commenced.
- (4) Where a participator in an oil field fraudulently or negligently furnishes any incorrect details for the purposes of this section, he shall be liable to a penalty not exceeding £2,500 or, in the case of fraud, £5,000.
- (5) If, at any time after details with respect to a method of allocation have been furnished to the Board in accordance with subsection (3) above,—
- (a) that method is in any respect changed, or
  - (b) there is a material change of any kind in the quantity or quality of any of the oil which makes up the blended oil,
- any allocation made after that change shall be taken to be made in accordance with a new method of allocation.
- (6) The provisions of Schedule 12 to this Act shall have effect for supplementing this section.
- (7) In this section—
- (a) "the oil taxation legislation" means Part I of the principal Act and any enactment construed as one with that Part; and
  - (b) "prescribed" means prescribed by the Board, whether before or after the passing of this Act.

## **64 Relief for research expenditure**

- (1) The section set out in Part I of Schedule 13 to this Act shall be inserted in the principal Act after section 5A for the purpose of setting up a new allowance by virtue of which a participator in an oil field may obtain relief for certain research expenditure which is incurred otherwise than in connection with that field.

- (2) For the purpose of giving effect to, and in consequence of, the new allowance, the enactments specified in Part II of Schedule 13 to this Act shall have effect subject to the amendments there specified.
- (3) Part III of Schedule 13 to this Act shall have effect with respect to sums falling to be set off against expenditure which would otherwise be allowable under the new section set out in Part I of that Schedule.

## **65 Cross-field allowance of certain expenditure incurred on new fields**

- (1) Where an election is made by a participator in an oil field (in this section referred to as "the receiving field"), up to 10 per cent. of certain expenditure incurred on or after 17th March 1987 in connection with another field, being a field which is for the purposes of this section a relevant new field, shall be allowable in accordance with this section in respect of the receiving field; and in the following provisions of this section the relevant new field in connection with which the expenditure was incurred is referred to as "the field of origin".
- (2) An election under this section may be made only in respect of expenditure which—
  - (a) was incurred by the participator making the election or, if that participator is a body corporate, by an associated company; and
  - (b) as regards the field of origin, is allowable under section 3 or section 4 of the principal Act or section 3 of the Oil Taxation Act 1983; and
  - (c) as regards the field of origin, has been allowed as qualifying for supplement under section 2(9)(b)(ii) or (c)(ii) of the principal Act (in the following provisions of this section referred to as "supplement"); and
  - (d) is not expenditure falling within subsection (1) of section 5A of the principal Act (allowance of exploration and appraisal expenditure);and Part I of Schedule 14 to this Act shall have effect with respect to elections under this section.
- (3) A participator may not make an election under this section in respect of expenditure which was incurred before the date which is his qualifying date, within the meaning of section 113 of the Finance Act 1984 (restriction of PRT reliefs), in relation to the receiving field unless that date falls before the end of the first chargeable period in relation to that field.
- (4) Where, by virtue of an election by a participator under this section, an amount of expenditure is allowable in respect of the receiving field, it shall be allowable as follows—
  - (a) it shall be taken into account in that assessment to tax or determination relating to a chargeable period of the receiving field which is specified in Part II of Schedule 14 to this Act; and
  - (b) it shall be so taken into account under subsection (8) of section 2 of the principal Act (allowable expenditure etc.) as if, for the chargeable period in question, it were an addition to the sum mentioned in paragraph (a) of that subsection; and
  - (c) it shall be excluded in determining for the purposes of section 111(2) of the Finance Act 1981 (restriction of expenditure supplement) whether any, and if so what, assessable profit or allowable loss accrues to the participator in any chargeable period of the receiving field.

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- (5) Where, by virtue of an election by a participator under this section, an amount of expenditure is allowable in respect of the receiving field, that amount shall be disregarded in determining, as regards the field of origin, the amounts referred to (in relation to the participator or the associated company, as the case may be) in paragraph (b) or paragraph (c) of subsection (9) of section 2 of the principal Act (allowable expenditure and supplement thereon).
- (6) In Schedule 14 to this Act—
- (a) Part III has effect to determine for the purposes of this section what is a relevant new field and who is an associated company of a participator making an election;
  - (b) Part IV contains provisions supplemental to and consequential upon the allowance of expenditure by virtue of an election under this section, including provisions applicable where a notice of variation is served in respect of expenditure which is already the subject of such an election;
  - (c) "the receiving field" and "the field of origin" have the meaning assigned by subsection (1) above;
  - (d) "the principal section" means this section;
  - (e) "election" means an election under this section; and
  - (f) "supplement" has the meaning assigned by subsection (2)(c) above.

## **66 Oil allowance: adjustment for final periods**

- (1) For the purposes of this section—
- (a) "the final allocation period", in relation to an oil field, means the chargeable period of that field in which section 8(6)(b) of the principal Act applies (the earliest chargeable period in which oil allowance is subject to "the necessary restriction" in order to confine it within the overall maximum); and
  - (b) "the penultimate period", in relation to an oil field, means the chargeable period of that field which immediately precedes the final allocation period;
- and any reference in this section to the two final periods is a reference to the final allocation period and the penultimate period.
- (2) The following provisions of this section apply if the responsible person gives notice to the Board (in this section referred to as an "apportionment notice") specifying the manner in which the oil allowance for the field is to be apportioned between the participators in each of the two final periods, being a manner designed—
- (a) to produce, so far as practicable, the result specified in subsection (4) below, being a result which, in the circumstances of the case, could not be achieved under section 8(6)(b) of the principal Act; and
  - (b) to secure that adjustments in a participator's share of the oil allowance are made in the final allocation period in preference to the penultimate period.
- (3) An apportionment notice shall be of no effect unless—
- (a) it is given not later than six months after the expiry of the final allocation period; and
  - (b) not later than the date of the notice the responsible person notifies the Board in accordance with paragraph (b) of subsection (6) of section 8 of the principal Act of the manner in which the necessary restriction, as defined in that subsection, is to be apportioned between the participators; and

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- (c) it specifies a period for each of paragraphs (a) and (b) of subsection (4) below; and
  - (d) it contains such information as the Board may prescribe for the purpose of showing how, or to what extent, the apportionment of the oil allowance achieves the result specified in subsection (4) below.
- (4) The result referred to in subsection (2) above is that the respective shares of the oil allowance utilised by each of two or more participators specified in the apportionment notice bear to each other the same proportion as their respective shares in oil won and saved from the field and, for this purpose—
  - (a) a participator's share of the oil allowance means the total amount of the allowance utilised by him over the period specified for the purpose of this paragraph in the apportionment notice; and
  - (b) a participator's share in oil won and saved from the field means the total of the oil included in his share of oil won and saved from the field (as specified in returns under Schedule 2 to the principal Act) over the period specified for the purposes of this paragraph in the apportionment notice, being a period which includes that specified for the purposes of paragraph (a) above.
- (5) If the Board are satisfied that an apportionment notice complies with subsections (2) to (4) above, they shall give notice to the responsible person accepting the apportionment notice and, on the giving of that notice—
  - (a) the apportionment specified in the apportionment notice shall, as respects the two final periods, have effect as if it were the apportionment resulting from section 8(2) of the principal Act; and
  - (b) all such amendments of assessments to tax and determinations shall be made as may be necessary in consequence of paragraph (a) above.
- (6) If the Board are not satisfied that an apportionment notice complies with subsections (2) to (4) above, they shall give notice to the responsible person rejecting the apportionment notice and, where the Board give such a notice, the responsible person may, by notice in writing given to the Board within thirty days after the date of the notice of rejection, appeal to the Special Commissioners against the notice.
- (7) Where notice of appeal is given under subsection (6) above—
  - (a) if, at any time after the giving of the notice and before the determination of the appeal by the Commissioners, the Board and the appellant agree that the apportionment notice should be accepted or withdrawn or varied, the same consequences shall ensue as if the Commissioners had determined the appeal to that effect;
  - (b) if, on the hearing of the appeal, it appears to the majority of the Commissioners present at the hearing that the apportionment notice should be accepted, with or without modifications, they shall allow the appeal and, where appropriate, make such modifications of the apportionment specified in the notice as they think fit; and
  - (c) where the appeal is allowed, subsection (5) above shall apply as if the apportionment notice (subject to any modifications made by the Commissioners) had been accepted by the Board.
- (8) Sub-paragraphs (2), (8) and (11) of paragraph 14 of Schedule 2 to the principal Act shall apply in relation to an appeal against a notice of rejection under subsection (6) above as they apply in relation to an appeal against an assessment or determination

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made under that Act, construing any reference in those provisions to the participator as a reference to the responsible person by whom notice of appeal is given.

(9) This section applies where the final allocation period ends on or after 30th June 1987.

## 67 Variation of decisions on claims for allowable expenditure

In Schedule 7 to the principal Act (claim for allowance of certain exploration expenditure etc.) at the end of the Table set out in paragraph 1(3) (which applies the provisions of Schedule 5 specified in the first column of the Table with the modifications specified in the second column) there shall be added—

“9	...	...	In sub-paragraph (2) omit paragraphs (b) and (c), in sub-paragraph (8) for the reference to all or any of the participators substitute a reference to the participator by whom the claim is made and in sub-paragraph (11) for "after 15th March 1983" substitute "on or after 17th March 1987."”.
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## PART VI

### MISCELLANEOUS AND SUPPLEMENTARY

## 68 Abolition of enactments relating to exchange control

- (1) The Exchange Control Act 1947 shall cease to have effect.
- (2) Nothing in subsection (1) above affects the power of the Treasury to issue a certificate under subsection (2) of section 18 of that Act (including that subsection as applied by section 28(3) or section 29(3) of that Act) with respect to acts done before 13th December 1979.
- (3) In section 150 of the Capital Gains Tax Act 1979 (general rules as to valuation), subsection (5) (assets of a kind the sale of which is subject to restrictions imposed under the Exchange Control Act 1947) shall cease to have effect except in relation to the determination of the market value of any assets at a time before 13th December 1979.
- (4) Subsections (1) and (2) above extend to the Channel Islands and the Isle of Man.

## **69 Regulation of financial dealings**

In section 2 of the Banking and Financial Dealings Act 1971 (power of Treasury to suspend financial dealings)—

- (a) at the end of paragraph (c) of subsection (1) (power to suspend dealings in gold) there shall be added "or, according as may be specified in the order, gold of such kind as may be so specified">; and
- (b) in subsection (6) for the definition beginning "foreign currency" there shall be substituted—

“"foreign currency" means any currency other than sterling and any units of account defined by reference to more than one currency (whether or not including sterling); and

"gold" includes gold coin, gold bullion and gold wafers.”

## **70 Arrangements specified in Orders in Council relating to double taxation relief etc.**

- (1) In section 497 of the Taxes Act (relief by agreement with other countries) after subsection (1) there shall be inserted the following subsection—

“(1A) Without prejudice to the generality of subsection (1) above, if it appears to Her Majesty to be appropriate, the arrangements specified in an Order in Council under this section may include provisions with respect to the exchange of information necessary for carrying out the domestic laws of the United Kingdom and the laws of the territory to which the arrangements relate concerning taxes covered by the arrangements including, in particular, provisions about the prevention of fiscal evasion with respect to those taxes; and where arrangements do include any such provisions, the declaration in the Order in Council shall state that fact.”

- (2) In section 158 of the Inheritance Tax Act 1984 (double taxation conventions) after subsection (1) there shall be inserted the following subsection—

“(1A) Without prejudice to the generality of subsection (1) above, if it appears to Her Majesty to be appropriate, the arrangements specified in an Order in Council under this section may include provisions with respect to the exchange of information necessary for carrying out the domestic laws of the United Kingdom and the laws of the territory to which the arrangements relate concerning taxes covered by the arrangements including, in particular, provisions about the prevention of fiscal evasion with respect to those taxes; and where arrangements do include any such provisions, the declaration in the Order in Council shall state that fact.”

## **71 Pre-consolidation amendments**

The enactments specified in Schedule 15 to this Act shall have effect subject to the amendments specified in that Schedule, being amendments designed to facilitate, or otherwise desirable in connection with, the consolidation of the Income Tax Acts and the Corporation Tax Acts.

## **72 Short title, interpretation, construction and repeals**

- (1) This Act may be cited as the Finance Act 1987.

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- (2) In this Act "the Taxes Act" means the Income and Corporation Taxes Act 1970.
- (3) Part II of this Act, so far as it relates to income tax, shall be construed as one with the Income Tax Acts, so far as it relates to corporation tax, shall be construed as one with the Corporation Tax Acts and, so far as it relates to capital gains tax, shall be construed as one with the Capital Gains Tax Act 1979.
- (4) Part III of this Act, except section 56 and Schedule 7, shall be construed as one with the Stamp Act 1891.
- (5) In Part IV of this Act "the 1984 Act" means the Inheritance Tax Act 1984.
- (6) Part V of this Act shall be construed as one with Part I of the Oil Taxation Act 1975 and in that Part "the principal Act" means that Act.
- (7) The enactments specified in Schedule 16 to this Act (which include enactments which are spent or otherwise unnecessary) are hereby repealed to the extent specified in the third column of that Schedule, but subject to any provision at the end of any Part of that Schedule.



## SCHEDULES

### SCHEDULE 1

Section 2.

#### VEHICLES EXCISE DUTY

#### PART I

TABLES SUBSTITUTED IN PART II OF SCHEDULE 4 TO THE ACTS OF 1971 AND 1972

“Table A(1)

#### RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12 TONNES PLATED GROSS WEIGHT

Rates for Farmers' Goods Vehicles

<i>Plated gross weight of vehicle</i>		<i>Rate of duty</i>		
<i>1.</i>	<i>2.</i>	<i>3.</i>	<i>4.</i>	<i>5.</i>
<i>Exceeding</i>	<i>Not exceeding</i>	<i>Two axle vehicle</i>	<i>Three axle vehicle</i>	<i>Four or more axle vehicle</i>
tonnes	tonnes	£	£	£
12	13	245	190	190
13	14	340	205	205
14	15	445	205	205
15	17	620	205	205
17	19	—	295	205
19	21	—	395	205
21	23	—	540	295
23	25	—	965	415
25	27	—	—	600
27	29	—	—	880
29	30.49	—	—	1,450

Table C(1)

#### RATES OF DUTY ON TRACTOR UNITS EXCEEDING 12 TONNES PLATED TRAIN WEIGHT AND HAVING ONLY 2 AXLES

Rates for Farmers' Goods Vehicles

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

<i>Plated train weight of tractor unit</i>		<i>Rate of duty</i>		
<i>1.</i>	<i>2.</i>	<i>3.</i>	<i>4.</i>	<i>5.</i>
<i>Exceeding</i>	<i>Not exceeding</i>	<i>For a tractor unit to be used with semi-trailers with any number of axles</i>	<i>For a tractor unit to be used only with semi-trailers with not less than two axles</i>	<i>For a tractor unit to be used only with semi-trailers with not less than three axles</i>
tonnes	tonnes	£	£	£
12	14	280	250	250
14	16	355	265	265
16	18	415	265	265
18	20	485	265	265
20	22	565	330	265
22	23	600	370	265
23	25	690	470	265
25	26	690	520	320
26	28	690	655	430
28	29	725	725	490
29	31	1,010	1,010	630
31	33	1,470	1,470	1,010
33	34	1,470	1,470	1,350
34	36	1,650	1,650	1,650
36	38	1,860	1,860	1,860

Table D(1)

**RATES OF DUTY ON TRACTOR UNITS EXCEEDING 12 TONNES  
PLATED TRAIN WEIGHT AND HAVING THREE OR MORE AXLES**

## Rates for Farmers' Goods Vehicles

<i>Plated train weight of tractor unit</i>		<i>Rate of duty</i>		
<i>1.</i>	<i>2.</i>	<i>3.</i>	<i>4.</i>	<i>5.</i>
<i>Exceeding</i>	<i>Not exceeding</i>	<i>For a tractor unit to be used with semi-trailers with any number of axles</i>	<i>For a tractor unit to be used only with semi-trailers with not less than two axles</i>	<i>For a tractor unit to be used only with semi-trailers with not less than three axles</i>
tonnes	tonnes	£	£	£
12	14	250	250	250

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

<i>Plated train weight of tractor unit</i>		<i>Rate of duty</i>		
<i>1.</i>	<i>2.</i>	<i>3.</i>	<i>4.</i>	<i>5.</i>
<i>Exceeding</i>	<i>Not exceeding</i>	<i>For a tractor unit to be used with semi-trailers with any number of axles</i>	<i>For a tractor unit to be used only with semi-trailers with not less than two axles</i>	<i>For a tractor unit to be used only with semi-trailers with not less than three axles</i>
14	20	265	265	265
20	22	330	265	265
22	23	370	265	265
23	25	470	265	265
25	26	520	265	265
26	28	655	265	265
28	29	725	310	265
29	31	1,010	385	265
31	33	1,470	580	265
33	34	1,470	850	330
34	36	1,470	1,220	500
36	38	1,640	1,640	745”

## PART II

### RECOVERY VEHICLES

#### *Interpretation*

- 1 In this Part of this Schedule—  
 "the 1971 Act" means the Vehicles (Excise) Act 1971; and  
 "the 1972 Act" means the Vehicles (Excise) Act (Northern Ireland) 1972.
- 2 At the end of Part I of Schedule 3 to each of the 1971 Act and the 1972 Act there shall be added—
- “8 (1) In this Schedule "recovery vehicle" means, subject to the provisions of this paragraph, a vehicle which is either constructed or permanently adapted primarily for the purposes of lifting, towing and transporting a disabled vehicle or for any one or more of those purposes.
- (2) Subject to sub-paragraph (3) below, a vehicle which is constructed or permanently adapted as mentioned in sub-paragraph (1) above shall not be a recovery vehicle if at any time it is used for any purpose other than—  
 (a) the recovery of a disabled vehicle;  
 (b) the removal of a disabled vehicle from the place where it became disabled to premises at which it is to be repaired or scrapped;

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

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- (c) the removal of a disabled vehicle from premises to which it was taken for repair to other premises at which it is to be repaired or scrapped; and
  - (d) carrying any load other than fuel and other liquids required for its propulsion and tools and other articles required for the operation of or in connection with apparatus designed to lift, tow or transport a disabled vehicle.
- (3) At any time when a vehicle is being used for purposes specified in paragraphs (a) and (b) of sub-paragraph (2) above, the following uses shall be disregarded in determining whether the vehicle is a recovery vehicle—
- (a) use for the carriage of any person who immediately before a vehicle became disabled, was the driver of or a passenger in that vehicle;
  - (b) use for the carriage of any goods which, immediately before a vehicle became disabled, were being carried in the disabled vehicle; and
  - (c) use for any purpose prescribed for the purposes of this paragraph.”

*The charge of duty*

- 3 At the end of the Table in Part II of Schedule 3 to each of the 1971 Act and the 1972 Act there shall be added—

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“4. Recovery	—	—	50	—	”.
vehicles					

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*Recovery vehicles not chargeable as goods vehicles*

- 4 (1) In Part I of Schedule 4 to each of the 1971 Act and the 1972 Act (goods vehicles), in paragraph 11 (exempted vehicles) in paragraph (c) for the words "or fisherman's tractor" there shall be substituted "fisherman's tractor or recovery vehicle".
- (2) In paragraph 15(1) of that Schedule (interpretation) after the definition beginning "mobile crane" there shall be inserted—
- “"recovery vehicle" has the same meaning as in Schedule 3 to this Act”.

*Exclusion of recovery vehicles from trade licences*

- 5 In section 16 of the 1971 Act (trade licences)—
- (a) in subsection (1)(f) the words from "and all recovery vehicles" to "that business" shall be omitted;
  - (b) in paragraph (a) of the proviso to subsection (1) the words from "except" to "disabled vehicle" shall be omitted;
  - (c) in subsection (3) paragraph (b) shall be omitted and at the end of paragraph (e) there shall be added the words "other than a trailer which is for the time being a disabled vehicle"; and
  - (d) in subsection (8) the definition of "recovery vehicle" shall be omitted.
- 6 In section 16 of the 1972 Act (trade licences)—

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- (a) in subsection (1)(a) the words from "and all recovery vehicles" to "that business" shall be omitted;
- (b) in subsection (2)(a) the words from "except" to "disabled vehicle" shall be omitted;
- (c) in subsection (4) paragraph (b) shall be omitted and at the end of paragraph (e) there shall be added the words "other than a trailer which is for the time being a disabled vehicle"; and
- (d) in subsection (10) the definition of "recovery vehicle" shall be omitted.

### PART III

#### MISCELLANEOUS AMENDMENTS

##### *Introductory*

- 7 In this Part of this Schedule—
- "the 1971 Act" means the Vehicles (Excise) Act 1971; and
  - "the 1972 Act" means the Vehicles (Excise) Act (Northern Ireland) 1972.

##### *Additional liability for evasion of duty*

- 8 In section 9(3) of the 1971 Act (circumstances in which additional liability for keeping unlicensed vehicle not to be payable) paragraphs (b) and (c) (vehicles not used or kept on a public road and vehicles not chargeable with duty) shall be omitted.
- 9 In section 9(4) of the 1972 Act (circumstances in which additional liability for keeping unlicensed vehicle not to be payable) paragraphs (b) and (c) (vehicles not used or kept on a public road and vehicles not chargeable with duty) shall be omitted.
- 10 In section 18A(7) of the 1971 Act (circumstances in which additional liability in relation to alteration of vehicle or its use not to be payable)—
- (a) for paragraph (b) (vehicle neither used nor kept on public road) there shall be substituted the word "or"; and
  - (b) paragraph (d) (vehicle not chargeable with duty) and the word "or" immediately preceding it shall be omitted.
- 11 In section 18A(7) of the 1972 Act (circumstances in which additional liability in relation to alteration of vehicle or its use not to be payable)—
- (a) for paragraph (b) (vehicle neither used nor kept on public road) there shall be substituted the word "or"; and
  - (b) paragraph (d) (vehicle not chargeable with duty) and the word "or" immediately preceding it shall be omitted.
- 12 In Part I of Schedule 7 to the 1971 Act (transitional modifications)—
- (a) in paragraph 7 paragraph (b)(ii) shall be omitted and in paragraph (b)(iii) for the words "paragraphs (c) and (d)" there shall be substituted the words "paragraph (d)"; and
  - (b) in paragraph 17A, paragraph (b)(ii) shall be omitted and in paragraph (b) (iii) for the words "paragraphs (c) and (d)" and "paragraph (d)" there shall be substituted respectively the words "paragraph (c)" and "that paragraph".

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- 13 In Part I of Schedule 9 to the 1972 Act (transitional modifications)—
- (a) in paragraph 7, paragraph (b)(ii) shall be omitted and in paragraph (b)(iii) for the words "paragraphs (c) and (d)" there shall be substituted the words "paragraph (d)"; and
  - (b) in paragraph 17A, paragraph (b)(ii) shall be omitted and in paragraph (b)(iii) for the words "paragraphs (c) and (d)" and "paragraph (d)" there shall be substituted respectively the words "paragraph (c)" and "that paragraph".

*Offences relating to trade licences*

- 14 In section 16(7) of the 1971 Act (offences relating to trade licences) after the words "keeping on a road" there shall be inserted "in any circumstances other than such circumstances as may have been prescribed under paragraph (c) of the proviso to subsection (1) above".
- 15 In section 16(8) of the 1972 Act (offences relating to trade licences) after the words "keeping on a road" there shall be inserted "in any circumstances other than such circumstances as may have been prescribed under subsection (2)(c)".

*Regulations concerning transfer etc. of vehicles*

- 16 (1) Section 23 of the 1971 Act (regulations with respect to the transfer and identification of vehicles) shall be amended as follows.
- (2) In paragraph (e) (inspection and surrender of registration documents) after the word "inspection" there shall be inserted the word ", transfer".
- (3) In that section as set out in paragraph 20 of Part I of Schedule 7 to the Act—
- (a) in subsection (1)(c) (requirements on person to whom vehicle transferred to furnish particulars) after the word "person" there shall be inserted the words "by whom or"; and
  - (b) in subsection (1)(d) (issue, surrender etc. of registration books) before the word "surrender" there shall be inserted the word "transfer".
- (4) Regulation 12(1) of the Road Vehicles (Registration and Licensing) Regulations 1971 shall have effect on and after the day on which this paragraph comes into force as if sub-paragraph (3) above had been in force when that regulation was made.
- 17 (1) Section 23(1) of the 1972 Act (regulations with respect to transfer and identification of vehicles) shall be amended as follows.
- (2) In paragraph (e) (inspection and surrender of registration documents) after the word "inspection" there shall be inserted the word "transfer".
- (3) In that section as set out in paragraph 20 of Part I of Schedule 9 to the Act—
- (a) in paragraph (c) (requirements on person to whom vehicle transferred to furnish particulars) after the word "person" there shall be inserted the words "by whom or"; and
  - (b) in paragraph (d) (issue, surrender etc. of registration books) before the word "surrender" there shall be inserted the word "transfer".
- (4) Regulation 13(1) of the Road Vehicles (Registration and Licensing) Regulations (Northern Ireland) 1973 shall have effect on and after the day on which this paragraph comes into force as if sub-paragraph (3) above had been in force when that regulation was made.

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*Increase of certain penalties for offences under regulations*

- 18 (1) Section 37 of the 1971 Act (regulations) shall be amended as follows.
- (2) For paragraph (a) of subsection (3) (fine of level 3 on the standard scale on conviction for offences against certain regulations) there shall be substituted—
- “*(a)* in the case of regulations prescribed for the purposes of this paragraph, of regulations made under section 24 or of a contravention or failure to comply with requirements imposed in pursuance of section 23(a) above, level 3 on the standard scale;”
- (3) After that subsection there shall be inserted—
- “(3A) The prescribing of regulations for the purposes of subsection (3)(a) above shall not affect the punishment for a contravention of or a failure to comply with those regulations before they were so prescribed.”
- (4) For subsection (3) of that section as set out in paragraph 24 of Part I of Schedule 7 to the Act there shall be substituted—
- “(3) Any person who contravenes or fails to comply with any regulations under this Act (other than regulations under section 2(5), 11(3), 14, 20 or 24) shall be guilty of an offence and liable on summary conviction—
- (a) in the case of regulations prescribed for the purposes of this paragraph, to a fine not exceeding level 3 on the standard scale; and
- (b) in any other case, to a fine not exceeding level 2 on the standard scale.
- (3A) Regulations under section 14, 20 or 24 above may provide that a person who contravenes or fails to comply with any specified provision of the regulations shall be guilty of an offence and a person guilty of such an offence shall be liable on summary conviction—
- (a) in the case of regulations under section 14 or 20, to a fine not exceeding level 1 on the standard scale; and
- (b) in the case of regulations under section 24, to a fine not exceeding level 3 on the standard scale.
- (3B) The prescribing of regulations for the purposes of subsection (3Xa) above shall not affect the punishment for a contravention of or failure to comply with those regulations before they were so prescribed.”
- 19 (1) Section 34 of the 1972 Act (regulations) shall be amended as follows.
- (2) For paragraph (a) of subsection (3) (fine of level 3 on the standard scale on conviction of offences against certain regulations) there shall be substituted—
- “(a) in the case of regulations prescribed for the purposes of this paragraph, of regulations made under section 24 or of a contravention or failure to comply with requirements imposed in pursuance of section 23(1)(a), level 3 on the standard scale;”
- (3) After that subsection there shall be inserted—
- “(3A) The prescribing of regulations for the purposes of subsection (3)(a) shall not affect the punishment for a contravention of or failure to comply with those regulations before they were so prescribed.”

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(4) For subsection (3) of that section as set out in paragraph 24 of Part I of Schedule 9 to the Act there shall be substituted—

“(3) Any person who contravenes or fails to comply with any regulations under this Act (other than regulations under section 2(6), 11(3), 14, 20 or 24) shall be guilty of an offence and liable on summary conviction—

- (a) in the case of regulations prescribed for the purposes of this paragraph, to a fine not exceeding level 3 on the standard scale; and
- (b) in any other case, to a fine not exceeding level 2 on the standard scale.

(3A) Regulations under section 14, 20 or 24 may provide that a person who contravenes or fails to comply with any specified provision of the regulations shall be guilty of an offence and a person guilty of such an offence shall be liable on summary conviction—

- (a) in the case of regulations under section 14 or 20, to a fine not exceeding level 1 on the standard scale; and
- (b) in the case of regulations under section 24, to a fine not exceeding level 3 on the standard scale.

(3B) The prescribing of regulations for the purposes of subsection (3)(a) shall not affect the punishment for a contravention of or failure to comply with those regulations before they were so prescribed.”

*Dishonoured cheques*

20 In subsection (3) of section 102 of the Customs and Excise Management Act 1979 (penalty for failure to deliver up excise licence following dishonour of cheque) after paragraph (a) there shall be inserted the following paragraph—

- “(aa) where the licence is a licence under the Vehicles (Excise) Act 1971, a penalty of whichever is the greater of—
- (i) level 3 on the standard scale, or
  - (ii) an amount equal to five times the annual rate of duty that was payable on the grant of the licence or would have been so payable if it had been taken out for a period of twelve months.”

21 After paragraph 2 of Part II of Schedule 6 to the 1972 Act (modified application of certain provisions of the Miscellaneous Transferred Excise Duties Act (Northern Ireland) 1972) there shall be added the following paragraph—

- “3 Section 10(2) of the Transferred Excise Duties Act shall apply as if for the words from "in the case of onwards there were substituted the words "whichever is the greater of—
- (a) level 3 on the standard scale, or
  - (b) an amount equal to five times the annual rate of duty that was payable on the grant of the licence or would have been so payable if it had been taken out for a period of twelve months.”



SCHEDULE 2

Section 19(2).

AMENDMENTS OF VALUE ADDED TAX ACT 1983

*Supplies received from abroad*

- 1 Section 7 of the principal Act (reverse charge on supplies received from abroad) shall be amended as follows—
- (a) in paragraph (b) of subsection (1), for the words "taxable person" there shall be substituted "person (in this section referred to as 'the recipient')";
  - (b) in subsection (1), in the words following paragraph (b) for the words "as if the taxable person" there shall be substituted "as if the recipient";
  - (c) in subsections (3) and (4) for the words "taxable person" there shall be substituted "recipient"; and
  - (d) in subsection (3) for the words "the allowance" there shall be substituted "any allowance".

*Repayment of tax on importation to those in business overseas*

- 2 In subsection (1) of section 23 of the principal Act (which enables the Commissioners to provide by regulations for the repayment to persons carrying on business in other member States and certain other countries of tax on supplies to them in the United Kingdom) after the words "United Kingdom", where they first occur, there shall be inserted "or on the importation of goods by them into the United Kingdom".

*Transfers of going concerns*

- 3 In section 33 of the principal Act (transfers of going concerns), after subsection (1) there shall be inserted—
- “(1A) Where the transferee is liable to be registered by virtue of paragraph 1 (1)(b) of Schedule 1 to this Act at the time the business is transferred, paragraph 4(2) of that Schedule shall not apply but the Commissioners shall register him with effect from that time.”.

*Appeals*

- 4 In section 40(1) of the principal Act (appeals) for paragraph (d) there shall be substituted—
- “(d) the proportion of input tax allowable under section 15 above”.

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## SCHEDULE 3

Section 29.

## INCOME SUPPORT

**PART I**

## THE TAXABLE MAXIMUM

- 1 (1) For the purposes of subsections (3) and (4) of the principal section, the taxable maximum in respect of a week shall be determined in accordance with paragraphs 2 to 4 below and the taxable maximum in respect of part of a week shall be equal to one-sixth of the taxable maximum in respect of a week multiplied by the number of days in the part.
- (2) In this Part of this Schedule—
- (a) "married couple" and "unmarried couple" have the same meaning as in Part II of the Social Security Act 1986; and
- (b) "the principal section" means section 29 of this Act.
- 2 Where the income support is paid to one of a married or unmarried couple in a case not falling within subsection (2)(b) of the principal section, the taxable maximum in respect of a week shall be equal to the aggregate of—
- (a) the weekly rate specified for the week in question in relation to unemployment benefit in paragraph 1 of Part I of Schedule 4 to the Social Security Act 1975; and
- (b) the increase for an adult dependant specified for that week in paragraph 1(a) of Part IV of that Schedule.
- 3 Where the income support is paid to one of a married or unmarried couple in a case falling within subsection (2)(b) of the principal section, the taxable maximum in respect of a week shall—
- (a) if the applicable amount (within the meaning of Part II of the Social Security Act 1986) consists only of an amount in respect of them, be equal to one half of that amount; and
- (b) if the applicable amount includes other amounts, be equal to one half of the portion of it which is included in respect of them.
- 4 Where the income support is paid to a person who is not one of a married or unmarried couple, the taxable maximum in respect of a week shall be equal to the weekly rate referred to in paragraph 2(a) above.

**PART II**

## CONSEQUENTIAL AMENDMENTS

*The Income and Corporation Taxes Act 1970*

- 5 In subsection (2) of section 530 of the Taxes Act (meaning of "earned income" in the Income Tax Acts) in paragraph (c) for the words "or section 27 of the Finance Act 1981" there shall be substituted "or section 29 of the Finance Act 1987".

*The Finance Act 1981*

- 6 In section 28(1) of the Finance Act 1981 (notification of amount of benefit which is taxable) for the words "under section 27 above" there shall be substituted "in respect of any unemployment benefit or income support".
- 7 In section 29 of the Finance Act 1981 (pay as you earn repayments) for paragraph (b) there shall be substituted the following—
- “(b) he has claimed a payment of income support under the Social Security Act 1986 or the Social Security (Northern Ireland) Order 1986 in respect of a period including that time and his right to that income support is subject to the condition specified in section 20(3)(d)(i) of that Act or, in Northern Ireland, Article 21(3)(d)(i) of that Order (availability for employment);”

SCHEDULE 4

Section 33.

EMPLOYEE SHARE SCHEMES, ETC.

**PART I**

AMENDMENTS OF SCHEDULE 10 TO THE FINANCE ACT  
1980 AND SCHEDULE 10 TO THE FINANCE ACT 1984

- 1 (1) In Schedule 10 to the Finance Act 1980 (savings-related share option schemes) after paragraph 10 there shall be inserted the following paragraph—
- “10A (1) The scheme may also provide that if any company (in this paragraph referred to as "the acquiring company")—
- (a) obtains control of a company whose shares are scheme shares as a result of making a general offer falling within sub-paragraph (i) or sub-paragraph (ii) of paragraph 10(1)(a) above, or
  - (b) obtains control of a company whose shares are scheme shares in pursuance of a compromise or arrangement sanctioned by the court under section 425 of the Companies Act 1985 or Article 418 of the Companies (Northern Ireland) Order 1986, or
  - (c) becomes bound or entitled to acquire shares in a company whose shares are scheme shares under sections 428 to 430 of the said Act of 1985 or Articles 421 to 423 of the said Order of 1986,
- any participant in the scheme may at any time within the appropriate period, by agreement with the acquiring company, transfer to the acquiring company his rights under the scheme (in this paragraph referred to as "the old rights") in consideration of the grant to him of rights (in this paragraph referred to as "the new rights") which are equivalent to the old rights but relate to shares in a different company (whether the acquiring company itself or some other company falling within paragraph (b) or paragraph (c) of paragraph 15 below).
- (2) In sub-paragraph (1) above "the appropriate period" means—

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- (a) in a case falling within paragraph (a), the period of six months beginning with/the time when the person making the offer has obtained control of the company and any condition subject to which the offer is made is satisfied,
  - (b) in a case falling within paragraph (b), the period of six months beginning with the time when the court sanctions the compromise or arrangement, and
  - (c) in a case falling within paragraph (c), the period during which the acquiring company remains bound or entitled as mentioned in that paragraph.
- (3) The new rights shall not be regarded for the purposes of this paragraph as equivalent to the old rights unless—
- (a) the shares to which they relate satisfy the conditions specified, in relation to scheme shares, in paragraphs 15 to 19 below; and
  - (b) the new rights will be exercisable in the same manner as the old rights and subject to the provisions of the scheme as it had effect immediately before the exchange; and
  - (c) the total market value, immediately before the exchange, of the shares which were subject to the participant's old rights is equal to the total market value, immediately after the exchange, of the shares in respect of which the new rights are granted to the participant; and
  - (d) the total amount payable by the participant for the acquisition of shares in pursuance of the new rights is equal to the total amount that would have been payable for the acquisition of shares in pursuance of the old rights.
- (4) Where any new rights are granted pursuant to a provision included in a scheme by virtue of this paragraph they shall be regarded—
- (a) for the purposes of section 47 of this Act and this Schedule, and
  - (b) for the purposes of the subsequent application (by virtue of a condition complying with sub-paragraph (3)(b) above) of the provisions of the scheme,
- as having been granted at the time when the corresponding old rights were granted.”
- (2) In paragraph 11 of the said Schedule 10 (rights not to be capable of being transferred) after the words "paragraph 7" there shall be inserted "or paragraph 10A".
- 2 (1) In Schedule 10 of the Finance Act 1984 (approved share option schemes) after paragraph 4 there shall be inserted the following paragraph—
- “4A (1) The scheme may provide that if any company (in this paragraph referred to as "the acquiring company")—
- (a) obtains control of a company whose shares are scheme shares as a result of making—
    - (i) a general offer to acquire the whole of the issued share capital of the company which is made on a condition such that if it is satisfied the person making the offer will have control of the company, or
    - (ii) a general offer to acquire all the shares in the company which are of the same class as the scheme shares, or

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- (b) obtains control of a company whose shares are scheme shares in pursuance of a compromise or arrangement sanctioned by the court under section 425 of the Companies Act 1985 or Article 418 of the Companies (Northern Ireland) Order 1986, or
- (c) becomes bound or entitled to acquire shares in a company whose shares are scheme shares under sections 428 to 430 of the said Act of 1985 or Articles 421 to 423 of the said Order of 1986,

any participant in the scheme may at any time within the appropriate period, by agreement with the acquiring company, transfer to the acquiring company his rights under the scheme (in this paragraph referred to as "the old rights") in consideration of the grant to him of rights (in this paragraph referred to as "the new rights") which are equivalent to the old rights but relate to shares in a different company (whether the acquiring company itself or some other company falling within paragraph (b) or paragraph (c) of paragraph 7 below).

- (2) In sub-paragraph (1) above "the appropriate period" means—
  - (a) in a case falling within paragraph (a), the period of six months beginning with the time when the person making the offer has obtained control of the company and any condition subject to which the offer is made is satisfied,
  - (b) in a case falling within paragraph (b), the period of six months beginning with the time when the court sanctions the compromise or arrangement, and
  - (c) in a case falling within paragraph (c), the period during which the acquiring company remains bound or entitled as mentioned in that paragraph.
- (3) The new rights shall not be regarded for the purposes of this paragraph as equivalent to the old rights unless—
  - (a) the shares to which they relate satisfy the conditions specified, in relation to scheme shares, in paragraphs 7 to 11 below; and
  - (b) the new rights will be exercisable in the same manner as the old rights and subject to the provisions of the scheme as it had effect immediately before the exchange; and
  - (c) the total market value, immediately before the exchange, of the shares which were subject to the participant's old rights is equal to the total market value, immediately after the exchange, of the shares in respect of which the new rights are granted to the participant; and
  - (d) the total amount payable by the participant for the acquisition of shares in pursuance of the new rights is equal to the total amount that would have been payable for the acquisition of shares in pursuance of the old rights.
- (4) Where any new rights are granted pursuant to a provision included in a scheme by virtue of this paragraph they shall be regarded—
  - (a) for the purposes of section 38 of this Act and this Schedule, and
  - (b) for the purposes of the subsequent application (by virtue of a condition complying with sub-paragraph (3)(b) above) of the provisions of the scheme,

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as having been granted at the time when the corresponding old rights were granted.”

- (2) In paragraph 12 of the said Schedule 10 (transfer of rights) after the words "any of them" there shall be inserted "(except pursuant to a provision included in the scheme by virtue of paragraph 4A above)".

## PART II

### TRANSITIONAL PROVISIONS

- 3 (1) Where an existing scheme is altered before 1st August 1989 so as to include such a provision as is mentioned in paragraph 10A of Schedule 10 to the Finance Act 1980 or, as the case may be, paragraph 4A of Schedule 10 to the Finance Act 1984 (in this paragraph referred to as "an exchange provision"), the scheme as altered may by virtue of this paragraph apply that provision to rights obtained under the scheme before the date on which the alteration takes effect.
- (2) If an exchange provision is applied as mentioned in sub-paragraph (1) above in a case where, on or after 17th March 1987 but before the date on which the alteration takes effect, an event has occurred by reason of which a person holding rights under the scheme would be able to take advantage of the exchange provision—
- (a) the scheme may permit a person who held rights under the scheme immediately before that event to take advantage of the exchange provision, and
  - (b) in a case where rights then held would otherwise, by reason of the event, have ceased to be exercisable, the scheme may provide that the exchange provision shall apply as if the rights were still exercisable.
- (3) The application of an exchange provision as mentioned in sub-paragraph (1) or sub-paragraph (2) above shall not itself be regarded for the purposes of Schedule 10 to the Finance Act 1980 or, as the case may be, Schedule 10 to the Finance Act 1984 as the acquisition of a right.
- (4) In sub-paragraph (1) above "an existing scheme" means a scheme approved under Schedule 10 to the Finance Act 1980 or Schedule 10 to the Finance Act 1984 before 1st August 1987.
- (5) This paragraph has effect subject to paragraph 3(2) of Schedule 10 to the said Act of 1980 or, as the case may be, paragraph 2(2) of Schedule 10 to the said Act of 1984 (which require the approval of the Board for any alteration in a scheme).

## PART III

### CONSEQUENTIAL PROVISIONS RELATING TO CAPITAL GAINS TAX

- 4 In section 47 of the Finance Act 1980 (savings-related share option schemes) after subsection (2) there shall be inserted the following subsection—
- “(2A) Where a right to acquire shares in a body corporate which was obtained as mentioned in subsection (1) above is exchanged for a right to acquire shares in another body corporate in accordance with a provision included in a scheme pursuant to paragraph 10A of Schedule 10 to this Act, the exchange

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shall not be treated for the purposes of the Capital Gains Tax Act 1979 as involving any disposal of the first-mentioned right or any acquisition of the other right, but for those purposes the other right shall be treated as the same asset acquired as the first-mentioned right was acquired.”

- 5 In section 38 of the Finance Act 1984 (approved share option schemes) after subsection (6) there shall be inserted the following subsection—

“(6A) Where a right to acquire shares in a body corporate is exchanged for a right to acquire shares in another body corporate in accordance with a provision included in a scheme pursuant to paragraph 4A of Schedule 10 to this Act, the exchange shall not be treated for the purposes of the Capital Gains Tax Act 1979 as involving any disposal of the first-mentioned right or any acquisition of the other right, but for those purposes the other right shall be treated as the same asset acquired as the first-mentioned right was acquired.”.

## PART IV

### MATERIAL INTEREST TEST

#### *Interests under trusts*

- 6 (1) This paragraph applies in a case where—
- (a) the individual (in this paragraph referred to as "the beneficiary") was one of the objects of a discretionary trust, and
  - (b) the property subject to the trust at any time consisted of or included any shares or obligations of the company.
- (2) If neither the beneficiary nor any relevant associate of his had received any benefit under the discretionary trust before 14th November 1986, then, as respects any time before that date, the trustees of the settlement concerned shall not be regarded, by reason only of the matters referred to in sub-paragraph (1) above, as having been associates (as denned in section 303(3) of the Taxes Act) of the beneficiary.
- (3) If, on or after 14th November 1986,—
- (a) the beneficiary ceases to be eligible to benefit under the discretionary trust by reason of—
    - (i) an irrevocable disclaimer or release executed by him under seal, or
    - (ii) the irrevocable exercise by the trustees of a power to exclude him from the objects of the trust, and
  - (b) immediately after he so ceases, no relevant associate of his is interested in the shares or obligations of the company which are subject to the trust, and
  - (c) during the period of twelve months ending with the date when the beneficiary so ceases, neither the beneficiary nor any relevant associate of his received any benefit under the trust,

the beneficiary shall not be regarded, by reason only of the matters referred to in sub-paragraph (1) above, as having been interested in the shares or obligations of the company as mentioned in section 303(3)(c) of the Taxes Act at any time during the period of twelve months referred to in paragraph (c) above.

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- (4) In sub-paragraphs (2) and (3) above "relevant associate" has the meaning given to "associate" by section (3) of section 303 of the Taxes Act, but with the omission of paragraph (c) of that subsection.
- (5) Sub-paragraph (3)(a)(i) above, in its application to Scotland, shall be construed as if the words "under seal" were omitted.

*Options etc.*

- 7 (1) For the purposes of paragraph (a) of subsection (6) of section 285 of the Taxes Act (cases in which a person has a material interest in a company) a right to acquire any shares (however arising) shall be taken to be a right to control them.
- (2) Any reference in sub-paragraph (3) below to the shares attributed to an individual is a reference to the shares which, in accordance with section 285(6)(a) of the Taxes Act, fall to be brought into account in his case to determine whether their number exceeds a particular percentage of the company's ordinary share capital.
- (3) In any case where—
- (a) the shares attributed to an individual consist of or include shares which he or any other person has a right to acquire, and
  - (b) the circumstances are such that, if that right were to be exercised, the shares acquired would be shares which were previously unissued and which the company is contractually bound to issue in the event of the exercise of the right,
- then, in determining at any time prior to the exercise of that right whether the number of shares attributed to the individual exceeds a particular percentage of the ordinary share capital of the company, that ordinary share capital shall be taken to be increased by the number of unissued shares referred to in paragraph (b) above.
- (4) This paragraph has effect as respects any time on or after 6th April 1987.

*Shares held by trustees of approved profit sharing schemes*

- 8 In applying section 285(6) of the Taxes Act (cases in which a person has a material interest in a company), as respects any time before or after the passing of this Act, there shall be disregarded—
- (a) the interest of the trustees of a profit sharing scheme approved under Part I of Schedule 9 to the Finance Act 1978 in any shares which are held by them in accordance with the scheme and have not yet been appropriated to an individual; and
  - (b) any rights exercisable by those trustees by virtue of that interest.

SCHEDULE 5

Section 35.

SUPPLEMENTARY PROVISIONS AS TO TRAINING COSTS

*Interpretation*

- 1 (1) In this Schedule—



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"the principal section" means section 35 of this Act; and  
"employer" and "employee" have the same meaning as in the principal section.

- (2) Any reference in this Schedule to an employee being employed by an employer is a reference to the employee holding office or employment under the employer.

*Qualifying courses of training*

- 2 Subject to paragraph 3 below, a course is a qualifying course of training if—
- (a) it provides a course of training designed to impart or improve skills or knowledge relevant to, and intended to be used in the course of, gainful employment (including self-employment) of any description; and
  - (b) the course is entirely devoted to the teaching or practical application of the skills or knowledge (or to both such teaching and practical application); and
  - (c) the duration of the course does not exceed one year; and
  - (d) all teaching and practical application forming part of the course takes place within the United Kingdom.
- 3 A course shall not be regarded as a qualifying course of training in relation to a particular employee unless—
- (a) he attends the course on a full-time or substantially full-time basis; and
  - (b) he is employed by the employer full-time throughout the period of two years ending at the time when he begins to undertake the course or, if it is earlier, at the time he ceases to be employed by him; and
  - (c) the opportunity to undertake the course, on similar terms as to payment or reimbursement of relevant expenses, is available either generally to holders or past holders of offices or employment under the employer or to a particular class or classes of such holders or past holders.

*Courses undertaken with a view to retraining*

- 4 (1) An employee shall not be regarded as undertaking a course with a view to retraining unless—
- (a) he begins to undertake the course of training while he is employed by the employer or within the period of one year after he ceases to be so employed; and
  - (b) he ceases to be employed by the employer not later than the end of the period of two years beginning at the end of the qualifying course of training.
- (2) An employee shall not be regarded as having undertaken a course with a view to retraining if, any time within the period of two years beginning at the time when he ceased to be employed as mentioned in sub-paragraph (1)(b) above, he is again employed by the employer.

*Relevant expenses*

- 5 (1) Where an employee undertakes a qualifying course of training, the relevant expenses consist of—
- (a) fees for attendance at the course;
  - (b) fees for any examination which is taken during or at the conclusion of the course;

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- (c) the cost of any books which are essential for a person attending the course; and
  - (d) travelling expenses falling within sub-paragraph (2) below.
- (2) The travelling expenses referred to in sub-paragraph (1)(d) above are those which would be deductible under section 189 of the Taxes Act (relief for necessary expenses)—
- (a) on the assumption that attendance at the course is one of the duties of the employee's office or employment; and
  - (b) if the employee has in fact ceased to be employed by the employer, on the assumption that he continues to be employed by him.

## SCHEDULE 6

Section 36.

### TRANSITIONAL PROVISIONS AS TO CORPORATION TAX PAYMENT DATES

#### PART I

#### COMPANIES

##### *Interpretation*

- 1 (1) In this Part of this Schedule an "old company" means a company to which section 244 of the Taxes Act applied in respect of the last accounting period ending before 17th March 1987.
- (2) In relation to an old company—
- (a) "the company's section 244 interval" means the interval after the end of an accounting period of the company which, in accordance with section 244 of the Taxes Act, was the period within which corporation tax assessed for that period was required to be paid; and
  - (b) "the period of reduction" means the number of whole days which are comprised in a period equal to one-third of the difference between nine months and the company's section 244 interval.

##### *General rules*

- 2 Subject to paragraph 5 below, with respect to the first accounting period of an old company beginning on or after 17th March 1987, section 243(4) of the Taxes Act (time for payment of corporation tax) shall have effect as if for the reference to nine months there were substituted a reference to a period which is equal to the company's section 244 interval less the period of reduction.
- 3 Subject to paragraph 5 below, with respect to any accounting period of an old company which begins—
- (a) after the accounting period referred to in paragraph 2 above, but
  - (b) before the second anniversary of the beginning of that period,

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

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section 243(4) of the Taxes Act shall have effect as if for the reference to nine months there were substituted a reference to a period equal to the previous payment interval less the period of reduction.

4 In relation to any accounting period of an old company falling within paragraph 3 above, "the previous payment interval" means the interval after the end of the immediately preceding accounting period within which corporation tax for that preceding period is required to be paid by virtue of section 243(4) of the Taxes Act, as modified by this Part of this Schedule.

5 If the accounting period referred to in paragraph 2 above or any accounting period falling within paragraph 3 above is less than twelve months, the paragraph in question shall have effect in relation to that accounting period as if for the reference in that paragraph to the period of reduction there were substituted a reference to the number of whole days comprised in a period which bears to the period of reduction the same proportion as that accounting period bears to twelve months.

#### *Consequential provisions*

6 With respect to any accounting period of an old company which falls within paragraph 2 or paragraph 3 above, section 86 of the Taxes Management Act 1970 (interest on overdue tax) shall have effect as if, in paragraph 5(a) of the Table in subsection (4) (the reckonable date in relation to corporation tax), the reference into the nine months mentioned in section 243(4) of the Taxes Act were a reference to the period which, under the preceding provisions of this Part of this Schedule, is substituted for those nine months.

7 In section 88 of the Taxes Management Act 1970 (interest on tax recovered to make good loss due to taxpayer's fault) in paragraph (e) of subsection (5) (the date when corporation tax ought to have been paid) for the words from "where section 244(1)" to "the interval" there shall be substituted "in the case of an accounting period in respect of which subsection (4) of section 243 of the principal Act applies as modified by paragraph 2 or paragraph 3 of Schedule 6 to the Finance Act 1987, at the end of the period which, under that paragraph, is substituted for the period of nine months".

8 With respect to any accounting period of an old company which falls within paragraph 2 or paragraph 3 above, section 48 of the Finance (No. 2) Act 1975 (repayment supplement in respect of delayed repayments of certain taxes to companies) shall have effect as if, in subsection (9) in paragraph (a) of the definition of "the material date", the reference to the nine months mentioned in section 243(4) of the Taxes Act were a reference to the period which, under the preceding provisions of this Part of this Schedule, is substituted for those nine months.

## **PART II**

### **BUILDING SOCIETIES**

9 In this Part of this Schedule a "1989 accounting period" means an accounting period ending in the year 1989-90.

10 Where, by virtue of section 344(2)(a) of the Taxes Act, corporation tax assessed on a building society in respect of a 1989 accounting period would, apart from this paragraph, be payable by a date which is earlier than the end of the period of two

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months from the end of that accounting period, the tax shall be payable within that period of two months.

11 If, apart from this paragraph, the date on which, under section 344(2)(b) of the Taxes Act, a building society would be required to make a provisional payment of corporation tax for a 1989 accounting period would fall before the end of the period of two months from the end of that accounting period, that date shall be postponed until the end of that period of two months.

12 With respect to a 1989 accounting period of a building society to which paragraph 10 above applies, in the following enactments—

(a) in section 86(4) of the Taxes Management Act 1970, paragraph 5(c) in the second column of the Table (the reckonable date for interest on overdue tax); and

(b) in section 48(9) of the Finance (No. 2) Act 1975, paragraph (c) of the definition of "the material date" (for repayment supplement),

the reference to the time limit imposed by subsection (2)(a) of section 344 of the Taxes Act shall be construed as a reference to the limit imposed by paragraph 10 above.

## SCHEDULE 7

Section 56.

### STAMP DUTY RESERVE TAX

1 Part IV of the Finance Act 1986 shall be amended in accordance with the following provisions of this Schedule.

#### *Principal charge*

2 (1) In section 87, after subsection (7) there shall be inserted—

“(7A) Where there would be no charge to tax under this section in relation to some of the chargeable securities to which the agreement between A and B relates if separate agreements had been made between them for the transfer of those securities and for the transfer of the remainder, this section shall have effect as if such separate agreements had been made.

(7B) This section shall have effect in relation to a person to whom the chargeable securities are transferred by way of security for a loan to B as it has effect in relation to a nominee of B.”.

(2) This paragraph shall be deemed always to have had effect.

#### *Renounceable letters of allotment, etc.*

3 (1) In section 88(3)(a), after the words "subsection (2)" there shall be inserted the words "the words 'the expiry of the period of two months beginning with' and".

(2) This paragraph shall have effect in relation to agreements made on or after 1st August 1987.

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*Market makers in options*

- 4 (1) In section 89, after subsection (1) there shall be inserted—
- “(1A) Section 87 above shall not apply as regards an agreement to transfer securities to B or his nominee if the agreement is made by B in the ordinary course of his business as a market maker in securities consisting of related quoted options; and in this subsection—
- (a) 'quoted options' means options quoted on The Stock Exchange, and
  - (b) 'related quoted options' means quoted options to buy or sell securities of the kind transferred.”.

(2) This paragraph shall be deemed always to have had effect.

*Clearance services*

- 5 (1) In section 90, for subsection (5) there shall be substituted—
- “(5) Section 87 above shall not apply as regards an agreement to transfer securities which the Board are satisfied are held, when the agreement is made, by a person within subsection (6) below.
- (6) A person is within this subsection if his business is exclusively that of holding shares, stock or other marketable securities—
- (a) as nominee or agent for a person whose business is or includes the provision of clearance services for the purchase and sale of shares, stock or other marketable securities, and
  - (b) for the purpose of such part of the business mentioned in paragraph (a) above as consists of the provision of such clearance services (in a case where the business does not consist exclusively of that);
- and in this subsection, 'marketable securities' shall be construed in accordance with section 122(1) of the Stamp Act 1891.”.
- (2) This paragraph shall be deemed always to have had effect.

*Charities etc.*

- 6 (1) In section 90, at the end there shall be added—
- “(7) Section 87 above shall not apply as regards an agreement to transfer securities to—
- (a) a body of persons established for charitable purposes only, or
  - (b) the trustees of a trust so established, or
  - (c) the Trustees of the National Heritage Memorial Fund, or
  - (d) the Historic Buildings and Monuments Commission for England.”.

(2) This paragraph shall be deemed always to have had effect.

*Interest on tax repayments*

- 7 (1) In section 92, after subsection (4) there shall be inserted—

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“(4A) Interest paid under subsection (2) above shall not constitute income for any tax purposes.”.

(2) This paragraph shall be deemed always to have had effect.

## SCHEDULE 8

Section 58.

### SECURITIES, OTHER BUSINESS PROPERTY AND AGRICULTURAL PROPERTY

- 1        In section 10 of the 1984 Act (dispositions not intended to confer gratuitous benefit) in subsection (2) for the words from "shares" to "stock exchange" there shall be substituted "unquoted shares or unquoted debentures".
- 2        In section 98 of the 1984 Act (effect of alterations of capital, etc.) in subsection (1) —
- (a) in paragraph (a) for the words from "shares" onwards there shall be substituted "quoted shares or quoted securities";
- (b) in paragraph (b) for the words from "shares" onwards there shall be substituted "unquoted shares in or unquoted debentures of a close company"; and
- (c) for the words "shares or debentures not so quoted" there shall be substituted "unquoted shares or unquoted debentures".
- 3        In section 100 of the 1984 Act (alterations of capital where participators are trustees) in subsection (1)(c) for the words from "shares" onwards there shall be substituted "unquoted shares in or unquoted securities of the close company".
- 4        In section 104 of the 1984 Act (relief for business property) in subsection (1)(a) for the words "or (b)" there shall be substituted "(b) or (bb)".
- 5        (1) Section 105 of the 1984 Act (relevant business property) shall be amended as follows.
- (2) In subsection (1) after the words "sections 106,108," there shall be inserted "109A" and for paragraph (c) there shall be substituted the following paragraphs—
- “(bb) unquoted shares in a company which do not fall within paragraph (b) above and which immediately before the transfer satisfied the condition specified in subsection (1 A) below;
- (c) unquoted shares in a company which do not fall within paragraph (b) or paragraph (bb) above”.
- (3) After subsection (1) there shall be inserted the following subsections—
- “(1A) The condition referred to in subsection (1)(bb) above is that the shares (either by themselves or together with other shares or securities owned by the transferor) gave the transferor control of powers of voting on all questions affecting the company as a whole which if exercised would have yielded more than 25 per cent. of the votes capable of being exercised on them; and shares shall be taken to satisfy this condition if, together with any shares which are related property within the meaning of section 161 below, they would have been sufficient to give the transferor such control.

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(1B) Subsections (3) and (4) of section 269 below have effect in relation to subsection (1 A) above as they have effect in relation to subsection (1) of that section.”

(4) After subsection (2) there shall be inserted the following subsection—

“(2A) Shares of a company do not fall within subsection (1)(bb) above if—

- (a) they would not have been sufficient, without other property, to satisfy the condition specified in subsection (1A) above immediately before the transfer; and
- (b) their value is taken by virtue of section 176 below to be less than the value previously determined.”

6 In section 107 of the 1984 Act (replacements) in subsection (4)—

- (a) for the words "section 105(1)(c)" there shall be substituted "section 105(1)(bb) or (c)"; and
- (b) after the words "section 106 above" there shall be inserted "and section 109A below".

7 After section 109 of the 1984 Act there shall be inserted the following section—

**“109A Additional requirement in case of minority shareholdings.**

Shares in a company do not fall within subsection (1)(bb) of section 105 above unless the condition specified in subsection (1 A) of that section was satisfied—

- (a) throughout the two years immediately preceding the transfer, or
- (b) where section 108 or section 109 above applies and the transferor owned the shares for a period of less than two years immediately preceding the transfer, throughout that lesser period.”

8 (1) In section 113A of the 1984 Act (application of relief for business property to transfers made within seven years before death of transferor) in subsection (3) at the beginning of paragraph (b) there shall be inserted the words "except to the extent that the original property consists of shares or securities to which subsection (3A) below applies".

(2) After subsection (3) of that section there shall be inserted the following subsection—

“(3A) This subsection applies to shares or securities—

- (a) which were quoted at the time of the chargeable transfer referred to in subsection (1) or subsection (2) above; or
- (b) which fell within paragraph (b) of section 105(1) above in relation to that transfer and were unquoted throughout the period referred to in subsection (3)(a) above.”

9 In section 124A of the 1984 Act (application of agricultural relief to transfers within seven years before death of transferor) in subsection (b) for the words following paragraph (b) there shall be substituted "his period of ownership of the original property shall be treated as including his period of ownership of the shares."

10 In section 136 of the 1984 Act (transactions of close companies) in subsection (1)(b) for the words "shares quoted on a recognised stock exchange" there shall be substituted "quoted shares" and for the words "shares in or debentures of the

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- company which are not so quoted" there shall be substituted "unquoted shares in or unquoted debentures of the company".
- 11 In section 140(2) of the 1984 Act (market value for purposes of Chapter IV of Part IV) in paragraph (b) for the words from "shares" to "exchange" there shall be substituted "unquoted shares".
- 12 (1) In section 168 of the 1984 Act (unquoted shares and securities) in subsection (1) before the word "securities" where it first occurs, there shall be inserted "unquoted".
- (2) Subsection (2) of that section shall be omitted.
- 13 (1) In section 178 of the 1984 Act (sale of shares etc. from deceased's estate) in subsection (1), in the definition of "qualifying investments", for the words from "at the date" to "exchange" there shall be substituted "are quoted at the date of the death in question".
- (2) In subsection (2) of that section—
- (a) after the words "quotation on a recognised stock exchange" there shall be inserted "or dealing on the Unlisted Securities Market"; and
- (b) the words "on a recognised stock exchange", in the second place where they occur, shall be omitted.
- 14 In section 180 of the 1984 Act (effect of purchases) in subsection (3) after the word "exchange" there shall be inserted "or separately dealt in on the Unlisted Securities Market".
- 15 (1) In section 227 of the 1984 Act (payment by instalments) for subsection (1A) there shall be substituted the following subsection—
- “(1A) Subsection (1) above does not apply to—
- (a) tax payable on the value transferred by a potentially exempt transfer which proves to be a chargeable transfer, or
- (b) additional tax becoming payable on the value transferred by any chargeable transfer by reason of the transferor's death within seven years of the transfer,
- except to the extent that the tax is attributable to the value of property which satisfies one of the conditions specified in subsection (1C) below and, in the case of property consisting of unquoted shares or unquoted securities, the further condition specified in section 228(3A) below.”
- (2) In subsection (1B) of that section for the words "subsection (1A) above" there shall be substituted "this section".
- (3) After subsection (1B) of that section there shall be inserted the following subsection—
- “(1C) The conditions referred to in subsection (1A) above are—
- (a) that the property was owned by the transferee throughout the period beginning with the date of the chargeable transfer and ending with the death of the transferor (or, if earlier, the death of the transferee), or
- (b) that for the purposes of determining the tax, or additional tax, due by reason of the death of the transferor, the value of the property is reduced in accordance with the provisions of Chapter I or Chapter



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- II of Part V of this Act by virtue of section 113B or section 124B above.”
- 16 (1) In section 228 of the 1984 Act (shares etc. within section 227) in subsection (1) for the words "not falling under paragraph (a) above and not quoted on a recognised stock exchange", in each place where they occur, there shall be substituted "which do not fall under paragraph (a) above and are unquoted".
- (2) After subsection (3) of that section there shall be inserted the following subsection—
- “(3A) The further condition referred to in section 227(1 A) above is that the shares or securities remained unquoted throughout the period beginning with the date of the chargeable transfer and ending with the death of the transferor (or, if earlier, the death of the transferee).”
- 17 In section 272 of the 1984 Act (general interpretation) after the definition of "purchaser" there shall be inserted—
- “"quoted", in relation to any shares or securities, means quoted on a recognised stock exchange or dealt in on the Unlisted Securities Market and "unquoted", in relation to any shares or securities, means neither so quoted nor so dealt in”.
- 18 (1) In Schedule 20 to the Finance Act 1986 (gifts with reservation) paragraph 8 (agricultural and business property) shall be amended as follows.
- (2) In sub-paragraph (1) for the word "Where" there shall be substituted "This paragraph applies where" and the words from "then" onwards shall be omitted.
- (3) After sub-paragraph (1) there shall be inserted the following sub-paragraph—
- “(1A) Where this paragraph applies—
- (a) any question whether, on the material transfer of value, any shares or securities fall within paragraph (b) or paragraph (bb) of section 105(1) of the 1984 Act (which specify shares and securities qualifying for 50 per cent. relief) shall be determined, subject to the following provisions of this paragraph, as if the shares or securities were owned by the donor and had been owned by him since the disposal by way of gift; and
- (b) subject to paragraph (a) above, any question whether, on the material transfer of value, relief is available by virtue of Chapter I or Chapter II of Part V of the 1984 Act and, if relief is available by virtue of Chapter II, what is the appropriate percentage for that relief, shall be determined, subject to the following provisions of this paragraph, as if, so far as it is attributable to the property comprised in the gift, that transfer were a transfer of value by the donee.”
- (4) In sub-paragraph (2) for the words "sub-paragraph (1)" there shall be substituted "sub-paragraph (1A)(b)".
- (5) In sub-paragraph (3)—
- (a) for the words "that sub-paragraph shall not apply" there shall be substituted "relief shall not be available by virtue of Chapter II of Part V of the 1984 Act on the material transfer of value"; and
- (b) for the words "by virtue of sub-paragraph (1) above" there shall be substituted "by virtue of sub-paragraph (1 A)(b) above".

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SCHEDULE 9

Section 59.

MAINTENANCE FUNDS FOR HISTORIC BUILDINGS ETC.

1 The following section shall be inserted after section 57 of the Inheritance Tax Act 1984—

**“57A Relief where property enters maintenance fund.**

- (1) Subject to the following provisions, subsection (2) below applies where—
- (a) a person dies who immediately before his death was beneficially entitled to an interest in possession in property comprised in a settlement, and
  - (b) within two years after his death the property becomes held on trusts (whether of that or another settlement) by virtue of which a direction under paragraph 1 of Schedule 4 to this Act is given in respect of the property.
- (2) Where this subsection applies, this Act shall have effect as if the property had on the death of the deceased become subject to the trusts referred to in subsection (1)(b) above; and accordingly no disposition or other event occurring between the date of the death and the date on which the property becomes subject to those trusts shall, so far as it relates to the property, be a transfer of value or otherwise constitute an occasion for a charge to tax.
- (3) Where property becomes held on trusts of the kind specified in paragraph (b) of subsection (1) above as the result of proceedings before a court and could not have become so held without such proceedings, that paragraph shall have effect as if it referred to three years instead of two.
- (4) Subsection (2) above shall not apply if—
- (a) the disposition by which the property becomes held on the trusts referred to in subsection (1)(b) above depends on a condition or is defeasible; or
  - (b) the property which becomes held on those trusts is itself an interest in settled property; or
  - (c) the trustees who hold the property on those trusts have, for a consideration in money or money's worth, acquired an interest under a settlement in which the property was comprised immediately before the death of the person referred to in subsection (1)(a) above or at any time thereafter; or
  - (d) the property which becomes held on those trusts does so for a consideration in money or money's worth, or is acquired by the trustees for such a consideration, or has at any time since the death of the person referred to in subsection (1)(a) above been acquired by any other person for such a consideration.
- (5) If the value of the property when it becomes held on the trusts referred to in subsection (1)(b) above is lower than so much of the value transferred on the death of the person referred to in subsection (1)(a) as is attributable to the property, subsection (2) above shall apply to the property only to the extent of the lower value.

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(6) For the purposes of this section, a person shall be treated as acquiring property for a consideration in money or money's worth if he becomes entitled to it as a result of transactions which include a disposition for such consideration (whether to him or another) of that or other property.”

2 At the end of paragraph 3 of Schedule 4 to the 1984 Act there shall be added—

“(5A) In the case of property which, if a direction is given under paragraph 1 above, will be property to which paragraph 15A below applies, sub-paragraph (1)(b) above shall have effect as if for the reference to the settlor there were substituted a reference to either the settlor or the person referred to in paragraph 15A(2).”

3 After paragraph 15 of that Schedule there shall be inserted—

*“Maintenance fund following interest in possession*

15A (1) In relation to settled property to which this paragraph applies, the provisions of this Part of this Schedule shall have effect with the modifications set out in the following sub-paragraphs.

(2) This paragraph applies to property which became property to which paragraph 8 above applies on the occasion of a transfer of value which was made by a person beneficially entitled to an interest in possession in the property, and which (so far as the value transferred by it was attributable to the property)—

(a) was an exempt transfer by virtue of the combined effect of either—

- (i) sections 27 and 57(5) of this Act, or
- (ii) sections 27 and 57A of this Act, and

(b) would but for those sections have been a chargeable transfer;

and in the following sub-paragraphs "the person entitled to the interest in possession" means the person above referred to.

(3) Paragraph 9(2) shall have effect as if for the reference to the settlor there were substituted a reference to either the settlor or the person entitled to the interest in possession.

(4) Paragraph 10 shall not apply if the person entitled to the interest in possession had died at or before the time when the property became property to which paragraph 8 above applies; and in any other case shall have effect with the substitution in sub-paragraph (1) of the following words for the words from "on becoming" onwards—

“(a) on becoming property to which the person entitled to the interest in possession is beneficially entitled, or

(b) on becoming—

- (i) property to which that person's spouse is beneficially entitled, or
- (ii) property to which that person's widow or widower is beneficially entitled if that person has died in the two years preceding the time when it becomes such property;

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but paragraph (b) above applies only where the spouse, widow or widower would have become beneficially entitled to the property on the termination of the interest in possession had the property not then become property to which paragraph 8 above applies.”.

- (5) Paragraph 11 shall not apply.
- (6) Sub-paragraphs (1)to(3)of paragraph 14 shall have effect as if for the references to the settlor there were substituted references to the person entitled to the interest in possession.
- (7) Sub-paragraph (4) of paragraph 14 shall have effect with the insertion after paragraph (b) of the words “and
- (c) was, in relation to either of those settlements, property to which paragraph 15A below applied,”
- and with the substitution for the words from "settlor shall" onwards of the words "person entitled to the interest in possession shall, if the Board so determine, be construed as references to the person who was the settlor in relation to the current settlement.".
- (8) Sub-paragraph (5) of paragraph 14 shall have effect with the insertion after paragraph (b) of the words “and
- (c) was, in relation to any of those settlements, property to which paragraph 15A below applied,”
- and with the substitution for the words from "settlor shall" onwards of the words "person entitled to the interest in possession shall, if the Board so determine, be construed as references to any person selected by them who was the settlor in relation to any of the previous settlements or the current settlement."
- (9) Except in a case where the Board have made a determination under sub-paragraph (4) or (5) of paragraph 14, sub-paragraphs (6) and (7) of that paragraph shall have effect as if for the references to the settlor there were substituted references to the person entitled to the interest in possession.
- (10) Sub-paragraph (9) of paragraph 14 shall have effect with the substitution for the words "(if the settlement was made on death)" of the words "(if the person entitled to the interest in possession had died at or before the time when the property became property to which paragraph 8 above applies)".”.

- 4 Paragraph 1 above shall have effect in relation to deaths occurring on or after 17th March 1987.
- 5 Paragraph 2 above shall have effect in relation to directions given on or after 17th March 1987.
- 6 Paragraph 3 above shall have effect where the occasion of the charge or potential charge to tax under paragraph 8 of Schedule 4 to the 1984 Act falls on or after 17th March 1987.

SCHEDULE 10

Section 61.

NOMINATION SCHEME FOR DISPOSALS AND APPROPRIATIONS

*Interpretation*

- 1 (1) In this Schedule—"month" means calendar month;
- "nominal volume" shall be construed in accordance with paragraph 7 below;
- "nominated price" shall be construed in accordance with paragraph 6 below;
- "nomination" means a nomination made in such manner as may be prescribed by regulations made by the Board;
- "proposed sale", "proposed supply" and "proposed appropriation" shall be construed in accordance with paragraphs (a) to (c) of sub-paragraph (1) of paragraph 2 below;
- "proposed delivery month" shall be construed in accordance with paragraph 3 below;
- "proposed transaction" means one falling within paragraph 2(1) below;
- "regulations made by the Board" means regulations under section 61(8) of this Act; and
- "Treasury regulations" means regulations under section 61(7) of this Act.
- (2) For the purposes of this Schedule, a participator's equity production from an oil field in any month is his share of the oil won from the field which, in that month, is either delivered or relevantly appropriated, other than oil which is delivered to the Secretary of State pursuant to a notice served by him.

*Transactions which may be nominated*

- 2 (1) The proposed transactions which may be nominated by a participator in an oil field for the purposes of this Schedule are—
- (a) proposed sales at arm's length by the participator of specified quantities of oil for delivery from that oil field; and
  - (b) proposed supplies by the participator (being a company) to another company which is associated with the participator of specified quantities of oil for delivery from that oil field for use for refining either by that other company or by a third company associated with the participator; and
  - (c) proposed relevant appropriations by the participator of specified quantities of oil won from that field; and
  - (d) any other proposed transactions specified for the purposes of this sub-paragraph by Treasury regulations;
- and two companies are associated with each other for the purposes of paragraph (b) above if they would be so associated for the purposes of section 115(2) of the Finance Act 1984.
- (2) Where a proposed sale is nominated before a contract of sale comes into being, any reference in this Schedule to the contract of sale is a reference to the subsequent contract for the sale of oil in accordance with the terms of the nomination; and, accordingly, if no such contract of sale comes into being, the nomination of the proposed sale shall be of no effect.

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- (3) A participator may not nominate a proposed sale if—
- (a) under the terms of the contract of sale as originally entered into, the party undertaking to sell the oil is someone other than the participator; or
  - (b) it is of a description prescribed for the purposes of this sub-paragraph by regulations made by the Board.

*Period for which nomination has effect*

- 3 (1) Subject to sub-paragraph (3) below, a nomination shall have effect with respect to proposed deliveries and appropriations of oil in one month only and, accordingly, where a nomination is of a proposed sale and the contract of sale provides for the supply of oil in more than one month, the nomination shall be effective only in relation to oil proposed to be delivered in the month for which the nomination has effect.
- (2) Subject to sub-paragraph (3) below, in relation to a nomination, "the proposed delivery month" means the month for which the nomination has effect in accordance with sub-paragraph (1) above.
- (3) In relation to a contract of sale of a description specified in the regulations, regulations made by the Board may permit a nomination to have effect as a nomination of a proposed sale for each of a number of months and, in relation to such a nomination, this Schedule shall have effect subject to such modifications as may be prescribed in the regulations.

*Timing of nominations*

- 4 (1) Subject to sub-paragraph (2) below, a nomination shall be effective only if it is made not later than five o'clock in the afternoon of the second business day following the date which, in relation to a proposed transaction of that description, is prescribed as the transaction base date.
- (2) Sub-paragraph (1) above does not apply to a nomination made on or before 16th February 1987 which specified a proposed transaction having a transaction base date earlier than 12th February 1987.
- (3) The transaction base date prescribed for a proposed sale may be a date earlier than the date on which a legally binding agreement for the sale of the oil in question comes into being but may not be later than the date on which there is an agreed price at which any oil which is to be delivered pursuant to the contract of sale will be sold.
- (4) In this paragraph—
- (a) "business day" has the same meaning as in the Bills of Exchange Act 1882;
  - (b) "prescribed" means prescribed by regulations made by the Board.

*Content of nomination*

- 5 (1) A nomination of a proposed transaction shall not be effective unless it specifies, with respect to that transaction,—
- (a) the name of the participator;
  - (b) except in the case of a proposed appropriation, the name of the person to whom the oil is to be delivered;
  - (c) the field from which the oil is to be delivered or relevantly appropriated;

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- (d) the nominated price of the oil to be supplied or relevantly appropriated;
  - (e) the nominal volume of that oil;
  - (f) the proposed delivery month;
  - (g) the transaction base date; and
  - (h) such other information as may be prescribed by the Board.
- (2) A nomination shall include a declaration that it is correct and complete and, in the case of a nomination of a proposed sale which is made before the contract of sale comes into being, shall also include a declaration that, to the best of the knowledge and belief of the participator making the nomination, a contract of sale will come into being in accordance with the terms of the nomination.
- (3) Where a participator fraudulently or negligently furnishes any incorrect information or makes any incorrect declaration in or in connection with a nomination he shall be liable to a penalty not exceeding £50,000 or, in the case of fraud, £100,000.

#### *Nominated price*

- 6 (1) Subject to sub-paragraph (3) below, in the case of a proposed sale, the "nominated price", in relation to the oil which is to be delivered pursuant to the sale, is the price specified in the contract of sale (expressed as a unit price) or, as the case may be, the formula under which, in accordance with the contract, the price for that oil (as so expressed) is to be determined.
- (2) Subject to sub-paragraph (3) below, in the case of a proposed supply or proposed appropriation, the "nominated price" of the oil concerned means the market value of that oil, ascertained in accordance with Schedule 3 to the principal Act and expressed as a unit price; and for the purposes of paragraph 5(d) above a statement that the nominated price of oil is its "market value" shall be sufficient.
- (3) Treasury regulations may—
- (a) vary the meaning of "nominated price" in relation to a proposed sale, supply or appropriation and, for that purpose, amend sub-paragraph (1) or sub-paragraph (2) above; and
  - (b) make provision as to the meaning of "nominated price" in relation to a proposed transaction falling within paragraph 2(1)(d) above.

#### *Nominal volume*

- 7 (1) Subject to sub-paragraph (3) below, in the case of a proposed sale, the nominal volume means the quantity of oil which it is proposed should be delivered under the contract of sale in the proposed delivery month.
- (2) Subject to sub-paragraph (3) below, in the case of a proposed supply or proposed appropriation, the nominal volume means the quantity of oil which the participator making the nomination proposes to supply or relevantly appropriate (as the case may be) in the proposed delivery month.
- (3) In the case of any proposed transaction, the nominal volume means the quantity of oil expressed in such manner as may be prescribed by regulations made by the Board.
- (4) In any case where—

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- (a) apart from this sub-paragraph, the nominal volume in any proposed transaction would be expressed as a specific volume of oil, plus or minus a particular tolerance, and
- (b) that tolerance exceeds the limits prescribed for the purposes of this Schedule by regulations made by the Board,

the nominal volume shall for those purposes be taken to be the specific volume referred to in paragraph (a) above, plus or minus the maximum tolerance permitted by the regulations.

- (5) Where a nominal volume is expressed as a specific volume of oil, plus or minus a tolerance, any reference in paragraph 9 below to the maximum nominal volume or the minimum nominal volume is a reference to that specific volume of oil, plus or minus the tolerance respectively.

*Revision of nominations*

- 8 (1) Except as provided by this paragraph, a nomination may not be amended or withdrawn.
- (2) If a participator who has made a nomination of a proposed sale does not, in whole or in part, fulfil his obligations under the contract of sale by the delivery of oil forming part of his equity production for the proposed delivery month, then, in accordance with regulations made by the Board, he may amend or withdraw the nomination if in his opinion—
- (a) there were good commercial reasons for the failure to fulfil those obligations; or
  - (b) the failure was occasioned by circumstances over which neither he nor any person connected or associated with him had control.
- (3) An amendment or withdrawal of a nomination by a participator in accordance with sub-paragraph (2) above shall not be effective unless the Board give notice to the participator that the amendment or withdrawal is accepted, and the Board shall not give such a notice unless they are satisfied—
- (a) as to the matters mentioned in either paragraph (a) or paragraph (b) of sub-paragraph (2) above; and
  - (b) if sub-paragraph (2)(a) above applies, that the failure was not part of a scheme or arrangement the main purpose of which was the avoidance of tax.
- (4) For the purposes of sub-paragraph (2)(b) above,—
- (a) section 533 of the Taxes Act (connected persons) applies; and
  - (b) two companies of which one is a participator in an oil field are associated with each other if one has control over the other or both are under the control of the same person or persons;
- and in paragraph (b) above "control" shall be construed in accordance with section 302 of the Taxes Act.
- (5) Where a nomination is amended in accordance with this paragraph, the preceding provisions of this Schedule shall apply in relation to it subject to such modifications as may be specified in regulations made by the Board.



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*Effective volume for nominated transactions*

- 9 (1) The provisions of this paragraph have effect to determine, in relation to each nominated transaction, what is the effective volume of oil.
- (2) In relation to a proposed sale where the nominal volume is expressed as mentioned in paragraph 7(5) above and oil is in fact delivered under the contract of sale, the effective volume is whichever is the greater of—
- (a) the minimum nominal volume; and
  - (b) so much of the total volume of oil actually delivered under the contract as does not exceed the maximum nominal volume.
- (3) In relation to any proposed sale which does not fall within sub-paragraph (2) above, the effective volume shall be taken to be the nominal volume.
- (4) In relation to a proposed supply or proposed appropriation, the effective volume is the nominal volume.

*Aggregate effective volume for a month*

- 10 (1) Subject to the provisions of this paragraph, for each month the aggregate effective volume of a participator's nominated transactions is the sum of the effective volumes of all of the proposed transactions nominated by him for that month.
- (2) If a participator's aggregate effective volume for any month, as determined under sub-paragraph (1) above, would exceed his equity production for that month—
- (a) his nominated transactions for that month shall be taken to be reduced by cancelling later nominations in priority to earlier ones until the cancellation of the next nominated transaction would produce an aggregate effective volume less than the participator's equity production; and
  - (b) the effective volume of the latest remaining nominated transaction shall be taken to be reduced so far as necessary to secure that the aggregate effective volume is equal to the participator's equity production.

*Aggregate nominated proceeds for a month*

- 11 (1) For each month, a participator's aggregate nominated proceeds for the purposes of section 61 of this Act is the sum of—
- (a) the proceeds of each nominated transaction falling within sub-paragraph (2) below; and
  - (b) the market value of any excess falling within sub-paragraph (3) below.
- (2) For each nominated transaction, the effective volume of which forms part of the participator's aggregate effective volume for the month, as defined in paragraph 10 above, the proceeds of the transaction means the effective volume multiplied by the nominated price.
- (3) If the participator's equity production for a month exceeds his aggregate effective volume for that month, as defined in paragraph 10 above, the market value of the excess shall be determined in accordance with Schedule 3 to the principal Act.
- (4) The reference in sub-paragraph (2) above to the nominated price is a reference to that price expressed in sterling; and regulations made by the Board shall make provision with respect to the conversion into sterling of any nominated price which is expressed in a currency other than sterling.

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*Blended oil*

- 12 In accordance with regulations made by the Board, a person who is a participator in two or more fields may nominate a proposed sale, supply or appropriation of oil which is blended oil, within the meaning of section 63 of this Act; and the preceding provisions of this Schedule shall have effect in relation to such a nomination subject to such modifications as may be prescribed by regulations made by the Board.

*Returns*

- 13 In paragraph 2 of Schedule 2 to the principal Act (returns by participators) at the end of sub-paragraph (3) there shall be inserted the following sub-paragraph—

“(3A) A return under this paragraph for a chargeable period shall—

- (a) state the amount (if any) which, in the case of the participator, is to be brought into account for that period in accordance with section 2(5)(e) of this Act;
- (b) contain such particulars as the Board may prescribe (whether before or after the passing of the Finance Act 1987) with respect to any nominated transaction under Schedule 10 to that Act—
  - (i) the effective volume of which forms part of the participator's aggregate effective volume (construing those terms in accordance with that Schedule) for any calendar month comprised in that chargeable period; and
  - (ii) which has not led to deliveries of oil or relevant appropriations of which particulars are included in the return by virtue of sub-paragraph (2) above; and
- (c) contain such other particulars as the Board may prescribe (as mentioned above) in connection with the application of section 61 of and Schedule 10 to the Finance Act 1987.”

SCHEDULE 11

Section 62.

MARKET VALUE OF OIL

**PART I**

AMENDMENTS OF PARAGRAPHS 2, 2A AND 3 OF SCHEDULE 3 TO PRINCIPAL ACT

- 1 (1) Paragraph 2 of Schedule 3 (definition of market value of oil) shall be amended in accordance with this paragraph.
- (2) For sub-paragraph (1) there shall be substituted—
- “(1) The market value of any oil in any calendar month shall be determined for the purposes of this Part of this Act in accordance with this paragraph.”
- (3) In sub-paragraph (2) for the words from the beginning to "to be delivered" in paragraph (b) there shall be substituted—
- “(2) Subject to the following provisions of this paragraph, the market value of any oil in a calendar month (in this paragraph referred to as "the relevant

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month") is the price at which oil of that kind might reasonably have been expected to be sold under a contract of sale satisfying the following conditions—

- (a) the contract is for the sale of the oil at arm's length to a willing buyer;
- (b) the contract is for the delivery of the oil at a time in the relevant month;
- (c) the contract is entered into within the period beginning at the beginning of the month preceding the relevant month and ending on the middle day of the relevant month or, if the Treasury by order so direct, within such other period as may be specified in the order;
- (d) the contract requires the oil to have been subjected to appropriate initial treatment before delivery;
- (e) the contract requires the oil to be delivered”.

(4) In sub-paragraph (2), paragraph (c) shall become paragraph (f) and shall be amended as follows—

- (a) for the words "as at a particular time" there shall be substituted "as in a particular month"; and
- (b) for the words "as at that time" there shall be substituted "as in that month".

(5) At the end of sub-paragraph (2) there shall be added the words "and, for the purposes of paragraph (c) above, the middle day of a month containing an even number of days shall be taken to be the last day of the first half of the month, and the power to make an order under that paragraph shall be exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament."

(6) After sub-paragraph (2) there shall be inserted the following sub-paragraphs—

“(2A) For the purpose of sub-paragraph (2) above, the price of any oil in a calendar month shall be determined, subject to sub-paragraphs (2B) and (2C) below, by taking the average of the prices under actual contracts for the sale of oil of that kind—

- (a) which are contracts for the sale of oil by a participator in an oil field or by a company which, for the purposes of section 115(2) of the Finance Act 1984, is associated with such a participator; and
- (b) which, subject to sub-paragraph (2B) below, satisfy the conditions in paragraphs (a) to (e) of sub-paragraph (2) above; and
- (c) which do not contain terms as to payment which differ from those customarily contained in contracts for the sale at arm's length of oil of the kind in question.

(2B) For the purposes of sub-paragraph (2A)(b) above, a contract shall be treated as fulfilling the condition in paragraph (c) of sub-paragraph (2) above if it contains provisions under which the price for oil to be delivered in the relevant month either is determined or subject to review in the period relevant for the purposes of that paragraph or is determined by reference to other prices which are themselves determined in that period, being prices for oil to be delivered in the relevant month.

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(2C) The average referred to in sub-paragraph (2A) above shall be determined—

- (a) by establishing an average price for oil of the kind in question for each business day within the period relevant for the purposes of sub-paragraph (2)(c) above; and
- (b) by taking the arithmetic mean of the average prices so established; and in this sub-paragraph "business day" has the same meaning as in the Bills of Exchange Act 1882.

(2D) If or in so far as the Board are satisfied that it is impracticable or inappropriate to determine for the purposes of sub-paragraph (2) above the price of any oil in a calendar month as mentioned in sub-paragraph (2A) above (whether by virtue of an insufficiency of contracts satisfying the conditions or of information relating to such contracts or by virtue of the nature of the market for oil of the kind in question or for any other reason), that price shall be determined,—

- (a) so far as it is practicable and appropriate to do so by reference to such other contracts (whether or not relating to oil of the same kind) and in accordance with the principles in sub-paragraph (2C) above; and
- (b) so far as it is not practicable or appropriate to determine it as mentioned in paragraph (a) above, in such other manner as appears to the Board to be appropriate in the circumstances.”

(7) In sub-paragraph (3)—

- (a) for the words "as at a particular time" there shall be substituted "as in a particular month";
- (b) the words "at that time", where they first occur, shall be omitted;
- (c) after the words "was disposed of there shall be inserted "in that month";
- (d) for the words "and (2)" there shall be substituted "to (2D)";
- (e) for the words "as at that time" there shall be substituted "as in that month"; and
- (f) for "(2)(b)" there shall be substituted "(2)(e)".

2 In paragraph 2A of that Schedule (modifications in the case of oil consisting of gas)—

- (a) in sub-paragraphs (1) and (3) for "(1) and (2)" there shall be substituted "(1)to(2D)";
- (b) in sub-paragraph (2) for "(2)(a)" in each place where it occurs, there shall be substituted "(2)(d)"; and
- (c) in sub-paragraph (3) for "(2)(b)" there shall be substituted "(2)(e)".

3 In paragraph 3 of that Schedule (aggregate market value of oil for purposes of section 2(5))—

- (a) in sub-paragraph (1) the words "at the material time" shall be omitted; and
- (b) in sub-paragraph (2) the words from "and 'the material time' " onwards shall be omitted.

## PART II

### CONSEQUENTIAL AMENDMENTS OF PRINCIPAL ACT

- 4 In section 5A (allowance of exploration and appraisal expenditure) in subsection (5C)(a) for "(c)" there shall be substituted "(f)".
- 5 In section 12 (interpretation) in subsection (1) in the definition beginning "calendar month" for the words from "and" to "have" there shall be substituted "has".
- 6 In section 14 (valuation of oil disposed of or appropriated in certain circumstances)
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- (a) in subsections (1) and (2) for the words "at a particular time" there shall be substituted "in a particular month";
  - (b) in subsection (5) for the words from the beginning to "this Act", in the first place where those words occur, there shall be substituted "In subsections (4) and (4A) above "calendar month" means a month of the calendar year"; and
  - (c) in paragraph (a) of subsection (5) for "(2)(c)" there shall be substituted "(2)(f)" and for "(c)" there shall be substituted "(f)".
- 7 In Schedule 9 (sales etc. at undervalue or overvalue) in paragraph 6 (determination of arm's length price) for sub-paragraph (2) there shall be substituted—
- “(2) In this paragraph "calendar month" means a month of the calendar year and "material time", in relation to a calendar month, means noon on the middle day of the month which, in the case of a month containing an even number of days, shall be taken to be the last day of the first half of the month.”

## SCHEDULE 12

Section 63.

### SUPPLEMENTARY PROVISIONS AS TO BLENDED OIL

#### *Interpretation*

- 1 In this Schedule—
- (a) "the principal section" means section 63 of this Act;
  - (b) "blended oil" and "the originating fields" have the same meaning as in the principal section;
  - (c) a "method of allocation" means such a method as is referred to in subsection (2) of the principal section; and
  - (d) "the oil taxation legislation" means Part I of the principal Act and any enactment construed as one with that Part.

#### *Amendments of allocation by the Board*

- 2 If at any time it appears to the Board that a method of allocation of blended oil of which details have been furnished to them in accordance with subsection (3) of the principal section is not just and reasonable for the purposes of the oil taxation legislation, having regard to the quantity and quality of the oil derived from each of the originating fields,—

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- (a) they shall give notice in writing to each of the participators in those fields informing them of that fact and proposing amendments which would render the method acceptable to the Board; and
- (b) subject to the following provisions of this Schedule, for any chargeable period beginning after the date of a notice under paragraph (a) above, the method of allocation shall be treated for the purposes of the oil taxation legislation as amended in accordance with the Board's proposals.

### *Appeals*

- 3 (1) Where the Board give notice to the participators in the originating fields under paragraph 2(a) above, any of those participators may appeal to the Special Commissioners against the notice by giving notice in writing to the Board within thirty days after the date of the notice given by the Board.
- (2) Where notice of appeal is given under sub-paragraph (1) above—
  - (a) the Board shall give notice in writing to all those participators in the originating fields who have not given notice of appeal and they shall, by virtue of that notice, become parties to the appeal and be entitled to appear accordingly;
  - (b) if, before the determination of the appeal by the Special Commissioners, the Board and the participators in the originating fields agree that the method of allocation concerned should not be amended or should have effect with particular amendments, the same consequences shall ensue as if the Commissioners had determined the appeal to that effect;
  - (c) if, on the hearing of the appeal, it appears to the majority of the Commissioners present that the method of allocation concerned is satisfactory, with or without modifications, for the purposes of the oil taxation legislation they shall allow the appeal and, where appropriate, shall amend the method of allocation accordingly for those purposes; and
  - (d) sub-paragraphs (2), (8) and (11) of paragraph 14 of Schedule 2 to the principal Act shall apply in relation to the appeal as they apply in relation to an appeal against an assessment or determination made under that Act.
- 4 Any method or amended method of allocation having effect by virtue of paragraph 3(2) above shall have effect with respect to any such chargeable period as is referred to in paragraph 2(b) above.

SCHEDULE 13

Section 64.

RELIEF FOR RESEARCH EXPENDITURE

**PART I**

SECTION TO BE INSERTED AFTER SECTION 5A OF THE PRINCIPAL ACT

**“5B Allowance of research expenditure.**

- (1) Subject to the following provisions of this section and Schedule 7 to this Act, the research expenditure which is allowable in the case of a person who is a participator in an oil field is any expenditure (whether or not of a capital nature) which—
  - (a) is incurred by him on or after 17th March 1987; and
  - (b) at the expiry of the period of three years from the time at which it was incurred, has not become allowable under section 3 or section 4 of this Act or section 3 of the Oil Taxation Act 1983; and
  - (c) was not incurred for purposes relating to a particular oil field; and
  - (d) was not incurred wholly and exclusively for one or more of the purposes which, subject to subsection (2) below, are specified in section 5A(2) of this Act; and
  - (e) was incurred for the purpose of research of such a description that, if it had been incurred by the participator in relation to a particular field, it would have been allowable for that field under section 3 or section 4 of this Act or section 3 of the Oil Taxation Act 1983; and
  - (f) was incurred wholly or partly for United Kingdom purposes.
- (2) For the purposes only of subsection (1)(d) above, any reference in section 5A(2) of this Act to the territorial sea of the United Kingdom shall be taken to include a reference to the United Kingdom itself.
- (3) Where expenditure falling within paragraphs (a) to (e) of subsection (1) above is incurred partly for United Kingdom purposes and partly for other purposes, only such part of the expenditure as it is just and reasonable to apportion to United Kingdom purposes shall be allowable by virtue of this section.
- (4) In subsections (1)(f) and (3) above, "United Kingdom purposes" means purposes relating to the United Kingdom, the territorial sea thereof or designated areas, excluding any sector which, by virtue of subsection (3)(b) of section 107 of the Finance Act 1980 (transmedian fields), is deemed to be a designated area.
- (5) Expenditure is not allowable under this section if, or to the extent that, it has been allowed under Schedule 5, Schedule 6 or Schedule 7 to this Act for or in connection with an oil field.
- (6) To the extent that it is reasonable to assume that expenditure which, apart from this subsection, would be allowable under this section has been incurred for purposes relating to excluded oil, within the meaning of section 10(1) of this Act, that expenditure is not allowable under this section.
- (7) Subject to subsection (3) above, subsections (2) and (6) of section 5 of this Act apply for the purposes of this section as they apply for the purposes of that section except that—

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- (a) any reference in subsection (2) of section 5 to the purpose mentioned in subsection (1)(b) of that section shall be construed as a reference to the purpose referred to in subsection (1)(e) of this section;
  - (b) the reference in paragraph (a) of subsection (2) to subsection (1) of that section shall be construed as a reference to subsection (1) of this section; and
  - (c) where any expenditure falls to be apportioned under subsection (3) of this section, any receipt to which it gives rise shall be similarly apportioned in the application of subsection (6) of section 5.
- (8) Paragraph 2 of Schedule 4 to this Act applies in relation to this section as it applies in relation to sections 3 and 4 of this Act.”

## PART II

### AMENDMENTS RELATING TO THE NEW ALLOWANCE

#### *The principal Act*

- 1 In section 2(9) of the principal Act (amounts to be taken into account in respect of expenditure) at the end of paragraph (f) there shall be added “and
- (g) any research expenditure allowable in the case of the participator under section 5B of this Act which, on a claim made by him under Schedule 7 to this Act, has been allowed under that Schedule before the Board have made an assessment to tax or a determination on or in relation to him for the period in respect of the field, so far as that expenditure has not been taken into account in any previous assessment to tax or determination.”
- 2 In section 3 of that Act, in subsection (3) (expenditure not allowable under that section if already allowed under other provisions) after the words "section 5A" there shall be inserted "or section 5B".
- 3 In section 9 of that Act (limit on amount of tax payable) in subsection (2)(a)(ii) for the words "and (f)" there shall be substituted "(f) and (g)".
- 4 In paragraph 2 of Schedule 2 to that Act (returns by participators) in subparagraph (2A) (initial return to include particulars of certain expenditure already claimed) for the words "exploration and appraisal expenditure to which section 5A" there shall be substituted "expenditure to which section 5A or section 5B".
- 5 (1) In Schedule 7 to that Act (claim for allowance of certain exploration expenditure etc.) at the end of paragraph 1(1)(b) there shall be added “or
- (c) of any research expenditure allowable under section 5B of this Act”.
- (2) In paragraph 1(3) of that Schedule after the words "section 5 A" there shall be inserted "or section 5B".

#### *The Petroleum Revenue Tax Act 1980*

- 6 In the Schedule to the Petroleum Revenue Tax Act 1980 (computation of payment on account) in paragraph 2(4) for the words "or (f)" there shall be substituted "(f) or (g)".



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*The Finance Act 1980*

- 7 In Schedule 17 to the Finance Act 1980 (transfers of interests in oil fields) after paragraph 16A (exploration and appraisal expenditure) there shall be inserted—

*“Research expenditure*

- 16B In relation to research expenditure to which section 5B applies, paragraph 16 above has effect as if any reference therein to section 5 were a reference to section 5B.”

*The Finance Act 1981*

- 8 In section 111 of the Finance Act 1981 (restriction of expenditure supplement) in subsection (3)(a) the words following "the principal Act" (which specify certain types of expenditure and losses) shall be omitted.

*The Finance Act 1984*

- 9 (1) In section 113 of the Finance Act 1984 (restriction on PRT reliefs), in subsection (1) —
- (a) the words "abortive exploration expenditure or exploration and appraisal" shall be omitted; and
  - (b) after the words "section 5A" there shall be inserted "or section 5B".
- (2) In subsection (6) of that section—
- (a) after the words "section 5A" there shall be inserted "or section 5B"; and
  - (b) for the words "paragraph 16 or paragraph 16A" there shall be substituted "paragraphs 16 to 16B".

**PART III**

RECEIPTS TO BE SET AGAINST ALLOWABLE EXPENDITURE

- 10 In this Part of this Schedule—
- "allowable expenditure" means expenditure which, in accordance with section 5B of the principal Act, is allowable on a claim made by a participator under Schedule 7 to that Act; and
- "qualifying receipt" means a sum the amount of which falls, by virtue of subsection (6) of section 5 of the principal Act, to be applied by way of reduction in the amount of expenditure which would otherwise be allowable expenditure.
- 11 (1) A return made by a participator for a chargeable period under paragraph 2 of Schedule 2 to the principal Act shall give details of any qualifying receipt (whether received by him or by a person connected with him) of which details have not been given in a return made by him for an earlier chargeable period.
- (2) Section 533 of the Taxes Act (connected persons) applies for the purposes of this paragraph.
- 12 (1) This paragraph applies where—

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- (a) a claim for allowable expenditure has been made by a participator under Schedule 7 to the principal Act; and
  - (b) as a result of the receipt (whether before or after the making of the claim) of a qualifying receipt, the amount allowed by way of allowable expenditure on the claim exceeds what it should have been.
- (2) In determining, in a case where this paragraph applies, the assessable profit or allowable loss accruing to the participator in the chargeable period in which the qualifying receipt is received, the amount of the excess referred to in sub-paragraph (1)(b) above shall be taken into account under section 2 of the principal Act as an amount which is to be included among the positive amounts referred to in subsection (3)(a) of that section.
- (3) In the application of section 9 of the principal Act (limit on amount of tax payable) to a chargeable period in respect of which sub-paragraph (2) above applies, the amount of the excess referred to in sub-paragraph (1)(b) above shall be deducted from the amount which would otherwise be the total ascertained under subsection (2)(a)(ii) of that section and, if the amount of that excess is greater than the amount which would otherwise be that total, that total shall be a negative amount equal to the difference.

## SCHEDULE 14

Section 65.

### CROSS-FIELD ALLOWANCE

#### PART I

#### ELECTIONS

##### *General*

- 1 (1) An election shall be made in such form as may be prescribed by the Board.
- (2) Without prejudice to sub-paragraph (1) above, an election shall specify—
- (a) the expenditure in respect of which it is made and the amount of that expenditure (in this Part of this Schedule referred to as "the elected amount"), which shall not exceed 10 per cent., which is to be allowable under the principal section;
  - (b) the field of origin and the receiving field;
  - (c) the notice, agreement or determination which, under paragraph 2 below, determines the earliest date on which the election could be made;
  - (d) in a case where the elected amount is to be allowable in respect of more than one receiving field, the proportions in which that amount is to be apportioned between those fields; and
  - (e) in the case of expenditure incurred by a company which is an associated company of the participator for the purposes of the principal section, the name of that company.
- (3) An election shall be irrevocable.

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*Earliest date for an election*

- 2 (1) No election may be made in respect of an amount of expenditure until a final decision as to supplement has been made on a claim in respect of that amount under Schedule 5 or Schedule 6 to the principal Act.
- (2) For the purposes of this paragraph, a final decision as to supplement is made in relation to an amount of expenditure when—
- (a) the Board give to the responsible person or, as the case may be, the participator notice under paragraph 3 of Schedule 5 to the principal Act stating that amount of expenditure as an amount qualifying for supplement; or
  - (b) after notice of appeal has been given against a decision on a claim, an agreement is made as mentioned in sub-paragraph (1) of paragraph 6 of Schedule 5 to the principal Act and that amount of expenditure is, for the purposes of that sub-paragraph, the appropriate amount of the expenditure claimed as qualifying for supplement; or
  - (c) on an appeal against a decision on a claim, there is a determination by the Special Commissioners or the court by virtue of which that amount of expenditure falls (under paragraph 7(2) or paragraph 8(2) of Schedule 5 to the principal Act) to be treated for the purposes of Part I of that Act as qualifying for supplement.
- (3) Nothing in Schedule 5 to the principal Act relating to the date on which an amount of expenditure is to be treated as having been allowed as qualifying for supplement applies for the purposes of sub-paragraph (2) above.

*Latest date for election*

- 3 (1) Subject to sub-paragraph (2) below, an election by a participator in respect of a particular amount of expenditure may be made at any time before—
- (a) the Board make, for a chargeable period of the field of origin, an assessment or determination which takes account of that amount of expenditure as qualifying for supplement; and
  - (b) notice of that assessment or determination is given to the participator or, as the case may be, the associated company, under paragraph 10 of Schedule 2 to the principal Act.
- (2) Where the earliest date for the making of an election in respect of a particular amount of expenditure is a date determined under paragraph 2(2)(b) or paragraph 2(2)(c) above, such an election may be made at any time before notice is given as mentioned in sub-paragraph (1)(b) above or, if it is later, before the expiry of the period of thirty days beginning on the day following that earliest date.

*Two or more elections relating to same expenditure*

- 4 Where more than one election is made in respect of the same amount of expenditure—
- (a) the maximum of 10 per cent. specified in paragraph 1(2)(a) above shall be cumulative; and
  - (b) if the elected amount specified in a second or subsequent election is such that, when aggregated with the elected amount or amounts specified in the earlier election or elections, it would exceed 10 per cent., that second

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or subsequent election shall have effect as if it specified such an elected amount as would, when so aggregated, be equal to 10 per cent. of the expenditure concerned; and

- (c) an election shall be of no effect if it is made after one or more earlier elections have specified (or been treated by paragraph (b) above as having specified) an elected amount or an aggregate of elected amounts equal to 10 per cent.

## PART II

### EFFECT ON RECEIVING FIELD

- 5 (1) In relation to an election, the assessment to tax or determination referred to in subsection (4)(a) of the principal section is that which is first made after the relevant date on or in relation to the participator by whom the election is made.
- (2) Subject to paragraphs 6 and 7 below, the relevant date for the purposes of subparagraph (1) above is the date of the election.

6 In any case where—

- (a) an election is made in the period of thirty days beginning on the day following that on which the Board give notice under paragraph 3 of Schedule 5 to the principal Act stating the expenditure in respect of which the election is made as expenditure qualifying for supplement, and
- (b) after the date of that notice but on or before the date of the election, an assessment to tax or determination for the receiving field is made on or in relation to the participator making the election,

the relevant date for the purposes of paragraph 5(1) above is the date of the notice referred to in paragraph (a) above; and the assessment or determination referred to in paragraph (b) above shall be amended accordingly.

- 7 In any case where, following the giving of a notice of appeal, an election is made in respect of expenditure which (under paragraph 6(1), paragraph 7(2) or paragraph 8(2) of Schedule 5 to the principal Act) is treated for the purposes of Part I of that Act as having been allowed as qualifying for supplement on the date on which the notice of appeal was given, the relevant date for the purposes of paragraph 5(1) above is the date on which that notice was given; and in any assessment to tax or determination (relating to the field of origin or the receiving field) all such adjustments or further adjustments shall be made as are necessary in consequence of the election.

## PART III

### RELEVANT NEW FIELDS AND ASSOCIATED COMPANIES

#### *Relevant new fields*

- 8 (1) For the purposes of the principal section "relevant new field" means, subject to subparagraph (2) below, an oil field—
- (a) no part of which lies in a landward area, within the meaning of the Petroleum (Production) Regulations 1982 or in an area to the East of the United Kingdom and between latitudes 52° and 55° North; and

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- (b) for no part of which consent for development has been granted to the licensee by the Secretary of State before 17th March 1987; and
  - (c) for no part of which a programme of development had been served on the licensee or approved by the Secretary of State before that date.
- (2) In determining, in accordance with sub-paragraph (1) above, whether an oil field (in this sub-paragraph referred to as "the new field") is a relevant new field, no account shall be taken of a consent for development granted before 17th March 1987 or a programme of development served on the licensee or approved by the Secretary of State before that date if—
- (a) in whole or in part that consent or programme related to another oil field for which a determination under Schedule 1 to the principal Act was made before the determination under that Schedule for the new field; and
  - (b) on or after 17th March 1987 a consent for development is or was granted or a programme of development is or was served on the licensee or approved by the Secretary of State and that consent or programme relates, in whole or in part, to the new field.
- 9 (1) In paragraph 8 above "development" means—
- (a) the erection or carrying out of permanent works for the purpose of getting oil from the field or for the purpose of conveying oil won from the field to a place on land; or
  - (b) winning oil from the field otherwise than in the course of searching for oil or drilling wells;
- and consent for development does not include consent which is limited to the purpose of testing the characteristics of an oil-bearing area and does not relate to the erection or carrying out of permanent works.
- (2) In sub-paragraph (1) above "permanent works" means any structures or other works whatsoever which are intended by the licensee to be permanent and are neither designed to be moved from place to place without major dismantling nor intended by the licensee to be used only for searching for oil.

#### *Associated companies*

- 10 (1) For the purposes of the principal section, a company is an associated company of a participator (being itself a company) making an election under that section if—
- (a) throughout that part of the relevant period in which both were in existence one was a 51 per cent subsidiary of the other and the other was not a 51 per cent subsidiary of any company; or
  - (b) each of them was, throughout that part of the relevant period in which it was in existence, a 51 per cent subsidiary of a third company which was not itself a 51 per cent subsidiary of any company.
- (2) In this paragraph "company" means any body corporate and section 532 of the Taxes Act (subsidiaries) applies for the purposes of this paragraph.
- (3) For the purposes of this paragraph the relevant period ends on the date on which the election in question is made and begins—
- (a) in the case of an election relating to expenditure incurred in the first claim period of the field of origin, on the date on which any part of that field was first determined under Schedule 1 to the principal Act; and

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- (b) in the case of an election relating to expenditure incurred in any other claim period of the field of origin, at the beginning of that claim period.

## PART IV

### SUPPLEMENTAL AND CONSEQUENTIAL PROVISIONS

#### *Notice of variation reducing expenditure qualifying for supplement*

- 11 (1) This paragraph applies in any case where—
- (a) an amount of expenditure is allowed as qualifying for supplement as regards the field of origin; and
  - (b) one or more elections is made in respect of that expenditure; and
  - (c) a notice of variation is served under paragraph 9 of Schedule 5 to the principal Act; and
  - (d) on that notice of variation becoming effective for the purposes of the said paragraph 9, the amount of the expenditure referred to in paragraph (a) above is taken for the purposes of Part I of the principal Act as having been reduced.
- (2) In sub-paragraph (3) below—
- (a) "the original expenditure" means the amount of expenditure referred to in sub-paragraph (1)(a) above, disregarding the effect of the notice of variation;
  - (b) "the reduced expenditure" means the amount of that expenditure after the notice of variation became effective for the purposes of paragraph 9 of Schedule 5 to the principal Act; and
  - (c) "the expenditure originally allowable" means the amount of the original expenditure which, having regard to the election or elections in respect of that expenditure but disregarding the effect of the notice of variation, was allowable in accordance with the principal section.
- (3) If the expenditure originally allowable exceeds 10 per cent. of the reduced expenditure, the principal section shall have effect as if the election or elections had specified an amount of that expenditure equal (or equal in the aggregate) to 10 per cent. of the reduced expenditure and, where there was more than one election, paragraph 4 above shall be taken to have applied accordingly.
- (4) Such amendments of assessments to tax or determinations (relating to the field of origin or the receiving field) shall be made as may be necessary in consequence of the preceding provisions of this paragraph.

#### *Elections following variation increasing expenditure qualifying for supplement*

- 12 (1) In any case where—
- (a) an amount of expenditure is allowed as qualifying for supplement as regards the field of origin, and
  - (b) one or more elections is made in respect of that expenditure, and
  - (c) a notice of variation is served under paragraph 9 of Schedule 5 to the principal Act, and
  - (d) on that notice of variation becoming effective for the purposes of the said paragraph 9, the amount of the expenditure referred to in paragraph (a)

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above is taken for the purposes of Part I of the principal Act as having been increased,

an election may be made in respect of the amount of the increase as if it were a separate amount of expenditure.

- (2) In the circumstances referred to in sub-paragraph (1) above an election may be made by the participator in question at any time before—
  - (a) notice is given to the participator or, as the case may be, the associated company of the making of that assessment or determination or that amendment of an assessment or determination which takes account of the increase resulting from the notice of variation; or
  - (b) if it is later, the expiry of the period of thirty days beginning on the date on which the notice of variation becomes effective for the purposes of paragraph 9 of Schedule 5 to the principal Act.
- (3) Where an election is made by a participator in the circumstances referred to in sub-paragraph (1) above—
  - (a) paragraph 1(2)(c) above shall have effect as if it referred to the notice of variation;
  - (b) subsection (4)(a) of the principal section shall not apply; and
  - (c) the expenditure allowable as a result of the election shall be taken into account in the first assessment to tax or determination relating to a chargeable period of the receiving field which is made on or in relation to the participator after the date of the decision to which the notice of variation relates.
- (4) Such amendments of assessments to tax or determinations (relating to the field of origin or the receiving field) shall be made as may be necessary in consequence of the preceding provisions of this paragraph.

*Limit on amount of tax payable in respect of receiving field*

- 13 (1) Where an election has been made by a participator, this paragraph has effect with respect to the determination under section 9 of the principal Act (limit on amount of tax payable) of the adjusted profit of the participator in respect of the receiving field.
- (2) For the chargeable period in which the amount of expenditure allowable by virtue of the election is taken into account as mentioned in subsection (4) of the principal section, that amount shall also be taken into account as if it were an addition to the total amount mentioned in section 9(2)(a)(ii) of the principal Act.

SCHEDULE 15

Section 71.

PRE-CONSOLIDATION AMENDMENTS: INCOME TAX AND CORPORATION TAX

*The Capital Allowances Act 1968 (c. 3)*

- 1 In section 34(4) of the Capital Allowances Act 1968 for the words "Part VIII of the principal Act" there shall be substituted the words "Part III of the Finance Act 1976".

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*The Income and Corporation Taxes Act 1970 (c. 10)*

- 2 (1) The Income and Corporation Taxes Act 1970 shall have effect subject to the following provisions of this paragraph.
- (2) In section 14(7) for all the words following "the Board may consult" there shall be substituted the words "the Secretary of State or the Department of Education for Northern Ireland".
- (3) In section 18(6) for all the words following "1948" there shall be substituted the words "or, in the case of a person ordinarily resident in Scotland or in Northern Ireland, a person who is a blind person within the meaning of section 64(1) of the National Assistance Act 1948".
- (4) In section 20 in subsection (1) for "the appropriate rate" there shall be substituted "the basic rate" and subsections (3) to (5) shall cease to have effect.
- (5) In section 21(4)(b) for "has the same meaning as in the said section 20" there shall be substituted "means the basic rate".
- (6) In section 73(3) for "feu" there shall be substituted "fee".
- (7) At the end of section 103 there shall be added—
- “For the avoidance of doubt it is hereby declared that interest to which section 18 of the Taxes Management Act 1970 applies does not include interest to which this section applies.”
- (8) In section 117(3)(i) and (ii) for "legal representatives" there shall be substituted "personal representatives" and in subsection (4) of that section for "executors or administrators" there shall be substituted "personal representatives".
- (9) In section 130(c) for "trade or profession" there shall be substituted "trade, profession or vocation".
- (10) In section 133—
- (a) in subsection (1) the words "for Education and Science" shall cease to have effect; and
- (b) the following shall be substituted for subsection (3)—
- “(3) In relation to technical colleges or other institutions in Northern Ireland, subsection (1) above shall have effect as if for the reference to the Secretary of State there were substituted a reference to the Department of Education for Northern Ireland.”
- (11) In section 168(7) after "trade", in both places, there shall be inserted "profession or vocation" and after "Case I" there shall be inserted "or II".
- (12) In section 194(1) for "This section" there shall be substituted "Subsection (2) below".
- (13) At the end of sections 213(1), 216(2) and 217(2) there shall be added—"A claim for relief under this subsection shall be made to the Board."
- (14) In section 214(6) for all the words following "do not include" there shall be substituted the words "Australia, Canada, New Zealand, India, Sri Lanka and Cyprus".
- (15) In section 433—



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- (a) in paragraph (a) after "payable" there shall be inserted "prior rights of surviving spouse on intestacy"; and
  - (b) in paragraph (d) after "in respect of there shall be inserted "prior rights by surviving spouse or in respect of.
- (16) In section 434 for subsection (1A) there shall be substituted the following—
  - “(1A) Subsection (1) above shall not apply in relation to income which is payable as a covenanted payment to charity.”.
- (17) In section 438(2)(b) for "that section" substitute "section 437 above".
- (18) In section 503 (1) the reference to corporation tax shall cease to have effect and accordingly section 100(1) of the Finance Act 1972 shall cease to apply to that subsection.
- (19) In section 516(1) for "country" there shall be substituted "territory".
- (20) Section 526 shall have effect and shall be deemed always to have had effect with the addition, at the end of subsection (5), of the words—
  - “and 'industrial assurance business' means industrial assurance business within the meaning of the Industrial Assurance Act 1923 or the Industrial Assurance (Northern Ireland) Order 1979.”
- (21) In section 526 the following subsection shall be inserted after subsection (5)
  - “(5A) In the Tax Acts any reference to a child, however expressed, shall be construed as including a reference to an adopted child.
  - This subsection does not apply for the purposes of paragraph 18 of Schedule 14 to this Act.”
- (22) In paragraph 16(1) of Schedule 10 for the definition of "premiums trust fund" there shall be substituted the following—
  - “'premiums trust fund' means such a trust fund as is referred to in section 83 of the Insurance Companies Act 1982;”
- (23) In paragraph 6 of Part III of Schedule 12 there shall be added at the end—
  - “(5) This paragraph shall apply to—
    - (a) any banker or other person in the United Kingdom who obtains payment of any such interest, dividends or other annual payments as is or are mentioned in sub-paragraph (1) above; and
    - (b) to any person who would, apart from this paragraph, be obliged to pay income tax in respect of the proceeds of the sale or other realisation of any coupon for any such interest, dividends or other annual payments,as it applies to any person entrusted with the payment of any such interest, dividends or other annual payments, with the substitution in a case falling within paragraph (b) above, of references to the proceeds of the sale or other realisation for references to such interest, dividends or other annual payments. In this sub-paragraph 'coupon' has the same meaning as in section 159 of this Act.”

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*The Finance Act 1970 (c. 24)*

- 3 In section 20(3) of the Finance Act 1970 for "an existing scheme" there shall be substituted "a scheme which was in existence on 6th April 1980".

*The Finance Act 1972 (c. 41)*

- 4 In paragraph 10(9) of Schedule 16 to the Finance Act 1972—
- (a) for "paragraphs (b) and (c)" there shall be substituted "paragraph (b)";
  - (b) the paragraph lettered (c) shall become paragraph (bb); and
  - (c) at the end there shall be added the words—
 

“and in paragraph (c) for 'thirdly' there shall be substituted 'fourthly' and for '(a) or (b)' there shall be substituted '(a), (b) or (bb)’”.

*The Finance Act 1973 (c. 51)*

- 5 In paragraph 1(6)(b) of Schedule 12 to the Finance Act 1973 for the words from "any of" to "partnership)" there shall be substituted—
- “(i) a first-year allowance within the meaning of Chapter I of Part III of the Finance Act 1971 ("the 1971 Act") in respect of expenditure incurred by the company on the provision of machinery or plant;
  - (ii) a writing-down allowance within the meaning of Chapter II of Part I of the Capital Allowances Act 1968 ("the 1968 Act") or, as the case may require, Chapter I of Part III of the 1971 Act in respect of expenditure incurred by the company on the provision of machinery or plant; or
  - (iii) an allowance under section 91 of the 1968 Act in respect of expenditure incurred by the company on scientific research;”.

*The Finance Act 1974 (c. 30)*

- 6 In section 27(5) of the Finance Act 1974 for "specified in" there shall be substituted "of.

*The Finance Act 1975 (c. 7)*

- 7 (1) In section 12 of the Finance Act 1975 for the words from "in section" to "1958" there shall be substituted "below" and at the end of that section there shall be added—
- “In this section "statutory corporation" means—
- (a) a corporation incorporated by an Act of Parliament of the United Kingdom or the Parliament of Northern Ireland or by a Measure of the Northern Ireland Assembly or by an Order made under paragraph 1 of Schedule 1 to the Northern Ireland Act 1974; or
  - (b) any other corporation, being a corporation to which functions in respect of the carrying on of an undertaking are entrusted by such an Act, Measure or Order, or by an order made under or confirmed by such an Act or Measure;

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but, save as is provided by paragraph (b) above, does not include any company within the meaning of the Companies Act 1985 or the Companies (Northern Ireland) Order 1986.”

- (2) It is hereby declared for the avoidance of doubt that the reference in paragraph 1(4) of Schedule 2 to the Finance Act 1975 to paragraph 3 of Schedule 1 to the 1970 Act includes a reference both to paragraph 3 of that Schedule as enacted and to paragraphs 3 and 3A of that Schedule as substituted by Part I of Schedule 10 to the Finance Act 1985.

*The Finance (No. 2) Act 1975 (c.45)*

- 8 (1) In section 42(11) of the Finance (No.2) Act 1975 for the definitions of "financial year", "insurance company" and "long term business" there shall be substituted the following definitions—
- “"financial year" has the meaning given by section 96 of the Insurance Companies Act 1982;
- "insurance company" means an insurance company to which Part II of that Act applies;
- "long term business" has the meaning given by section 1(1) of that Act.”
- (2) In paragraph 6(1) of Part IV of Schedule 12 to that Act (as amended by Schedule 2 to the Companies Consolidation (Consequential Provisions) Act 1985) before sub-paragraph (a) there shall be inserted the following sub-paragraph—
- “(aa) sections 227 and 241 (contents, laying and delivery of annual accounts;”

*The Finance Act 1976 (c. 40)*

- 9 In paragraph 13(4) of Schedule 4 to the Finance Act 1976 after paragraph (d) there shall be inserted—
- “(e) section 64 of the Friendly Societies Act 1974;”.

*The Finance Act 1977 (c. 36)*

- 10 In section 38(2)(b) of the Finance Act 1977 for "subsection (3)(a)(i) of the said section 84" substitute "paragraph 3(1)(a)(i) of Schedule 4 to the Inheritance Tax Act 1984".

*The Finance Act 1978 (c. 42)*

- 11 (1) Section 30(7)(c) of the Finance Act 1978 shall have effect and shall be deemed always to have had effect with the addition after "1975" of the words "and paragraph 3(1) of Schedule 2 to the Social Security (Northern Ireland) Act 1975".
- (2) For the purposes of section 31 of that Act "commodity futures" has the same meaning as it has for the purposes of section 72(1) of the Finance Act 1985.
- (3) In section 59(7) of that Act for the words "excess shares" there shall be substituted the words "excess or unauthorised shares".

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*The Interpretation Act 1978 (c. 30)*

- 12 In Schedule 1 to the Interpretation Act 1978 for the definitions of "the Corporation Tax Acts" and "the Tax Acts" there shall be substituted the following definitions—
- “The Corporation Tax Acts” means the enactments relating to the taxation of the income and chargeable gains of companies and of company distributions (including provisions relating to income tax);;
- “The Tax Acts” means the Income Tax Acts and the Corporation Tax Acts.”

*The Finance Act 1980 (c. 48)*

- 13 (1) At the end of section 53 of the Finance Act 1980 there shall be added the following subsection—
- “(6) In sections 77, 79 and 80 of the Taxes Act references to section 72 of that Act shall be read as including references to this section.”
- (2) In Schedule 10 to that Act—
- (a) at the end of paragraph 1(1)(b) there shall be added the words—
- “and the matters as to which the Board are required to be so satisfied are referred to below as 'the relevant requirements'”; and
- (b) in paragraph 3(1) for "they cease to be satisfied as mentioned in paragraph 1 above" there shall be substituted "any of the relevant requirements cease to be satisfied".

*The Finance Act 1981 (c. 35)*

- 14 (1) In section 48(10) of the Finance Act 1981 for the words from "subscription" to "funds" there shall be substituted the words "payment made, out of public funds or by shares subscribed for, whether for money or money's worth,".
- (2) In section 58(8) of that Act after "goods" there shall be inserted "or services".

*The Finance Act 1983 (c. 28)*

- 15 (1) At the end of paragraph 10(4) of Schedule 5 to the Finance Act 1983 there shall be added the words—
- “In relation to companies incorporated under the law of Northern Ireland references in this sub-paragraph to the Companies Act 1985 and to section 117 of that Act shall have effect as references to the Companies (Northern Ireland) Order 1986 and to Article 127 of that Order respectively.”
- (2) In paragraph 17(1A)(b) of that Schedule for "more than" there shall be substituted "not less than".

*The Finance Act 1984 (c. 43)*

- 16 (1) For section 96(6) of the Finance Act 1984 there shall be substituted—
- “(6) A charity shall be exempt from tax in respect of an offshore income gain if the gain is applicable and applied for charitable purposes; but if property held on charitable trusts ceases to be subject to charitable trusts and that property

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represents directly or indirectly an offshore income gain, the trustees shall be treated as if they had disposed of and immediately reacquired that property for a consideration equal to its market value, any gain (calculated in accordance with Schedule 20 to this Act) accruing being treated as an offshore income gain not accruing to a charity.

In this subsection "charity" has the same meaning as in section 360 of the Taxes Act and "market value" has the same meaning as in the Capital Gains Tax Act 1979."

(2) For paragraph 2(1)(d) of Schedule 8 to that Act there shall be substituted the following paragraph—

“(d) any company to which property and rights belonging to a trustee savings bank were transferred by section 3 of the Trustee Savings Bank Act 1985;”.

(3) For paragraph 12 of Schedule 9 to that Act there shall be substituted—

“12 A charity shall be exempt from income tax in respect of an amount which (apart from this paragraph) is chargeable to income tax by virtue of this Schedule or Schedule 11 to the Finance Act 1985 if the amount is applicable and applied for charitable purposes.

In this paragraph "charity" has the same meaning as in section 360 of the Taxes Act.”

*The Finance Act 1986 (c. 41)*

17 At the end of paragraph 21(3) of Schedule 9 to the Finance Act 1986 there shall be added the words—

“and paragraph 20(4) shall have effect in relation to shares whenever issued”.

SCHEDULE 16

Section 72.

REPEALS

PART I

VEHICLES EXCISE DUTY

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1971 c. 10.	The Vehicles (Excise) Act 1971.	Section 9(3)(b) and (c). In section 16, in subsection (1) in paragraph (i) the words from "and all recovery vehicles"

1. The repeals in section 16 of each of the Vehicles (Excise) Act 1971 and the Vehicles (Excise) Act (Northern Ireland) Act 1972 have effect in relation to licences taken out after 31st December 1987.

2. The remaining repeals have effect in accordance with section 2(8) (a) and (b) of this Act.

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<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1972 c. 10 (N.I.).	The Vehicles (Excise) Act (Northern Ireland) 1972.	<p>to "that business" and in paragraph (a) of the proviso the words from "except" to "disabled vehicle", subsection (3)(b) and in subsection (8) the definition of "recovery vehicle".</p> <p>In section 18A(7), paragraph (d) and the word "or" immediately preceding it.</p> <p>In Part I of Schedule 7, paragraphs 7(b)(ii) and 17A(b)(ii).</p> <p>Section 9(4)(b) and (c).</p> <p>In section 16, in subsection(1)(a) the words from "and all recovery vehicles" to "that business", in subsection (2)(a) the words from "except" to "disabled vehicle", subsection (4) (b) and in subsection (10) the definition of "recovery vehicle".</p> <p>In section 18A(7), paragraph (d) and the word "or" immediately preceding it.</p> <p>In Part I of Schedule 9, paragraphs 7(b)(ii) and 17A(b)(ii).</p>

1. The repeals in section 16 of each of the Vehicles (Excise) Act 1971 and the Vehicles (Excise) Act (Northern Ireland) Act 1972 have effect in relation to licences taken out after 31st December 1987.
2. The remaining repeals have effect in accordance with section 2(8) (a) and (b) of this Act.

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## PART II

### BETTING AND GAMING DUTIES

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1981 c. 63.	The Betting and Gaming Duties Act 1981.	In section 1(2) the words from the beginning of paragraph (a) to "bet" in paragraph (b) . Section 3. Section 21(4). In Schedule 4, in paragraph 9(a), the words from "or" to "this Act)".
1982 c. 39.	The Finance Act 1982.	In Schedule 6, paragraph 10.
1984 c. 43.	The Finance Act 1984.	In Schedule 3, paragraph 7(5) (b).
1985 c. 54.	The Finance Act 1985.	In Schedule 5, paragraph 1(2).

1. The repeal in section 1 of the Betting and Gaming Duties Act 1981 and the repeal of section 3 of that Act have effect with respect to bets made on or after 29th March 1987.

2. The repeal in the Finance Act 1982 has effect with respect to gaming machine licences for any period beginning on or after 1st June 1987.

3. The remaining repeals have effect with respect to gaming machine licences for any period beginning on or after 1st October 1987.

## PART III

### MANAGEMENT OF CUSTOMS AND EXCISE

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1979 c. 2.	The Customs and Excise Management Act 1979.	In section 77(1)(a) the words "importation, exportation or".
1983 c. 28.	The Finance Act 1983.	Section 7(4).

## PART IV

### VALUE ADDED TAX

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1983 c. 55.	The Value Added Tax Act 1983.	In Schedule 1, paragraphs 6 and 8. In Schedule 5, item 2 of and Note (1) to Group 15.

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

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## PART V

### INCOME TAX AND CORPORATION TAX: GENERAL

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1970 c. 9.	The Taxes Management Act 1970.	In section 86(4), in the second column of the Table, paragraph 5(b).
1970 c. 10.	The Income and Corporation Taxes Act 1970.	In section 243, the words "section 244 below and".  Section 244.  In section 303, in subsection (3), the proviso and, in subsection (6), the words from "and in" onwards.
1975 c. 45.	The Finance (No. 2) Act 1975.	In section 44(2), the words from "section 244(1)" to "1965".  In section 48(9), in the definition of "the material date", paragraph (b).
1978 c. 42.	The Finance Act 1978.	In Schedule 9, paragraph 11(3)(c).
1980 c. 48.	The Finance Act 1980.	Section 46(12).  In Schedule 10, paragraph 26(3).
1981 c. 35.	The Finance Act 1981.	Section 27.
1982 c. 39.	The Finance Act 1982	Section 32.
1984 c. 43.	The Finance Act 1984.	In Schedule 10, in paragraph 4(4), the words from "and paragraph" to "associate)".
1986 c. 50.	The Social Security Act 1986.	In Schedule 10, paragraph 101(b).

1. The repeals in section 86 of the Taxes Management Act 1970, sections 243 and 244 of the Income and Corporation Taxes Act 1970 and sections 44 and 48 of the Finance (No.2) Act 1975 have effect with respect to accounting periods beginning on or after 17th March 1987.

2. Subject to section 37(2) of this Act, the repeals in section 303 of the Income and Corporation Taxes Act shall be deemed to have come into force on 6th April 1986.

3. The repeals in Schedule 9 to the Finance Act 1978, section 46 of and Schedule 10 to the Finance Act 1980 and Schedule 10 to the Finance Act 1984 shall be deemed to have come into force on 6th April 1986.

4. The repeals of section 27 of the Finance Act 1981 and section 32 of the Finance Act 1982 do not apply in relation to payments of supplementary allowance in respect of periods before the day on which regulations containing the first schemes under section 20(1)(a) of the Social Security Act 1986 and Article 21(1)(a) of the Social Security (Northern Ireland) Order 1986 come into force.



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

## PART VI

### UNIT TRUSTS

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1970 c. 10.	The Income and Corporation Taxes Act 1970.	In section 248(6)(c), the word "scheme".  In section 533(8), the words from "(as defined" to "1940)".
1980 c. 48.	The Finance Act 1980.	In section 60, the words from "(Tax Acts" to "shareholders)".
1984 c. 43.	The Finance Act 1984.	In section 92(7)(a), the words from "as defined" to "1958".  In section 94(1)(b), the words from "as defined" to "1958".

These repeals have effect in accordance with an order under section 40 of this Act.

## PART VII

### INCOME TAX AND CORPORATION TAX: PRE-CONSOLIDATION AMENDMENTS

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1970 c. 10.	The Income and Corporation Taxes Act 1970.	Section 20(3) to (5).  Section 34(3) and in section 34(4) the words "given after 6th April 1948 and".  Section 105.  Section 122(1)(c).  Section 175(2)(d).  Section 212(2).  In section 214(1)(b) the words from "by virtue" to "1956".  In section 226(9)(c) the words "Schedule A".  In section 227, in subsection (5)(b) the words following "husband", in

The repeal of section 514 of the Taxes Act shall not have effect in relation to the Relief from Double Income Tax on Shipping Profits (Iceland) Declaration 1928.

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<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
		<p>subsection (9) the words "for chargeable periods after the year 1955—56" and subsection (12).</p> <p>Section 229(2).</p> <p>In section 312(2)(c) the words "not earlier than the year 1923-24".</p> <p>Section 325.</p> <p>Section 345(1) and (2)(c).</p> <p>Section 352(10).</p> <p>Section 362(4).</p> <p>Section 375(3).</p> <p>In section 388(4) the words from "on or" to "Act 1952".</p> <p>Sections 403 and 404.</p> <p>Section 420(3)(b)(i).</p> <p>Sections 422 to 424.</p> <p>In section 460(1), the proviso.</p> <p>In section 467(3), the proviso.</p> <p>Section 468.</p> <p>In section 495 in subsection (1) the words from "and which is" to the end and subsection (3).</p> <p>Section 514.</p> <p>Section 519(3).</p> <p>In Schedule 10 the words, in paragraph 1, "or any approved association of underwriters", in paragraph 7(3)(a), "or the association in question" and, in paragraph 14, from "or the managing" to "in question"; and in paragraph 16(1) the definition of "approved association of underwriters",</p>

The repeal of section 514 of the Taxes Act shall not have effect in relation to the Relief from Double Income Tax on Shipping Profits (Iceland) Declaration 1928.

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<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1972 c. 41.	The Finance Act 1972.	in the definition of "business" the words from "or of whatever" to "in question" and in the definition of "underwriting year" all the words following "calendar year". In Schedule 15, paragraph 1. Section 76.
1973 c. 51.	The Finance Act 1973.	In Schedule 16, in paragraph 12(1)(a) the words from "otherwise" to "1914". Section 31(6) to (8). Section 44.
1975 c. 44.	The Finance (No. 2) Act 1975.	Section 41. >In section 47, in subsection (1) in paragraph (a), the words "surtax" and the last "or" and paragraph (b) and subsections (2), (3)(b) and (4)(b).
1976 c. 46.	The Finance Act 1976.	In section 33(1) the words from "Until" to "appoint".
1980 c. 48.	The Finance Act 1980.	In section 36(1)(a) the words "and is not being considered for approval".
1982 c. 39	The Finance Act 1982	Section 142(3) and (4).
1985 c. 54.	The Finance Act 1985.	In Schedule 11, paragraph 2(8). In Schedule 23 the words, in paragraph 21, "approved association of underwriters" and, in paragraphs 22(1), 27(1) and 28(1) and (5), "or of an approved association of underwriters" and "or the association in question".

The repeal of section 514 of the Taxes Act shall not have effect in relation to the Relief from Double Income Tax on Shipping Profits (Iceland) Declaration 1928.

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### PART VIII

#### STAMP DUTY

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1910 c. 8.	The Finance (1909-10) Act 1910.	Sections 77 to 79.
1946 c. 64.	The Finance Act 1946.	Section 54(6).
1946 c. 17(N.I.).	The Finance (No. 2) Act (Northern Ireland) 1946.	Section 25(6).
1967 c. 54.	The Finance Act 1967.	In section 30, subsection (4) and, in subsection (5), the definition of "the scheduled territories".
1967 c. 20 (N.I.).	The Finance Act (Northern Ireland) 1967.	In section 7, subsection (4) and, in subsection (5), the definition of "the scheduled territories".
1970 c. 24.	The Finance Act 1970.	In Schedule 7, paragraph 9.
1970 c. 21 (N.I.).	The Finance Act (Northern Ireland) 1970.	In Schedule 2, paragraph 9.

1. The repeals in section 30 of the Finance Act 1967 and section 7 of the Finance Act (Northern Ireland) 1967 have effect with respect to the issue of instruments and the transfer of stock on or after the day on which this Act is passed.

2. The remaining repeals shall come into force on the day on which section 49(1) of this Act comes into force.

### PART IX

#### INHERITANCE TAX

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1984 c. 51.	The Inheritance Tax Act 1984.	Section 168(2). In section 178(2), the words "on a recognised stock exchange" in the second place where they occur.
1986 c. 41.	The Finance Act 1986.	In Schedule 20, in paragraph 8(1) the words from "then" onwards.

These repeals have effect in relation to transfers of value made, and other events occurring, on or after 17th March 1987.

## PART X

### OIL TAXATION

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1975 c. 22.	The Oil Taxation Act 1975.	<p>In section 2(9)(a)(i) and (ii), the words "at the material time".</p> <p>In section 5A(5B), the words "at the material time".</p> <p>In section 14, in subsection (4) and (4A)(b), the words "at the material time".</p> <p>In Schedule 2, in paragraph 2(2)(a)(iii) and (b)(ii), the words "at the material time".</p> <p>In Schedule 3, in paragraph 2(3), the words "at that time", where they first occur, and in paragraph 3, in sub-paragraph (1) the words "at the material time" and in sub-paragraph (2) the words from "and 'the material time' " onwards.</p>
1981 c. 35.	The Finance Act 1981.	<p>In section 111(3)(a), the words following "the principal Act".</p>
1983 c. 28.	The Finance Act 1983.	<p>In Schedule 8, in Part II, paragraph 9.</p>
1984 c. 43.	The Finance Act 1984.	<p>In section 113(1), the words "abortive exploration expenditure or exploration and appraisal".</p>

The repeals in the Oil Taxation Act 1975 have effect with respect to chargeable periods ending after 31st December 1986.

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

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## PART XI

### EXCHANGE CONTROL

<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
10 & 11 Geo. 6 c. 14.	The Exchange Control Act 1947.	The whole Act.
1 & 2 Eliz. 2 c. 136.	The Post Office Act 1953.	Section 16(4).
8 & 9 Eliz. 2 c. 52.	The Cyprus Act 1960.	In the Schedule, paragraph 2.
1963 c. 25.	The Finance Act 1963.	In section 71(1) the words "section 10 of the Exchange Control Act 1947, and to".
1965 c. 2.	The Administration of Justice Act 1965.	In Schedule 1, the entry relating to the Exchange Control Act 1947.
1968 c. 39.	The Gas and Electricity Act 1968.	In section 2(5) the words from "or from" onwards.
1970 c. lxi.	The City of London (Various Powers) Act 1970.	In section 8(4) the words "with the Exchange Control Act 1947 and".
1977 c. 36.	The Finance Act 1977.	Section 58.
1978 c. 23.	The Judicature (Northern Ireland) Act 1978.	In Schedule 5, in Part II, the entry relating to the Exchange Control Act 1947.
1979 c. 2.	The Customs and Excise Management Act 1979.	In Schedule 4, in Part I of the Table, the entry relating to the Exchange Control Act 1947.
1979 c. 11.	The Electricity (Scotland) Act 1979.	In section 27(9)(b) the words "or from" onwards.
1979 c. 14.	The Capital Gains Tax Act 1979.	Section 150(5).
1979 c. 43.	The Crown Agents Act 1979.	In section 8(5) paragraph (i) and, in paragraph (ii), the words "in relation to any time on or after that date".
1981 c. 35.	The Finance Act 1981.	In section 136, subsections (1) and (3). Schedule 18.

1. The repeal of the Exchange Control Act 1947 does not affect the power of the Treasury to issue a certificate under subsection (2) of section 18 of that Act (including that subsection as applied by section 28(3) or section 29(3) of that Act) with respect to acts done before 13th December 1979.

2. The repeal of section 150(5) of the Capital Gains Tax Act 1979 does not affect the determination of the market value of any assets at a time before 13th December 1979.

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<i>Chapter</i>	<i>Short title</i>	<i>Extent of repeal</i>
1981 c. 54.	The Supreme Court Act 1981.	In Schedule 5, the entry relating to the Exchange Control Act 1947.
1982 c. 41.	The Stock Transfer Act 1982.	In section 6(3) the words from "and" onwards. In Schedule 2, paragraph 3.
1985 c. 65.	The Insolvency Act 1985.	In Schedule 8, paragraph 8.
1985 c. 66.	The Bankruptcy (Scotland) Act 1985.	In Schedule 7, paragraph 7.
1986 c. 45.	The Insolvency Act 1986.	In Schedule 14, the entry relating to the Exchange Control Act 1947.

1. The repeal of the Exchange Control Act 1947 does not affect the power of the Treasury to issue a certificate under subsection (2) of section 18 of that Act (including that subsection as applied by section 28(3) or section 29(3) of that Act) with respect to acts done before 13th December 1979.

2. The repeal of section 150(5) of the Capital Gains Tax Act 1979 does not affect the determination of the market value of any assets at a time before 13th December 1979.