



# Finance (No. 2) Act 1987

## 1987 CHAPTER 51

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. [23rd July 1987]

<sup>X1X2</sup>Most Gracious Sovereign, We, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and grant unto your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

### Editorial Information

- X1** The text of ss. 1–95, 101, Schs. 1, 6, 8, 9 Pts. I, II, V was taken from SIF group 63:1 (Income, Corporation and Capital Gains Taxes: Income and Corporation Taxes); [ss. 66, 81, 104, Sch. 9 Pt. II](#) from SIF group 63:2 (Income, Corporation and Capital Gains Taxes: Capital Gains Tax); [ss. 96–98, 104, Schs. 7, 9 Pt. III](#) from SIF group 65 (Inheritance Tax); [ss. 102, 104\(1\)](#) from SIF group 99:5 (Public Finance and Economic Controls: Fees); [ss. 99, 100, 104, Sch. 9 Pt. IV](#) from SIF group 114 (Stamp Duty).
- X2** General amendments to Tax Acts, Income Tax Acts, and/or Corporation Tax Acts made by legislation after 1. 2. 1991 are noted against [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#) but not against each Act.

### Commencement Information

- I1** Act partly in force at Royal Assent, partly retrospective, see individual sections.

*Status: Point in time view as at 01/05/1995.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

**PART I**

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

**CHAPTER I**

PROFIT-RELATED PAY

*Preliminary*

1—17. .... F1

**Textual Amendments**

**F1** Ss. 1–17 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, **Sch. 31**

**CHAPTER II**

PERSONAL PENSION SCHEMES

18— ..... F2  
57.

**Textual Amendments**

**F2** Ss. 18–57 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, **Sch. 31**; See [Finance Act 1988 \(c. 39, SIF 63:1, 2\)](#), s. 54 for changes to ss. 20(3), 54(1)(3), 55 and 56(1)(2) regarding commencement date of personal pension schemes.

**CHAPTER III**

GENERAL

58— ..... F3  
63.

**Textual Amendments**

**F3** Ss. 58–63 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, **Sch. 31**; See [Finance Act 1988 \(c. 39, SIF 63:1, 2\)](#), s. 65, **Sch. 6 para. 3(6)**—abolition of Schedule D election for commercial woodlands.

F4 64 .....

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**Textual Amendments**

- F4** S. 64 repealed (6.4.1992 with effect as mentioned in s. 289(1), 1992 c. 12) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), s. 290, [Sch.12](#) (with ss. 60, 201(3), [Sch. 11](#) paras. 22, 26(2), 27)

**65— Controlled foreign companies: acceptable distribution policy.**

**68.** ..... **F5**

**Textual Amendments**

- F5** Ss. 65–68 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#)

*Miscellaneous*

**69 Disclosure of employment information obtained from Inland Revenue.**

- (1) Section 58 of the <sup>M1</sup>Finance Act 1969 (disclosure of information for statistical purposes by Board of Inland Revenue) shall be amended in accordance with this section.
- (2) At the end of subsection (4) (cases in which information obtained under the section may be disclosed by officers of the Department of Employment or Manpower Services Commission to other persons) there shall be added “or
- (c) to an authorised officer of any body specified in the first column of the following Table for the purposes of functions of that body under any enactment specified in relation to it in the second column of the Table.

TABLE

<i>Body</i>	<i>Enactment</i>
A local education authority in England and Wales.	Section 8 of the <sup>M2</sup> Employment and Training Act 1973.
An education authority in Scotland.	Section 126 of the <sup>M3</sup> Education (Scotland) Act 1980.
The Northern Ireland Training Authority.	The <sup>M4</sup> Industrial Training (Northern Ireland) Order 1984.
A local planning authority within the meaning of the <sup>M5</sup> Town and Country Planning Act 1971 and any board which exercises	Part II of the Town and Country Planning Act 1971.

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for any area the functions of such an authority.

A planning authority as defined in section 172(3) of the

M6

Local Government (Scotland) Act 1973.

The Welsh Development Agency.

The Scottish Development Agency.

The Development Board for Rural Wales.

The Highlands and Islands Development Board.

A development corporation within the meaning of the

M13

New Towns Act 1981.

A development corporation within the meaning of the

M14

New Towns (Scotland) Act 1968.

A new town commission within the meaning of the

M15

New Towns Act (Northern Ireland) 1965.

Part II of the

M7

Town and Country Planning (Scotland) Act 1972.

The

M8

Welsh Development Agency Act 1975.

The

M9

Scottish Development Agency Act 1975.

The

M10

Development of Rural Wales Act 1976.

The

M11

M12

Highlands and Islands Development (Scotland) Acts 1965 and 1968.

Section 4 of the New Towns Act 1981.

Section 3 of the New Towns (Scotland) Act 1968.

Section 7 of the New Towns Act (Northern Ireland) 1965.”

(3) In subsection (6) for the words “or paragraph (b) of subsection (4)” there shall be substituted “paragraph (b) or paragraph (c) of subsection (4) above”.

#### **Marginal Citations**

- M1** 1969 c. 32.
- M2** 1973 c. 50.
- M3** 1980 c. 44.
- M4** S.I. 1984/1159 (N.I. 9).
- M5** 1971 c. 78.
- M6** 1973 c. 65.

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- M7** 1972 c. 52.
- M8** 1975 c. 70.
- M9** 1975 c. 69.
- M10** 1976 c. 75.
- M11** 1965 c. 46.
- M12** 1968 c. 51.
- M13** 1981 c. 64.
- M14** 1968 c. 16.
- M15** 1965 c. 13 (N.I.).

**70, 71.** ..... **F6**

**Textual Amendments**

- F6** Ss. 70, 71, 74–77 repealed by Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, **Sch. 31**; See Finance Act 1988 (c. 39, SIF 63:1, 2), s. 60 for amendments to s. 70 for years 1985–86 to 1987–88

**72** ..... **F7**

**Textual Amendments**

- F7** S. 72 repealed by Capital Allowances Act 1990 (c. 1, SIF 63:1), s. 164(4)(5), **Sch. 2**

~~F8~~**73** .....

**Textual Amendments**

- F8** S. 73 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by Taxation of Chargeable Gains Act 1992 (c. 12), s. 290, **Sch.12** (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

**CHAPTER IV**

**CAPITAL GAINS**

*Companies' chargeable gains*

**74— General rules.**

**77.** ..... **F9**

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**Textual Amendments**

**F9** Ss. 70, 71, 74–77 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#); See [Finance Act 1988 \(c. 39, SIF 63:1, 2\)](#), s. 60 for amendments to s. 70 for years 1985–86 to 1987–88

*Miscellaneous*

**78** ..... **F10**

**Textual Amendments**

**F10** S. 78 repealed by [Finance Act 1989 \(c. 26\)](#) ss. 140(6), 187(1), Sch. 17 Pt VII for cases determined in relation to disposals on or after 14.3.1989.

**F11****79** .....

**Textual Amendments**

**F11** S. 79 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), s. 290, [Sch.12](#) (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

**F12****80** .....

**Textual Amendments**

**F12** S. 80 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), s. 290, [Sch.12](#) (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

**F13****81** .....

**Textual Amendments**

**F13** S. 81 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), s. 290, [Sch.12](#) (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

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## CHAPTER V

### TAXES MANAGEMENT PROVISIONS

#### *Company returns*

#### **82 Return of profits.**

- (1) With respect to any notice served after the appointed day, section 11 of the Management Act (return of profits) shall be amended in accordance with this section.
- (2) In subsection (1) for the words from “within the time limited by the notice” to the end there shall be substituted “not later than the final day determined under subsection (4) below a return [<sup>F14</sup>such information as may be required in pursuance of the notice together with such accounts, statements and reports as may be so required.
  - (1A) The information which a company may be required to supply under this section is information which is relevant to the application of the Corporation Tax Acts to the company; and the accounts, statements and reports which a company may be so required to supply are accounts, statements and reports which are so relevant.”]
- (3) For subsection (2) there shall be substituted the following subsection—
  - “(2) A notice under this section may require a return [<sup>F15</sup>for] any period specified in the notice (in this subsection referred to as “the specified period”) but, if the specified period does not coincide with an accounting period of the company and the company is within the charge to corporation tax in the whole or some part of the specified period, then—
    - (a) if an accounting period of the company ends in or at the end of the specified period, the notice shall be taken to require a return for that accounting period or, if there is more than one, for each of them;
    - (b) if no accounting period of the company ends in or at the end of the specified period but there is a part of the specified period which does not fall within an accounting period of the company, the notice shall be taken to require a return for that part of the specified period; and
    - (c) if the specified period begins in or at the beginning of an accounting period of the company and ends before the end of that period, the notice shall be of no effect and, accordingly, the company shall not be required to make any return pursuant to it.”
- (4) For subsections (4) to (6) there shall be substituted the following subsections—
  - “(4) Subject to subsection (5) below, the final day for the delivery of any return required by a notice under this section shall be whichever is the later of—
    - (a) the first anniversary of the last day of the period to which the return relates;
    - (b) the first anniversary of the last day of that period of account of the company in which falls the last day of the accounting period (if any) to which the return relates; and
    - (c) the end of the period of three months beginning on the day following that on which the notice was served.

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- (5) In paragraph (b) of subsection (4) above “period of account” has the same meaning as in the principal Act, but for the purposes of that paragraph the last day of a period of account which is longer than eighteen months shall be treated as the day on which expires the period of eighteen months beginning on the first day of the period of account.
- (6) In relation to a company which—
- (a) is resident in the United Kingdom throughout the period to which the return relates (in this subsection referred to as “the return period”); and
  - (b) is required under the <sup>M16</sup>Companies Act 1985 to prepare accounts for a period consisting of or including the return period,
- the reference to accounts in subsection (1) above is a reference only to such accounts, containing such particulars and having annexed to them such documents, as are required under that Act to be so prepared.
- [<sup>F16</sup>(7) The statements which may be required in pursuance of a notice under this section include statements showing the amount of tax (if any) chargeable.]
- (8) Different information, accounts, statements and reports may be required in pursuance of a notice under this section in relation to different descriptions of company [<sup>F16</sup>or different descriptions of profits and losses; and, in particular, information may be so required with respect to tax recoverable by virtue of section [<sup>F17</sup>419] of the principal Act (loans to participators) as if it were corporation tax, to advance corporation tax and to corporation tax already paid.]
- [<sup>F18</sup>(8A) A return under this section shall be amended by the company delivering to the inspector a document in such form, containing such information and accompanied by such statements as the Board may require.]
- (9) In the application of this section to a company registered in Northern Ireland, references to the Companies Act 1985 shall be construed as references to the <sup>M17</sup>Companies (Northern Ireland) Order 1986.”

#### **Textual Amendments**

- F14** Finance Act 1990, s. 91(2)(9) with respect to any notice served after the appointed day. Previously “of the profits and losses of the company containing such information and accompanied by such accounts, statements and reports as, subject to subsection (6) below, may be required in pursuance of the notice.”—See [Finance \(No. 2\) Act 1987 \(c. 51, SIF 63:1\), s. 95](#)
- F15** Finance Act 1990, s. 91(3)(9) with respect to any notice served after the appointed day—see Finance (No. 2) Act 1987, s. 95. Previously “of profits and losses arising in”.
- F16** [S. 82\(7\)](#) and words “or different” to the end of s. 82(8) to be repealed by Finance Act 1990 s. 91(5)(6) (9), s. 132, Sch. 19 Pt V with respect to any notice served after the appointed day—see [Finance \(No. 2\) Act 1987 \(c. 51, SIF 63:1\), s. 95](#)
- F17** [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), s. 844, Sch. 29 para. 10\(2\)](#) from a day to be appointed. Previously “286”
- F18** Finance Act 1990, s. 91(7)(9) with respect to any notice served after the appointed day see Finance (No. 2) Act 1987 (c. 51 SIF 63:1), s. 95

#### **Modifications etc. (not altering text)**

- C1** The day appointed for the purposes of s. 82 is 31.12.1993, see [S.I. 1992/3066, art. 3\(2\)](#)



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#### **Marginal Citations**

**M16** 1985 c. 6.

**M17** S.I. 1986/1032 (N.I. 6).

### **83 Failure to make return for corporation tax.**

With respect to failures to deliver returns required by notices served under section 11 of the Management Act after the appointed day, for section 94 of that Act (failure to make return for corporation tax) there shall be substituted the following section—

#### **“94 Failure to make return for corporation tax.**

- (1) If a company has been required by a notice served under section 11 of this Act (or under that section as extended by section 12 of this Act) to deliver a return for any period (in this section referred to as “the return period”) and the company fails to make proper delivery of the return, then, subject to subsections (3) and (5) below, the company shall be liable to a penalty which,—
  - (a) if the return is delivered before the expiry of the period of three months beginning on the day following the final day for the delivery of the return, shall be £100; and
  - (b) in any other case, shall be £200.
- (2) In relation to a return required by such a notice as is referred to in subsection (1) above,—
  - (a) any reference in this section (however expressed) to the delivery of the return is a reference to its delivery together with the accompanying accounts, statements and reports referred to in section 11(1) of this Act; and
  - (b) any reference in this section to making proper delivery of the return is a reference to the delivery of the return on or before the day which (in accordance with section 11(4) of this Act) is the final day for the delivery of the return.
- (3) In a case where—
  - (a) a company is required to deliver a return for a return period, and
  - (b) the return period is a period for which, under the <sup>M18</sup>Companies Act 1985, the company is required to deliver accounts to the Registrar of Companies,the company shall not be liable to a penalty under subsection (1) above by reason of a failure to make proper delivery of the return if the return is delivered on or before the day which is the last day for the delivery to the Registrar of the accounts referred to in paragraph (b) above.
- (4) In the application of this section to a company registered in Northern Ireland, the reference in subsection (3) above to the Companies Act 1985 shall be construed as a reference to the <sup>M19</sup>Companies (Northern Ireland) Order 1986 and references to the Registrar of Companies shall be construed accordingly.
- (5) In any case where—
  - (a) a company is within the charge to corporation tax for three consecutive accounting periods, each of which is a return period, and

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- (b) at no time between the beginning of the first of those periods and the end of the last is the company outside the charge to corporation tax, and
- (c) the company fails to make proper delivery of the return for the third of those periods, and
- (d) the company was liable to a penalty under this section in respect of each of the first two of those periods,

subsection (1) above shall have effect in relation to the failure referred to in paragraph (c) above as if for “£100” there were substituted “£500” and for “£200” there were substituted “£1,000”.

- (6) If a company which has been required as mentioned in subsection (1) above to deliver a return fails to deliver the return before the expiry of the period of eighteen months beginning on the day following the last day of the return period, then (without prejudice to any penalty under the preceding provisions of this section) the company shall be liable to a penalty which,—
  - (a) if the return is delivered before the expiry of the period of two years beginning on the day following that last day, shall be 10 per cent. of the tax unpaid at the end of the eighteen months referred to above; and
  - (b) in any other case, shall be 20 per cent. of the tax unpaid at the end of those eighteen months.
- (7) In subsection (6) above “the tax unpaid” at any time means the amount by which the corporation tax chargeable on the profits of the company for the return period which then remains unpaid exceeds any income tax borne by deduction from payments included in those profits.
- (8) In determining for the purposes of subsection (7) above how much of the corporation tax chargeable on the profits of a company for the return period remains unpaid at any time, no account shall be taken of the discharge of any liability for that tax which, pursuant to a claim under subsection (3) of [F19 section 239(3) of the principal Act], is attributable to an amount of surplus advance corporation tax, as defined in that subsection, unless it is a surplus for an accounting period ending not later than two years after the end of the return period.”

**Textual Amendments**

**F19** [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\), s. 844, Sch. 29 para 10\(7\)](#)

**Modifications etc. (not altering text)**

**C2** The day appointed for the purposes of s. 83 is 31.12.1993, see [S.I. 1992/3066, art. 3\(2\)](#)

**Marginal Citations**

**M18** [1985 c. 6.](#)

**M19** [S.I. 1986/1032 \(N.I. 6\).](#)

(1) ..... F20

(4) At the end of section 70 of the Management Act (evidential certificates) there shall be inserted the following subsection—

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“(5) Where an amount has been assessed by way of penalty under section 94 of this Act and either no appeal has been brought against that assessment or the amount assessed has been confirmed or varied on appeal,—

- (a) a certificate of an inspector or other officer of the Board that an amount is due by way of penalty under that section, and
- (b) a certificate of a collector that payment of that amount has not been made to him or, to the best of his knowledge and belief, to any other collector, or to a person acting on his behalf or on behalf of another collector,

shall be sufficient evidence that the amount mentioned in the certificates is unpaid and is due to the Crown; and any document purporting to be such a certificate as is mentioned in this subsection shall be deemed to be such a certificate unless the contrary is proved.”

(5) ..... F21

(9) This section has effect with respect to penalties incurred after the appointed day.

#### Textual Amendments

**F20** S. 84(1)–(3) repealed by Finance Act 1989, s. 187, Sch. 17 Pt. VIII

**F21** S. 84(5)–(8) repealed by Finance Act 1989, s. 187, Sch. 17 Pt. VIII

#### Modifications etc. (not altering text)

**C3** Taxes Management Act 1970 (c. 9, SIF 63:1), s. 70(5) repealed by Finance Act 1989, s. 187, Sch. 17 Pt. VIII

## 85 Interest on overdue corporation tax etc.

With respect to accounting periods ending after the appointed day, after section 87 of the Management Act there shall be inserted the following section—

### “87A Interest on overdue corporation tax etc.

- (1) Corporation tax shall carry interest at the [F22]rate applicable under section 178 of the Finance Act 1989] from the date when the tax becomes due and payable (in accordance with section [F23]10] of the principal Act) until payment.
- (2) Subsection (1) above applies even if the date when the tax becomes due and payable (as mentioned in that subsection) is a non-business day within the meaning of section 92 of the M20]Bills of Exchange Act 1882.
- (3) In relation to corporation tax assessed by virtue of section [F24]346(2) or 347(1) of the principal Act, section 267(3C) or 278(5) of the Income and Corporation Taxes Act 1970][F25], section 96(8) of the Finance Act 1990] or section 87(4) of the M21]Capital Gains Tax Act 1979 (which enable unpaid corporation tax assessed on a company to be assessed on other persons in certain circumstances), the reference in subsection (1) above to the date when the tax becomes due and payable is a reference to the date when it became due and payable by the company.
- (4) [F26]Subject to subsection (7) below] in any case where—

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- (a) there is in any accounting period of a company (in this subsection referred to as “the later period”) an amount of surplus advance corporation tax, as defined in subsection (3) of section [F<sup>27</sup>239 of the principal Act], and
- (b) pursuant to a claim under the said subsection (3), the whole or any part of that amount is treated for the purposes of the said section [F<sup>27</sup>239] as discharging liability for an amount of corporation tax for an earlier accounting period (in this subsection referred to as “the earlier period”), and
- (c) disregarding the effect of the said subsection (3), an amount of corporation tax for the earlier period would carry interest in accordance with this section,

then, in determining the amount of interest payable under this section on corporation tax unpaid for the earlier period, no account shall be taken of any reduction in the amount of that tax which results from the said subsection (3) except so far as concerns interest for any time after the date on which any corporation tax for the later period became due and payable (as mentioned in subsection (1) above).

- (5) A sum assessed on a company by such an assessment as is referred to in [F<sup>28</sup>section 252(5) of the principal Act] (recovery of payment of tax credit or interest on such a payment) shall carry interest at the [F<sup>29</sup>rate applicable under section 178 of the Finance Act 1989] from the date when the payment of tax credit or interest was made until the sum assessed is paid.”

[F<sup>30</sup>(6) In any case where—

- (a) on a claim under section 393A(1) of the principal Act, the whole or any part of a loss incurred in an accounting period (“the later period”) has been set off for the purposes of corporation tax against profits of a preceding accounting period (“the earlier period”);
- (b) the earlier period does not fall wholly within the period of twelve months immediately preceding the later period; and
- (c) if the claim had not been made, there would be an amount or, as the case may be, an additional amount of corporation tax for the earlier period which would carry interest in accordance with this section,

then, for the purposes of the determination at any time of whether any interest is payable under this section or of the amount of interest so payable, the amount mentioned in paragraph (c) above shall be taken to be an amount of unpaid corporation tax for the earlier period except so far as concerns interest for any time after the date on which any corporation tax for the later period became (or, as the case may be, would have become) due and payable as mentioned in subsection (1) above.

(7) Where, in a case falling within subsection (6)(a) and (b) above—

- (a) there is in the earlier period, as a result of the claim under section 393A(1) of the principal Act, an amount of surplus advance corporation tax, as defined in subsection (3) of section 239 of that Act; and
- (b) pursuant to a claim under the said subsection (3), the whole or any part of that amount is to be treated for the purposes of the said section 239 as discharging liability for an amount of corporation tax for an accounting period before the earlier period,

the claim under the said subsection (3) shall be disregarded for the purposes of subsection (6) above but subsection (4) above shall have effect in relation to that

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claim as if the reference in the words after paragraph (c) to the later period within the meaning of subsection (4) above were a reference to the period which, in relation to the claim under the said section 393A(1), would be the later period for the purposes of subsection (6) above.]

#### Textual Amendments

- F22** Finance Act 1989, s. 179(1)(b) and **S.I. 1989/1298**. Previously “prescribed rate”. And see **S.I. 1989/1297** for regulations made, and interest rate set, under Finance Act 1989, s. 178
- F23** **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 29 para. 10(4)(a)**. Previously “243(4)”
- F24** **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 29 para. 10(4)(b)**. Previously “266(2), section 267(3C), section 277(1) or section 278(5) of the Taxes Act”.
- F25** Finance Act 1990, s. 96(12)
- F26** **S. 85**: words in s. 87A(4) of **Taxes Management Act 1970 (c. 9)** inserted (27.7.1993) by **1993 c. 34, s. 120, Sch. 14, para. 4 (1)**
- F27** **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 29 para. 10(4)(c)(d)**. Previously “85 of the Finance Act 1972” and “85” respectively.
- F28** **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 29 para. 10(4)(d)**. Previously “subsection (2) of section 102 of the Finance Act 1972”
- F29** Finance Act 1989, s. 179(1)(b), **S.I. 1989/1298**. Previously “prescribed rate”. And see **S.I. 1989/1297** for regulations made and interest rate set under Finance Act 1989, s. 178
- F30** **S. 85**: s. 87A(6) of **Taxes Management Act 1970 (c. 9)** substituted (27.7.1993) by **1993 c. 34, s. 120, Sch. 14, para. 4(2)**

#### Modifications etc. (not altering text)

- C4** The appointed day for the purposes of s. 85 is 30.9.1993, see **S.I. 1992/3066, art. 2(2)(a)**

#### Marginal Citations

- M20** 1882 c. 61.  
**M21** 1979 c. 14.

## 86 Supplementary provisions as to interest on overdue tax.

- (1) At the end of section 69 of the Management Act (recovery of interest on tax) there shall be added the words “or, if it is interest on tax which is not in fact assessed, as if it were tax charged and due and payable under an assessment”.
- (2) In section 86 of the Management Act (interest on overdue tax), subsection (2)(d) and paragraph 5 of the Table (which relate to assessed corporation tax) shall be omitted.
- (3) References to section 86 of the Management Act in—
  - (a) sections 70(2) and 92 of that Act (evidence, and remission of interest in certain cases), and
  - (b) paragraph 4 of Schedule 15 to the <sup>M22</sup>Finance Act 1973 (territorial extension of tax),shall include a reference to section 87A of the Management Act.
- (4) In section 88 of the Management Act (interest on tax recovered to make good loss due to taxpayer’s fault)—
  - (a) in subsection (2) (exclusion of certain non-assessed tax) after the words “in relation to” there shall be inserted “corporation tax or”; and

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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

- (b) in subsection (5), paragraph (e) (which relates to corporation tax) shall be omitted.
- (5) In section 91 of the Management Act (effect on interest of reliefs) after subsection (1) there shall be inserted the following subsections—
- “(1A) Where interest is payable under section 87A of this Act in respect of an amount of corporation tax for an accounting period, and relief from tax is given by a discharge of any of that corporation tax—
- (a) such adjustment shall be made of the amount of interest payable under that section in respect of corporation tax for that accounting period, and
- (b) such repayment shall be made of any amounts of interest previously paid under that section in respect of that corporation tax,
- as are necessary to secure that the total sum (if any) paid or payable under that section in respect of corporation tax for that accounting period is the same as it would have been if the tax discharged had never been charged.
- (1B) Subsection (1A) above has effect subject to section 87A(4) of this Act.”
- (6) At the beginning of subsection (2) of that section there shall be inserted the words “Subject to subsection (2A) below” and at the end of that subsection there shall be added the following subsection—
- “(2A) In any case where—
- (a) relief from corporation tax is given to any person by repayment, and
- (b) that tax was paid for an accounting period ending after the day which is the appointed day for the purposes of section [F31]10 of the principal Act],
- that person shall be entitled to require that the amount repaid shall be treated for the purposes of this section, so far as it will go, as if it were a discharge of the corporation tax charged on him for that period.”
- (7) This section has effect with respect to accounting periods ending after the appointed day.

#### **Textual Amendments**

**F31** *Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, Sch. 29 para. 10(6).* Previously “90 of the Finance (No. 2) Act 1987”.

#### **Modifications etc. (not altering text)**

**C5** The appointed day for the purposes of s. 86 is 30.9.1993, see [S.I. 1992/3066](#), art. 2(2)(a)

#### **Marginal Citations**

**M22** *1973 c. 51.*

## **87 Interest on tax overpaid.**

*Status: Point in time view as at 01/05/1995.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

### Textual Amendments

**F32** S. 87 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#)

## 88 Recovery of overpayment of tax etc.

- (1) In section 30 of the Management Act (recovery of overpayment of tax etc.) after subsection (2) there shall be inserted the following subsection—

“(2A) In any case where—

- (a) interest has been paid under section [F<sup>33</sup>826 of the principal Act] on a repayment of tax, and
- (b) the whole or any part of that repayment has been paid to any person but ought not to have been paid to him, and
- (c) interest ought not to have been paid on that repayment, either at all or to any extent,

then the amount of the repayment assessed under subsection (1) above may include an amount equal to the interest that ought not to have been paid.”

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

“(3A) If, in a case not falling within subsection (2A) above,—

- (a) interest has been paid under section [F<sup>33</sup>826 of the principal Act] on a repayment of tax, and
- (b) that interest ought not to have been paid, either at all or to any extent, then an amount equal to the interest that ought not to have been paid may be assessed and recovered as if it were unpaid corporation tax.”

- (3) At the end of subsection (4) of that section there shall be added the words “and an assessment to recover—

- (a) an amount of corporation tax repaid to a company in respect of an accounting period, or
- (b) an amount of income tax repaid to a company in respect of a payment received by the company in any accounting period, or
- (c) interest on any such repayment of tax,

shall be treated as an assessment to corporation tax for the accounting period referred to in paragraph (a) or (b) above, as the case may be, and the sum assessed shall carry interest at the prescribed rate for the purposes of section 87A of this Act from the date when the payment being recovered was made until payment.”

- (4) After subsection (4) of that section there shall be inserted the following subsection—

“(4A) Where an assessment is made under this section to recover—

- (a) corporation tax repaid to a company in respect of an accounting period, or
- (b) income tax repaid to a company in respect of payments received by the company in an accounting period,

and more than one repayment of that tax has been made in respect of that period, any sum recovered in respect of income tax or corporation tax repaid shall as far as possible be treated as relating to a repayment of that tax made later rather than to a repayment made earlier.”



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- (5) ..... F34
- (7) Subsections (1) to (4) above have effect with respect to the recovery of—
- (a) repayments of corporation tax paid for accounting periods ending after the appointed day,
  - (b) repayments of income tax on payments received by a company in any such accounting period, and
  - (c) interest on such repayments;
- ..... F35

**Textual Amendments**

- F33** *Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, Sch. 29 para. 10(3)*. Previously “87 of the Finance (No. 2) Act 1987”.
- F34** *S. 88(5)(6)* repealed by *Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, Sch. 31*
- F35** Words repealed by *Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, Sch. 31*.

**Modifications etc. (not altering text)**

- C6** The appointed day for the purposes of s. 88 is 30.9.1993, see *S.I. 1992/3066, art. 2(2)(a)*
- C7** *S. 88(1)-(4)* extended (2.10.1992) by *Income and Corporation Taxes Act 1988 (c. 1), s. 438A, Sch. 19AB para. 5(7)* (as inserted by *Finance Act 1991 (c. 31), s. 49, Sch 8*); *SI 1992/1746 art. 2*).
- C8** *S. 88(7)* modified (2.10.1992) by *Income and Corporation Taxes Act 1988 (c. 1), s. 438A, Sch. 19AB para. 5(8)* (as inserted by *Finance Act 1991 (c. 31), s. 49, Sch. 8*); *SI 1992/1746 art.2*.

**89** ..... F36

**Textual Amendments**

- F36** *S. 89* repealed by *Finance Act 1989 (c. 26) s. 187(1), Sch. 17, Pt X*

*Miscellaneous*

**90** ..... F37

**Textual Amendments**

- F37** *S. 90* repealed by *Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, Sch. 31*

**91 Close companies: loans to participators.**

- (1) In section 109 of the Management Act (close companies: loans to participators) subsection (2) shall be omitted.
- (2) In subsection (3) of that section for “88” there shall be substituted “ 87A ” and for the words from “charged” onwards there shall be substituted “ under the said



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section [F38419] became due and payable shall be that determined in accordance with subsection [F38(3)] of that section ”.

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

“(3A) If there is such a repayment of the whole or any part of a loan or advance as is referred to in subsection [F38(4)] of section [F38419] of the principal Act, interest under section 87A of this Act on so much of the tax under the said section [F38419] as is referable to the amount repaid shall not be payable in respect of any period after the date on which the repayment was made.”

(4) This section has effect with respect to loans or advances made (or treated as made) in any accounting period ending after the appointed day.

**Textual Amendments**

**F38** [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, **Sch. 29 para. 10(8)(a)(b)** from the day appointed under Finance (No. 2) Act 1987 (c. 51 SIF 63:1), ss. 91, 95

**Modifications etc. (not altering text)**

**C9** The appointed day for the purposes of s. 91 is 30.9.1993, see [S.I. 1992/3066](#), art. 2(2)(a)

**92, 93.** ..... F39

**Textual Amendments**

**F39** [Ss. 92, 93](#) repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, **Sch. 31**

**94 Failure to do things within a limited time.**

In section 118(2) of the Management Act (cases where persons are deemed not to have failed to do things which are required to be done within a limited time), after the word “deemed”, in the second place where it occurs, there shall be inserted “ not to have failed to do it unless the excuse ceased and, after the excuse ceased, he shall be deemed ”.

**95 Interpretation of Chapter V and consequential and supplementary provisions.**

- (1) In this Chapter “the Management Act” means the <sup>M23</sup>Taxes Management Act 1970.
- (2) Subject to subsection (3) below, any reference in this Chapter to the appointed day is a reference to such day as the Treasury may by order made by statutory instrument appoint, and different days may be so appointed for different provisions of this Chapter.
- (3) No day may be appointed by virtue of subsection (2) above which falls earlier than 31st March 1992.
- (4) The provisions of Schedule 6 to this Act shall have effect, being provisions consequential on and supplementary to the provisions of this Chapter.

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**Modifications etc. (not altering text)**

- C10** Other provisions coming into force subsequent upon the making of an order:—Finance Act 1990, s. 91(2)(3)(5)–(7)—amendment of [Taxes Management Act 1970 \(c. 9, SIF 63:1\)](#), **s. 11** (corporation tax returns).

**Marginal Citations**

- M23** [1970 c. 9.](#)

## PART II

### INHERITANCE TAX ETC.

#### 96 **Interests in possession.**

- (1) With respect to transfers of value made, and other events occurring, on or after 17th March 1987, the <sup>M24</sup>Inheritance Tax Act 1984 shall be amended in accordance with this section.
- (2) In section 3A (potentially exempt transfers)—
  - (a) in subsection (2)(a) the words “otherwise than as settled property” shall be omitted;
  - (b) in subsection (2)(b) the words from “otherwise” onwards shall be omitted; and
  - (c) in subsection (6) after the words “this Act” there shall be inserted “ other than section 52 ”.
- (3) At the end of section 3A there shall be added the following subsection—
 

“(7) In the application of this section to an event on the happening of which tax is chargeable under section 52 below, the reference in subsection (1)(a) above to the individual by whom the transfer of value is made is a reference to the person who, by virtue of section 3(4) above, is treated as the transferor.”
- (4) In section 49 (treatment of interests in possession) subsection (3) (which was added by paragraph 14 of Schedule 19 to the <sup>M25</sup>Finance Act 1986) shall be omitted.
- (5) In section 55 (reversionary interest acquired by beneficiary) in subsection (2) the words “and such a disposition is not a potentially exempt transfer” (being words added by paragraph 15 of the said Schedule 19) shall be omitted.
- (6) Schedule 7 to this Act shall have effect for the purpose of making further amendments of the <sup>M26</sup>Inheritance Tax Act 1984 relating to interests in possession in settled property.

**Marginal Citations**

- M24** [1984 c. 51.](#)  
**M25** [1986 c. 41.](#)  
**M26** [1984 c. 51.](#)

*Status: Point in time view as at 01/05/1995.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

## **97 Acceptance in lieu: capital transfer tax and estate duty.**

- (1) If, under paragraph 17 of Schedule 4 to the <sup>M27</sup>Finance Act 1975, the Commissioners of Inland Revenue agree to accept property in satisfaction of an amount of capital transfer 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 capital transfer tax which is satisfied by the acceptance of that property shall not carry interest under paragraph 19 of that Schedule from that date.
- (2) If, under any of the enactments set out in paragraphs (a) to (c) of subsection (3) of section 8 of the <sup>M28</sup>National Heritage Act 1980, the Commissioners of Inland Revenue agree to accept property in satisfaction of an amount of estate duty 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 estate duty which is satisfied by the acceptance of that property shall not carry interest under section 18 of the <sup>M29</sup>Finance Act 1896 from that date.
- (3) Subsections (1) and (2) above apply in any case where the acceptance of the property in question occurs on or after 17th March 1987 and paragraph 19 of Schedule 4 to the Finance Act 1975 or, as the case may be, section 18 of the Finance Act 1896 shall have effect subject to any such terms as are referred to in subsection (1) or subsection (2) above.
- (4) In this section “estate duty” and “property” have the meaning assigned by section 272 of the Inheritance Tax Act 1984.

### **Marginal Citations**

**M27** 1975 c. 7.

**M28** 1980 c. 17.

**M29** 1896 c. 28.

## **98 Personal pension schemes.**

- (1) The Inheritance Tax Act 1984 shall be amended as follows.
- (2) At the end of section 12(2) (dispositions by employers that are not transfers of value) there shall be added—  
“or  
(c) it is a contribution under approved personal pension arrangements within the meaning of Chapter II of Part I of the Finance (No. 2) Act 1987 entered into by an employee of the person making the disposition”.
- (3) In section 12(3), for the words “both paragraph (a) and (b)” there shall be substituted the words “ more than one paragraph ”, and for the word “either” there shall be substituted the words “ any one ”.
- (4) In section 151 (treatment of pension rights etc.) after subsection (1) there shall be inserted—  
“(1A) This section also applies to approved personal pension arrangements within the meaning of Chapter II of Part I of the Finance (No. 2) Act 1987; and

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references in the following provisions of this section to a scheme shall be construed accordingly.”

- (5) In section 152 (cash options) for the words from “under a contract” to “annuities)” there shall be substituted the words—
- “(a) under approved personal pension arrangements within the meaning of Chapter II of Part I of the Finance (No. 2) Act 1987, or
  - (b) under a contract or trust scheme approved by the Board under section 226 or 226A of the Taxes Act or (before the commencement of that Act) under section 22 of the <sup>M30</sup>Finance Act 1956.”.

**Marginal Citations**

**M30** 1956 c. 54.

### PART III

#### MISCELLANEOUS AND SUPPLEMENTARY

#### 99 Stamp duty: options etc.

- (1) In section 50 of the Finance Act 1987 <sup>F40</sup> (stamp duty exemption for options to acquire, and other interests in, exempt securities), in subsection (1), after the word “acquire” there shall be inserted the words “or to dispose of”.
- (2) In subsection (3) of that section, after the words “the Finance Act (Northern Ireland) 1967 <sup>F41</sup>” (in both places) there shall be inserted the words “or section 79(2) of the Finance Act 1986”.

**Textual Amendments**

**F40** 1987 c. 16.

**F41** 1967 c. 20 (N. I.).

#### 100 Stamp duty reserve tax.

- (1) The Finance Act 1986 shall have effect in relation to agreements to transfer securities made on or after 8th May 1987 with the insertion of the following section after section 89 —

( “**89A) Section 87: exceptions for public issues.**

- (1) Section 87 above shall not apply as regards an agreement to transfer securities other than units under a unit trust scheme to B or B's nominee if —
- (a) the agreement is part of an arrangement, entered into by B in the ordinary course of B's business as an issuing house, under which B (as principal) is to offer the securities for sale to the public,
  - (b) the agreement is conditional upon the admission of the securities to the Official List of The Stock Exchange,

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- (c) the consideration under the agreement for each security is the same as the price at which B is to offer the security for sale, and
  - (d) B sells the securities in accordance with the arrangement referred to in paragraph (a) above.
- (2) Section 87 above shall not apply as regards an agreement if the securities to which the agreement relates are newly subscribed securities other than units under a unit trust scheme and —
- (a) the agreement is made in pursuance of an offer to the public made by A (as principal) under an arrangement entered into in the ordinary course of A's business as an issuing house,
  - (b) a right of allotment in respect of, or to subscribe for, the securities has been acquired by A under an agreement which is part of the arrangement,
  - (c) both those agreements are conditional upon the admission of the securities to the Official List of The Stock Exchange, and
  - (d) the consideration for each security is the same under both agreements; and for the purposes of this subsection, “newly subscribed securities” are securities which, in pursuance of the arrangement referred to in paragraph (a) above, are issued wholly for new consideration.
- (3) Section 87 above shall not apply as regards an agreement if the securities to which the agreement relates are registered securities other than units under a unit trusty scheme and —
- (a) the agreement is made in pursuance of an offer to the public made by A,
  - (b) the agreement is conditional upon the admission of the securities to the Official List of The Stock Exchange, and
  - (c) under the agreement A issues to B or his nominee a renounceable letter of acceptance, or similar instrument, in respect of the securities.
- (4) The Treasury may by regulations amend paragraph (b) of subsection (1) above, paragraph (c) of subsection (2) above, and paragraph (b) of subsection (3) above (as they have effect for the time being); and the power to make regulations under this section shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.”
- (2) Section 91 of the Finance Act 1986 <sup>F42</sup> (liability to tax) shall have effect, and shall be deemed always to have had effect, with the omission of subsection (2).

**Textual Amendments**

F42 1986 c. 41.

**101 Oil taxation.**

- (1) Schedule 10 to the <sup>M31</sup>Finance Act 1987 (nomination scheme for disposals and appropriations of oil) shall have effect subject to the amendments in Schedule 8 to this Act.

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- (2) In section 62 of the Finance Act 1987 (market value of oil to be determined on a monthly basis) subsection (6) (meaning of relevant sale of oil in relation to the additional return required by subsection (4) of that section) shall have effect subject to the following modifications—
- (a) after the words “sale of oil”, in the second place where they occur, there shall be inserted the words “at arm’s length”; and
  - (b) in paragraph (b) after the words “sub-paragraph (3A) thereof” there shall be inserted “or otherwise”.
- (3) Section 63 of the Finance Act 1987 (blends of oil from two or more fields) shall have effect with the omission from subsection (1) of the words from “and in” onwards and with the addition, at the end of that subsection, of the following subsection—
- “(1A) In this section—
- (a) “oil field” includes an area which is a foreign field for the purposes of section 12 of the <sup>M32</sup>Oil Taxation Act 1983;
  - (b) “oil” includes any substance which would be oil if the enactments mentioned in section 1(1) of the principal Act extended to such an area as is referred to in paragraph (a) above;
  - (c) “blended oil” means oil which has been mixed as mentioned in subsection (1) above; and
  - (d) “the originating fields”, in relation to any blended oil, means the oil fields from which the blended oil is derived.”
- (4) In paragraph 5 of Schedule 2 to the <sup>M33</sup>Oil Taxation Act 1975 (returns by the responsible person for an oil field) after sub-paragraph (2A) there shall be inserted the following sub-paragraph—
- “(2B) If in any chargeable period oil won from the oil field is mixed as mentioned in section 63 of the Finance Act 1987 so as to give rise to blended oil, within the meaning of that section, then, as respects that chargeable period, for paragraph (a) of sub-paragraph (2) above there shall be substituted the following paragraph—
- (‘) state the total of the shares of the participators in the oil field of the oil won from the field during the period less so much of the oil won from the field as is not saved’.”
- (5) Subsections (2) to (4) above have effect with respect to chargeable periods ending after 1st January 1987 and, subject to subsection (6) below, Schedule 8 to this Act has effect with respect to calendar months in chargeable periods beginning with March 1987.
- (6) Paragraph 5 of Schedule 8 to this Act has effect with respect to chargeable periods ending after such date as the Treasury may by order made by statutory instrument appoint; but no order shall be made under this subsection unless a draft of it has been laid before and approved by a resolution of the House of Commons.

#### **Marginal Citations**

**M31** 1987 c. 16.

**M32** 1983 c. 56.

**M33** 1975 c. 22.

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*Status: Point in time view as at 01/05/1995.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

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## **102 Government fees and charges.**

- (1) This section applies where a Minister of the Crown or any other person has power under any enactment (whenever passed) to require the payment of, or to determine by subordinate legislation the amount of, any fee or charge (however described) which is payable to the Minister or to any other person who is required to pay the fee or charge into the Consolidated Fund (whether the obligation is so expressed or is expressed as a requirement to make the payment into the Exchequer).
- (2) In the following provisions of this section, a power falling within subsection (1) above is referred to as a “power to fix a fee” and, in relation to such a power,—
  - (a) “fee” includes charge;
  - (b) “the appropriate authority” means, if the power is exercisable by a Minister of the Crown or any Commissioners, that Minister or those Commissioners and, in any other case, such Minister of the Crown as the Treasury may determine ; and
  - (c) “the recipient” means the Minister or other person to whom the fee is payable.
- (3) In relation to any power to fix a fee, the appropriate authority or any Minister of the Crown with the consent of the appropriate authority may, by order made by statutory instrument, specify functions, whether of the recipient or any other person and whether arising under any enactment, by virtue of the Community obligation or otherwise, the costs of which, in addition to any other matters already required to be taken into account, are to be taken into account in determining the amount of the fee.
- (4) In relation to any functions of the costs of which fall to be taken into account on the exercise of any power to fix a fee (whether by virtue of subsection (3) above or otherwise), the appropriate authority or any Minister of the Crown with the consent of the appropriate authority may, by order made by statutory instrument, specify matters which, in addition to any matters already required to be taken into account, are to be taken into account in determining the those costs, and, without prejudice to the generality of the power conferred by this subsection, those matters may include deficits incurred before as well as after the exercise of that power, a requirement to secure a return on an amount of capital and depreciation of assets.
- (5) No order shall be made under subsection (3) or subsection (4) above unless a draft of the order has been laid before, and approved by a resolution of, the House of Commons.
- (6) An order under subsection (3) or subsection (4) above has effect in relation to any exercise of the power to fix the fee concerned after the making of the order ; but no earlier exercise of that power shall be regarded as having been invalid if, had the order been made before that exercise of power, the exercise would have been validated by the order.
- (7) In this section—
  - (a) “Minister of the Crown” has the same meaning as in the <sup>M34</sup>Ministers of the Crown Act 1975;
  - (b) “Commissioners” means the Commissioners of Customs and Excise or the Commissioners of Inland Revenue;
  - (c) “enactment” does not include Northern Ireland legislation, as defined in section 24(5) of the <sup>M35</sup>Interpretation Act 1978; and
  - (d) subject to paragraph (c) above, “subordinate legislation” has the same meaning as in the Interpretation Act 1978.

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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

- (8) An Order in Council under paragraph 1(1)(b) of Schedule 1 to the <sup>M36</sup>Northern Ireland Act 1974 (legislation for Northern Ireland in the interim period) which states that it only made for purposes corresponding to those of this section—
- (a) shall not be subject to sub-paragraphs (4) and (5) of paragraph 1 of that Schedule (affirmative resolution of both House of Parliament); but
  - (b) shall be subject to annulment in pursuance of a resolution of either House.

#### **Subordinate Legislation Made**

- P1** S. 102: s. 102 power exercised (22. 03. 1991) by [S.I.1991/811](#)  
**P2** S. 102: for exercises of this power before 01. 02. 1991 see Index to Government Orders.  
**P3** S. 102(4): s. 102(4) power exercised (08.05.1991) by [S.I.1991/1142](#)

#### **Modifications etc. (not altering text)**

- C11** S. 102(3)(4) modified (30.6.1999) by [1999 c. 12, ss. 6\(2\), 9\(2\)](#)

#### **Marginal Citations**

- M34** 1975 c. 26.  
**M35** 1978 c. 30.  
**M36** 1974 c. 28.

### **103 Consumption in port of goods transhipped for use as stores etc.**

- (1) Subject to subsection (2) below and to any directions given by the Commissioners under section 61 of the <sup>M37</sup>Customs and Excise Management Act 1979, goods transhipped for use as stores on a ship which is not less than 40 tons register and which is to make a voyage to a country outside the United Kingdom may be used while the ship is in port without payment of duty.
- (2) Subsection (1) above does not apply to—
  - (a) dutiable alcoholic liquor other than beer and cider ; or
  - (b) tobacco products;
 and the reference in subsection (1) above to a country outside the United Kingdom does not include a reference to the Isle of Man.
- (3) In section 1(1) of the Customs and Excise Management Act 1979, at the end of the definition of “transit of transhipment” there shall be added “ or transhipment of those goods for use as stores ”.
- (4) In subsection (1) of section 61 of that Act, after paragraph (a) there shall be added—
  - “(aa) as to the descriptions of vessel on which goods carried as stores may be used in port without payment of duty in accordance with section 103(1) of the Finance (No. 2) Act 1987;
  - (ab) as to the quantity of any goods which may be carried as stores for use in port as mentioned in paragraph (aa) above and as to the time within which such goods or any specified quantities of them may be so used ; and”;

and in paragraph (b) of that subsection after the words “paragraph (a)” there shall be inserted “ or paragraph (aa) ”.



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- (5) In subsection (5) of the said section 61 after the words “United Kingdom”, in the first place where they occur, there shall be inserted “ or for use in port without payment of duty ”.
- (6) Subsections (1) and (2) above shall be construed as one with the <sup>M38</sup>Customs and Excise Management Act 1979.
- (7) Notwithstanding the generality of section 24 of the <sup>M39</sup>Value Added Tax Act 1983 (application of customs and excise enactments in relation to value added tax), subsections (1) and (2) above are excluded from the enactments to which that section applies.

**Modifications etc. (not altering text)**

**C12** The text of s. 103 is in the form in which it was originally enacted: it was not reproduced in Statutes in Force and does not reflect any amendments or repeals which may have been made prior to 1.2.1991.

**Marginal Citations**

**M37** 1979 c. 2.

**M38** 1979 c. 2.

**M39** 1983 c. 55.

**104 Short title, interpretation, construction and repeals.**

- (1) This Act may be cited as the Finance (No. 2) Act 1987.
- (2) In this Act “the Taxes Act” means the <sup>M40</sup>Income and Corporation Taxes Act 1970.
- (3) Part I 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 <sup>M41</sup>Capital Gains Tax Act 1979.
- (4) The enactments specified in Schedule 9 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.

**Marginal Citations**

**M40** 1970 c. 10.

**M41** 1979 c. 14.

*Status: Point in time view as at 01/05/1995.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

# SCHEDULES

## SCHEDULES 1—5

. . . F43

**Textual Amendments**

**F43** Schedules 1–5 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, **Sch. 31**

## SCHEDULE 6

Section 95.

### MANAGEMENT PROVISIONS: SUPPLEMENTARY AND CONSEQUENTIAL PROVISIONS

#### *Companies' capital gains*

1 . . . . . F44

**Textual Amendments**

**F44** Sch. 6 para. 1 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, **Sch. 31**

F45 2 . . . . .

**Textual Amendments**

**F45** Sch. 6 para. 2 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), s. 290, **Sch.12** (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

3 . . . . . F46

**Textual Amendments**

**F46** Sch. 6 para. 3 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, **Sch. 31**

F47 4 . . . . .

**Textual Amendments**

**F47** Sch. 6 para. 4 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), s. 290, **Sch.12** (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

*Status: Point in time view as at 01/05/1995.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

F48 5 .....

**Textual Amendments**

**F48** Sch. 6 para. 5 repealed (6.4.1992 with effect as mentioned in s. 289(1) of 1992 c. 12) by Taxation of Chargeable Gains Act 1992 (c. 12), s. 290, **Sch.12** (with ss. 60, 201(3), Sch. 11 paras. 22, 26(2), 27)

*Relief for unremittable income*

6 ..... F49

**Textual Amendments**

**F49** Sch. 6 para. 6, 8 repealed by Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, **Sch. 31**

F50 7 .....

**Textual Amendments**

**F50** Sch. 6 para. 7 repealed (1.5.1995 with effect as mentioned in Sch. 29 Pt. VIII Group 16 of the repealing Act) by s. 162, Sch. 29 Pt. VIII Group 16

*Lloyd's underwriting agents*

8 ..... F51

**Textual Amendments**

**F51** Sch. 6 para. 6, 8 repealed by Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, **Sch. 31**

SCHEDULE 7

Section 96.

INHERITANCE TAX: INTERESTS IN POSSESSION

1 After section 54 of the <sup>M42</sup>Inheritance Tax Act 1984 (in this Schedule referred to as “the 1984 Act”) there shall be inserted the following sections—

**“54A Special rate of charge where settled property affected by potentially exempt transfer.**

- (1) If the circumstances fall within subsection (2) below, this section applies to any chargeable transfer made—
- (a) under section 52 above, on the coming to an end of an interest in possession in settled property during the life of the person beneficially entitled to it, or
  - (b) on the death of a person beneficially entitled to an interest in possession in settled property;

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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

and in the following provisions of this section the interest in possession mentioned in paragraph (a) or paragraph (b) above is referred to as “the relevant interest”.

- (2) The circumstances referred to in subsection (1) above are—
- (a) that the whole or part of the value transferred by the transfer is attributable to property in which the relevant interest subsisted and which became settled property in which there subsisted an interest in possession (whether the relevant interest or any previous interest) on the making by the settlor of a potentially exempt transfer at any time on or after 17th March 1987 and within the period of seven years ending with the date of the chargeable transfer; and
  - (b) that the settlor is alive at the time when the relevant interest comes to an end; and
  - (c) that, on the coming to an end of the relevant interest, any of the property in which that interest subsisted becomes settled property in which no qualifying interest in possession (as defined in section 59 below) subsists, other than property to which section 71 below applies; and
  - (d) that, within six months of the coming to an end of the relevant interest, any of the property in which that interest subsisted has neither—
    - (i) become settled property in which a qualifying interest in possession subsists or to which section 71 below applies, nor
    - (ii) become property to which an individual is beneficially entitled.
- (3) In the following provisions of this section “the special rate property”, in relation to a chargeable transfer to which this section applies, means the property in which the relevant interest subsisted or, in a case where—
- (a) any part of that property does not fall within subsection (2)(a) above, or
  - (b) any part of that property does not become settled property of the kind mentioned in subsection (2)(c) above,
- so much of that property as appears to the Board or, on appeal, to the Special Commissioners to be just and reasonable.
- (4) Where this section applies to a chargeable transfer (in this section referred to as “the relevant transfer”), the tax chargeable on the value transferred by the transfer shall be whichever is the greater of the tax that would have been chargeable apart from this section and the tax determined in accordance with subsection (5) below.
- (5) The tax determined in accordance with this subsection is the aggregate of—
- (a) the tax that would be chargeable on a chargeable transfer of the description specified in subsection (6) below, and
  - (b) so much (if any) of the tax that would, apart from this section, have been chargeable on the value transferred by the relevant transfer as is attributable to the value of property other than the special rate property.

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- (6) The chargeable transfer postulated in subsection (5)(a) above is one—
- (a) the value transferred by which is equal to the value transferred by the relevant transfer or, where only part of that value is attributable to the special rate property, that part of that value;
  - (b) which is made at the time of the relevant transfer by a transferor who has in the preceding seven years made chargeable transfers having an aggregate value equal to the aggregate of the values transferred by any chargeable transfers made by the settlor in the period of seven years ending with the date of the potentially exempt transfer; and
  - (c) for which the applicable rate or rates are one-half of the rate or rates referred to in section 7(1) above.
- (7) This section has effect subject to section 54B below.

#### **54B Provisions supplementary to section 54A.**

- (1) The death of the settlor, at any time after a chargeable transfer to which section 54A above applies, shall not increase the tax chargeable on the value transferred by the transfer unless, at the time of the transfer, the tax determined in accordance with subsection (5) of that section is greater than the tax that would be chargeable apart from that section.
- (2) The death of the person who was beneficially entitled to the relevant interest, at any time after a chargeable transfer to which section 54A above applies, shall not increase the tax chargeable on the value transferred by the transfer unless, at the time of the transfer, the tax that would be chargeable apart from that section is greater than the tax determined in accordance with subsection (5) of that section.
- (3) Where the tax chargeable on the value transferred by a chargeable transfer to which section 54A above applies falls to be determined in accordance with subsection (5) of that section, the amount referred to in paragraph (a) of that subsection shall be treated for the purposes of this Act as tax attributable to the value of the property in which the relevant interest subsisted.
- (4) Subsection (5) below shall apply if—
  - (a) during the period of seven years preceding the date on which a chargeable transfer to which section 54A above applies (“the current transfer”) is made, there has been another chargeable transfer to which that section applied, and
  - (b) the person who is for the purposes of the current transfer the settlor mentioned in subsection (2)(a) of that section is the settlor for the purposes of the other transfer (whether or not the settlements are the same);and in subsections (5) and (6) below the other transfer is referred to as the “previous transfer”.
- (5) Where this subsection applies, the appropriate amount in relation to the previous transfer (or, if there has been more than one previous transfer, the aggregate of the appropriate amounts in relation to each) shall, for the purposes of calculating the tax chargeable on the current transfer, be taken to be the value transferred by a chargeable transfer made by the settlor immediately before the potentially exempt transfer was made.

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- (6) In subsection (5) above “the appropriate amount”, in relation to a previous transfer, means so much of the value transferred by the previous transfer as was attributable to the value of property which was the special rate property in relation to that transfer.
- (7) In this section—  
     “the relevant interest” has the meaning given by subsection (1) of section 54A above; and  
     “the special rate property” has the meaning given by subsection (3) of that section.”.

#### Marginal Citations

M42 1984 c. 51.

- 2           In section 56 of the 1984 Act (exclusion of certain exemptions) in subsection (5) after the word “disposition” there shall be inserted “for such consideration”.
- 3           (1) Section 201 of the 1984 Act (liability for tax relating to settled property) shall be amended as follows.
- (2) In subsection (2) after the word “death” there shall be inserted “but is not a potentially exempt transfer”.
- (3) After subsection (3) there shall be inserted the following subsection—  
             “(3A) Subsection (1)(d) above shall not apply in relation to the tax chargeable on the value transferred by a potentially exempt transfer which proves to be a chargeable transfer in a case where the settlement was made before 17th March 1987 if the trustees were resident in the United Kingdom when the settlement was made, but have not been resident there at any time between 16th March 1987 and the death of the transferor.”
- 4           (1) Section 216 of the 1984 Act (delivery of accounts) shall be amended as follows.
- (2) In subsection (1) after paragraph (bc) there shall be inserted the following paragraph—  
             “(bd) is liable under section 201(1)(b), (c) or (d) above for tax on the value transferred by a potentially exempt transfer which is made under section 52 above and which proves to be a chargeable transfer, or would be so liable if tax were chargeable on that value, or”
- (3) In subsection (6)(aa) of that section after the words “subsection (1)(bb)” there shall be inserted “or (bd)”.
- 5           In section 265 of the 1984 Act (chargeable transfers affecting more than one property) after the words “subject to” there shall be inserted “section 54B(3) above and to”.

*Status: Point in time view as at 01/05/1995.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

## SCHEDULE 8

Section 101.

### AMENDMENTS OF SCHEDULE 10 TO <sup>M43</sup>FINANCE ACT 1987

#### Marginal Citations

M43 1987 c. 16.

- 1 At the end of paragraph 1 (interpretation) there shall be added the following sub-paragraph—
  - “(3) Where an amount of oil is required to be delivered to the Secretary of State pursuant to a notice served by him, any oil which is inadvertently delivered to him in excess of the amount required shall be treated for the purposes of sub-paragraph (2) above as delivered pursuant to the notice.”.
- 2 (1) In paragraph 5 (content of nomination) in sub-paragraph (1)(b)—
  - (a) for the words “except in the case of a proposed appropriation” there shall be substituted “in the case of a proposed sale”; and
  - (b) for the word “delivered” there shall be substituted “sold”.(2) At the end of sub-paragraph (3) of paragraph 5 (penalty for fraudulent or negligent furnishing of information etc. in connection with a nomination) there shall be added the words “and the nomination shall not be effective”.
- 3 (1) In paragraph 8 (revision of nominations) after sub-paragraph (2) there shall be inserted the following sub-paragraphs—
  - “(2A) If a participator who has made a nomination of a proposed supply, proposed appropriation or a proposed transaction falling within paragraph 2(1)(d) above fails, in whole or in part, to supply, to appropriate or otherwise to complete the proposed transaction by the delivery or appropriation 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 as mentioned in sub-paragraph (2B) below.
  - (2B) The circumstances in which, in a case falling within sub-paragraph (2A) above, a participator may amend or withdraw a nomination are,—
    - (a) in the case of a nomination of a proposed supply or proposed appropriation, if the participator is of the opinion that the failure referred to in that sub-paragraph was caused by circumstances over which neither he nor any person connected or associated with him had control; or
    - (b) in the case of a nomination of a proposed transaction falling within paragraph 2(1)(d) above, in such circumstances as may be prescribed by regulations made by the Board; or
    - (c) in any case where the nomination is of a proposed supply or proposed appropriation and the participator is either the field operator or the operator of a relevant system, if the participator is of the opinion that the failure referred to in sub-paragraph (2A) above was caused by action necessarily taken by him in the interests of safety or the prevention of pollution or in accordance with good oil field practice.

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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

- (2C) In relation to such a nomination as is referred to in sub-paragraph (2B)(c) above,—
- (a) a participator is the field operator if, in relation to the field specified in the nomination, he is the person having the function of organising or supervising operations for searching or boring for or getting oil in pursuance of a licence; and
  - (b) the expression “relevant system” is applicable only where the oil to which the nomination relates is blended oil and is a reference to any system by which blended oil (in relation to which the field specified in the nomination is one of the originating fields) is transported, treated or stored prior to its disposal or relevant appropriation; and
  - (c) a participator in an oil field is an operator of a relevant system, as defined above, if he is the person charged, or principally charged, with the operation of the system;
- and expressions used in paragraph (b) above have the same meaning as in section 63 of this Act.”
- (2) In sub-paragraph (3) of paragraph 8—
- (a) for the words “sub-paragraph (2)”, in the first place where they occur, there shall be substituted “the preceding provisions of this paragraph”;
  - (b) in paragraph (a) after the word “above” there shall be inserted “or, where sub-paragraph (2B) above applies, that the failure was caused as mentioned in paragraph (a) or paragraph (c) of that sub-paragraph or that the circumstances prescribed for the purposes of paragraph (b) of that sub-paragraph exist”; and
  - (c) in paragraph (b), for the words “if sub-paragraph (2)(a)” there shall be substituted “except where sub-paragraph (2)(b) or sub-paragraph (2B)(a)”.
- (3) In sub-paragraph (4) of paragraph 8 after the words “sub-paragraph (2)(b)” there shall be inserted “and sub-paragraph (2B)”.
- (4) In sub-paragraph (5) of paragraph 8 for the words “preceding provisions of this Schedule” there shall be substituted “provisions of this Schedule (other than this paragraph)”.
- 4 In paragraph 9 (effective volume for nominated transactions) for sub-paragraph (4) there shall be substituted the following sub-paragraphs—
- “(4) In relation to a proposed supply or proposed appropriation where the nominal volume is expressed as mentioned in paragraph 7(5) above and oil is in fact supplied or, as the case may be, relevantly appropriated as proposed in the nomination, the effective volume is whichever is the greater of—
- (a) the minimum nominal volume; and
  - (b) so much of the total volume of oil supplied or relevantly appropriated as does not exceed the maximum nominal volume.
- (5) In relation to a proposed supply or proposed appropriation which does not fall within sub-paragraph (4) above, the effective volume is the nominal volume.”
- 5 (1) In paragraph 11 (which defines the aggregate nominated proceeds for a month) at the beginning of paragraph (b) of sub-paragraph (1) (market value of excess of equity production over proceeds of nominated transactions) there shall be inserted the words



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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

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“subject to sub-paragraph (1A) below” and at the end of that sub-paragraph there shall be inserted the following sub-paragraph—

“(1A) If for any month—

- (a) a participator has made a nomination of a proposed sale, and
- (b) he has an excess falling within sub-paragraph (3) below,

then for that month the reference in sub-paragraph (1)(b) above to the market value of the excess shall be construed as a reference to the market value multiplied by the designated fraction for that month.”

(2) At the beginning of sub-paragraph (2) of paragraph 11 there shall be inserted “Subject to sub-paragraph (2A) below” and at the end of that sub-paragraph there shall be inserted the following sub-paragraph—

“(2A) In the case of a nominated transaction consisting of a proposed supply or proposed appropriation, the proceeds of the transaction shall not have the meaning assigned by sub-paragraph (2) above unless the participator satisfies the Board—

- (a) that the whole of the effective volume of oil has been or is to be used for refining as mentioned in paragraph 2(1)(b) above or, as the case may be, has been or is to be relevantly appropriated; or
- (b) that, in so far as any of the effective volume of oil has not been or is not to be so used or appropriated, that is occasioned by circumstances over which neither the participator nor any company associated with him, as mentioned in paragraph 2(1) above, has (or had at any material time) control;

and if the Board are not so satisfied with respect to any such nominated transaction, the proceeds of that transaction means the market value (determined in accordance with Schedule 3 to the principal Act) of the effective volume of oil, multiplied by the designated fraction for the month in question.”

(3) At the end of paragraph 11 there shall be inserted the following sub-paragraphs—

“(5) For any month the designated fraction is such fraction as may be specified for the purposes of that month by order made by the Treasury.

(6) An order under sub-paragraph (5) above—

- (a) shall not specify a fraction smaller than unity or greater than  $\frac{3}{2}$ ;
- (b) may be made to have effect for any month in the chargeable period in which falls the date on which the order is made (whether that month begins before, on or after that date);
- (c) if it has effect for a month earlier than the date on which it is made, may contain such transitional provisions as the Treasury consider appropriate; and
- (d) shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.”

6 In paragraph 12 (nominations of blended oil by a participator in two or more fields)

- (a) for the words from the beginning to “this Act” there shall be substituted “(1) If a person is a participator in two or more oil fields which, in relation to any blended oil, are or are included among the originating fields,

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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

then, in accordance with regulations made by the Board, he may make a nomination, having effect with respect to all the originating fields in which he is a participator, of a proposed sale, supply or appropriation of the blended oil”; and

(b) at the end there shall be added—

“(2) In sub-paragraph (1) above “blended oil” and “the originating fields” have the same meaning as in section 63 of this Act.”

## SCHEDULE 9

Section 104.

### REPEALS

#### PART I

##### INCOME TAX AND CORPORATION TAX: GENERAL

Chapter	Short title	Extent of repeal
1970 c. 10.	The Income and Corporation Taxes Act 1970.	In section 337(2), paragraph (b).
1970 c. 24.	The Finance Act 1970.	In section 21(4), the words “ordinary annual”. In section 22(2), the words “ordinary annual”.
1982 c. 39.	The Finance Act 1982.	In section 65(1)(a), the words “in a territory”.
1987 c. 16.	The Finance Act 1987.	In Schedule 4, paragraphs 1(2) and 2(2).

1 The repeals in sections 21 and 22 of the Finance Act 1970 have effect in relation to contributions made on or after 6th April 1987.

2 The repeal in section 65 of the Finance Act 1982 has effect in accordance with section 67(6) of this Act.

#### PART II

##### CAPITAL GAINS

Chapter	Short title	Extent of repeal
1972 c. 41.	The Finance Act 1972.	In section 85(6) the words from “exclusive” onwards. Section 93.
1974 c. 30.	The Finance Act 1974.	In section 26(3), in paragraph (a), the words “so

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		much of” and the words from “as remains” to “1972” and, in paragraph (b), the words “as so reduced”.
1975 c. 22.	The Oil Taxation Act 1975.	In section 16(1), the words “on its income”.
1980 c. 48.	The Finance Act 1980.	Section 84(2) to (4).
1984 c. 43.	The Finance Act 1984.	Section 18(6). Section 65. In section 79(5), the words from “(reduced” to “Finance Act 1972)”.
1985 c. 54.	The Finance Act 1985.	Section 72(5).

- 1 The repeals of section 84(2) to (4) of the Finance Act 1980, section 65 of the Finance Act 1984 and section 72(5) of the Finance Act 1985 come into force on the day appointed under section 81(8) of this Act.
- 2 The remaining repeals have effect with respect to accounting periods beginning on or after 17th March 1987.

### PART III

#### INHERITANCE TAX

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<b>Chapter</b>	<b>Short title</b>	<b>Extent of repeal</b>
1984 c. 51.	The Inheritance Tax Act 1984.	In section 3A, in subsection (2), in paragraph (a) the words “otherwise than as settled property” and in paragraph (b) the words from “otherwise” onwards. Section 49(3). In section 55(2), the words “and such a disposition is not a potentially exempt transfer”.
1986 c. 41.	The Finance Act 1986.	In Schedule 19, paragraphs 14 and 15.

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

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*Status: Point in time view as at 01/05/1995.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1987. (See end of Document for details)*

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#### PART IV

##### STAMP DUTY RESERVE TAX

Chapter	Short title	Extent of repeal
1986 c.41.	The Finance Act 1986.	Section 91(2).

This repeal has effect in accordance with section 100(2) of this Act.

#### PART V

##### OIL TAXATION

Chapter	Short title	Extent of repeal
1987 c.16.	The Finance Act 1987.	In section 63(1), the words from “and in” onwards.

This repeal has effect for chargeable periods ending after 1st January 1987.

**Status:**

Point in time view as at 01/05/1995.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance (No. 2) Act 1987.