



Finance (No. 2) Act 1987

1987 CHAPTER 51

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F1 Ss. 1–17 repealed by [Income and Corporation Taxes Act 1988](#) (c. 1, SIF 63:1), s. 844, [Sch. 31](#)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

Status: Point in time view as at 01/02/1991.

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

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F2 Ss. 18–57 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#); See [Finance Act 1988 \(c. 39, SIF 63:1, 2\)](#), s. 54 for changes to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F3 Ss. 58–63 repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#); See [Finance Act 1988 \(c. 39, SIF 63:1, 2\)](#), s. 65, [Sch. 6 para.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.

64 Limitation of other reliefs in dealings involving dual resident investing companies.

(1) **F4**

(2) **F5**

(3) In section 273 of the Taxes Act (disposals of assets within a group of companies to be on a no-gain/no-loss basis) in subsection (2) (exclusions) at the end of paragraph (c) there shall be inserted the words “or

(d) a disposal to a dual resident investing company, within the meaning of section 63 of the Finance (No. 2) Act 1987”

(4) In section 276 of the Taxes Act (replacement of business assets by members of a group) at the beginning of subsection (1) there shall be inserted the words “Subject to subsection (1A) below” and at the end of that subsection there shall be inserted the following subsection—

“(1A) Subsection (1) above does not apply where so much of the consideration for the disposal of the old assets as is applied in acquiring the new assets or the interest in them is so applied by a member of the group which is a dual resident investing company; and in this subsection—

(a) “the old assets” and “the new assets” have the same meaning as in section 115 of the ^{M1}Capital Gains Tax Act 1979; and

(b) “dual resident investing company” has the same meaning as in section 63 of the Finance (No. 2) Act 1987.”

(5) **F4**

(7) In this section—

(a) **F4**

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- (b) subsections (2) and (6) above apply where the successor in question begins to carry on the trade on or after that date;
- (c) subsection (3) above applies in relation to disposals on or after that date; and
- (d) subsection (4) above applies where the new assets (within the meaning of section 115 of the ^{M2}Capital Gains Tax Act 1979) are acquired on or after that date.

Textual Amendments

- F4** S. 64(1)(5)–(7)(a) repealed by [Capital Allowances Act 1990 \(c. 1, SIF 63:1\)](#), s. 164(4)(5), [Sch. 2](#)
- F5** S. 64(2) repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, [Sch. 31](#)

Marginal Citations

- M1** 1979 c. 14.
- M2** 1979 c. 14.

65— Controlled foreign companies: acceptable distribution policy.

68. ^{F6}

Textual Amendments

- F6** 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 ^{M3}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 ^{M4} Employment and Training Act 1973.
An education authority in Scotland.	Section 126 of the ^{M5}

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	Education (Scotland) Act 1980.
The Northern Ireland Training Authority.	The M6 Industrial Training (Northern Ireland) Order 1984.
A local planning authority within the meaning of the M7 Town and Country Planning Act 1971 and any board which exercises for any area the functions of such an authority.	Part II of the Town and Country Planning Act 1971.
A planning authority as defined in section 172(3) of the M8 Local Government (Scotland) Act 1973.	Part II of the M9 Town and Country Planning (Scotland) Act 1972.
The Welsh Development Agency.	The M10 Welsh Development Agency Act 1975.
The Scottish Development Agency.	The M11 Scottish Development Agency Act 1975.
The Development Board for Rural Wales.	The M12 Development of Rural Wales Act 1976.
The Highlands and Islands Development Board.	The M13 M14 Highlands and Islands Development (Scotland) Acts 1965 and 1968.
A development corporation within the meaning of the M15 New Towns Act 1981.	Section 4 of the New Towns Act 1981.
A development corporation within the meaning of the M16 New Towns (Scotland) Act 1968.	Section 3 of the New Towns (Scotland) Act 1968.
A new town commission within the meaning of the M17 New Towns Act (Northern Ireland) 1965.	Section 7 of the New Towns Act (Northern Ireland) 1965.”

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

(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

- M3 1969 c. 32.
- M4 1973 c. 50.
- M5 1980 c. 44.
- M6 S.I. 1984/1159 (N.I. 9).
- M7 1971 c. 78.
- M8 1973 c. 65.
- M9 1972 c. 52.
- M10 1975 c. 70.
- M11 1975 c. 69.
- M12 1976 c. 75.
- M13 1965 c. 46.
- M14 1968 c. 51.
- M15 1981 c. 64.
- M16 1968 c. 16.
- M17 1965 c. 13 (N.I.).

70, 71. F7

Textual Amendments

- F7 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 F8

Textual Amendments

- F8 S. 72 repealed by [Capital Allowances Act 1990 \(c. 1, SIF 63:1\)](#), s. 164(4)(5), [Sch. 2](#)

73 Recognised investment exchanges.

- (1) The Board may by regulations make provision securing that enactments relating to . . .
F9 capital gains tax and referring to The Stock Exchange have effect, for such purposes and subject to such modifications as may be prescribed by the regulations, in relation to all other recognised investment exchanges (within the meaning of the ^{M18}Financial Services Act 1986), or in relation to such of those exchanges as may be so prescribed.
- (2) The power to make regulations under this section shall be exercisable by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.

Status: Point in time view as at 01/02/1991.

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Textual Amendments

F9 Words repealed by [Income and Corporation Taxes Act 1988 \(c. 1, SIF 63:1\)](#), s. 844, **Sch. 31**

Marginal Citations

M18 [1986 c. 60](#).

CHAPTER IV

CAPITAL GAINS

Companies' chargeable gains

74— General rules.

77. **F10**

Textual Amendments

F10 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 **F11**

Textual Amendments

F11 [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.

79 Building societies: groups of companies.

In section 272 of the Taxes Act (groups of companies: definitions) at the end of subsection (2) (references to a company) there shall be added

“and

(e) a building society within the meaning of the ^{M19}Building Societies Act 1986.”.

Marginal Citations

M19 [1986 c. 53](#).

Status: Point in time view as at 01/02/1991.

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80 Roll-over relief not available for gains on oil licences.

- (1) A licence under the ^{M20}Petroleum (Production) Act 1934 or the ^{M21}Petroleum (Production) Act (Northern Ireland) 1964 is not and, subject to subsection (2) below, shall be assumed never to have been an asset falling within any of the classes in section 118 of the ^{M22}Capital Gains Tax Act 1979 (classes of assets for the purposes of roll-over relief under section 115 of that Act).
- (2) Nothing in subsection (1) above affects the determination of any Commissioners or the judgment of any court made or given before 14th May 1987.
- (3) A reference in subsection (1) above to a provision of the ^{M23}Capital Gains Tax Act 1979 includes a reference to the corresponding enactment in Part III of the ^{M24}Finance Act 1965 which is re-enacted in that provision.

Marginal Citations

- M20** 1934 c. 36.
M21 1964 c. 28 (N.I.).
M22 1979 c. 14.
M23 1979 c. 14.
M24 1965 c. 25.

81 Commodity and financial futures and options.

- (1) In section 72 of the ^{M25}Finance Act 1985 (commodity and financial futures and traded options) in subsection (1) for the words “traded options” and “traded option” there shall be substituted respectively “qualifying options” and “qualifying option”.
- (2) In subsection (2) of that section, for paragraph (b) (definition of “traded option”) there shall be substituted—
 - “(b) “qualifying option” means a traded option or financial option as defined in section 137(9) of that Act.”
- (3) After that subsection there shall be inserted the following subsections—
 - “(2A) Notwithstanding the provisions of subsection (2)(a) above, where, otherwise than in the course of dealing on a recognised futures exchange, within the meaning of the principal Act,—
 - (a) an authorised person or listed institution enters into a commodity or financial futures contract with another person, or
 - (b) the outstanding obligations under a commodity or financial futures contract to which an authorised person or listed institution is a party are brought to an end by a further contract between the parties to the futures contract,then, except in so far as any gain or loss arising to any person from that transaction arises in the course of a trade, that gain or loss shall be regarded for the purposes of subsection (1) above as arising to him in the course of dealing in commodity or financial futures.
 - (2B) In subsection (2A) above—
 - “authorised person” has the same meaning as in the ^{M26}Financial Services Act 1986, and

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“listed institution” has the same meaning as in section 43 of that Act.”

- (4) In subsection (4) of section 137 of the Capital Gains Tax Act 1979 (options and forfeited deposits) for paragraph (aa) there shall be substituted the following paragraph—

“(aa) a traded option or financial option, or”.

- (5) For subsection (9) of section 137 of the Capital Gains Tax Act 1979 (definitions) there shall be substituted the following subsections—

“(9) In subsection (4) above and sections 138 and 139 below—

- (a) “quoted option” means an option which, at the time of the abandonment or other disposal, is quoted on a recognised stock exchange;
- (b) “traded option” means an option which, at the time of the abandonment or other disposal, is quoted on a recognised stock exchange or a recognised futures exchange; and
- (c) “financial option” means an option which is not a traded option, as defined in paragraph (b) above, but which, subject to subsection (10) below,—

- (i) relates to currency, shares, securities or an interest rate and is granted (otherwise than as agent) by a member of a recognised stock exchange, by an authorised person within the meaning of the ^{M27}Financial Services Act 1986 or by a listed institution within the meaning of section 43 of that Act; or

- (ii) relates to shares or securities which are dealt in on a recognised stock exchange and is granted by a member of such an exchange, acting as agent; or

- (iii) relates to currency, shares, securities or an interest rate and is granted to such an authorised person or institution as is referred to in sub-paragraph (i) above and concurrently and in association with an option falling within that sub-paragraph which is granted by that authorised person or institution to the grantor of the first-mentioned option; or

- (iv) relates to shares or securities which are dealt in on a recognised stock exchange and is granted to a member of such an exchange, including such a member acting as agent;

and in this subsection “recognised stock exchange” has the meaning given by section 535 of the Taxes Act.

- (10) If the Treasury by order so provide, an option of a description specified in the order shall be taken to be within the definition of “financial option” in subsection (9)(c) above; and the power to make an order under this subsection shall be exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.”

- (6) In subsection (1) of section 138 of the ^{M28}Capital Gains Tax Act 1979 (application of rules as to wasting assets) for paragraph (aa) there shall be substituted the following paragraph—

“(aa) to a traded option or financial option, or”.

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- (7) In subsection (4) of section 138 of the ^{M29}Capital Gains Tax Act 1979 (definitions for the purpose of that section) for paragraph (a) there shall be substituted the following paragraph—
- “(a) “financial option”, “quoted option” and “traded option” have the meaning given by section 137(9) above, and”.
- (8) This section shall come into force on such day as the Treasury may by order made by statutory instrument appoint.

Modifications etc. (not altering text)

C1 29.4.1988 appointed for purposes of section 81(8) by [S.I. 1988/744, art. 2](#)

Marginal Citations

M25 1985 c. 54.

M26 1986 c. 60.

M27 1986 c. 60.

M28 1979 c. 14.

M29 1979 c. 14.

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 [^{F12}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 [^{F13}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—

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- (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.

(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 ^{M30}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.

[^{F14}(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 [^{F14}or different descriptions of profits and losses; and, in particular, information may be so required with respect to tax recoverable by virtue of section [^{F15}419] of the principal Act (loans to participators) as if it were corporation tax, to advance corporation tax and to corporation tax already paid.]

[^{F16}(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.]

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- (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^{M31}Companies (Northern Ireland) Order 1986.”

Textual Amendments

- F12** 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
- F13** 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”.
- F14** 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
- F15** 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”
- F16** 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)

- C2** The day appointed for the purposes of s. 82 is 31.12.1993, see S.I. 1992/3066, art. 3(2)

Marginal Citations

- M30** 1985 c. 6.
M31 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

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- (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 ^{M32}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 ^{M33}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
 - (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

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[^{F17}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

F17 Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, **Sch. 29 para 10(7)**

Modifications etc. (not altering text)

C3 The day appointed for the purposes of s. 83 is 31.12.1993, see S.I. 1992/3066, art. 3(2)

Marginal Citations

M32 1985 c. 6.

M33 S.I. 1986/1032 (N.I. 6).

84

(1) ^{F18}

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

“(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) ^{F19}

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

Textual Amendments

F18 S. 84(1)–(3) repealed by Finance Act 1989, s. 187, Sch. 17 Pt. VIII

F19 S. 84(5)–(8) repealed by Finance Act 1989, s. 187, Sch. 17 Pt. VIII

Modifications etc. (not altering text)

C4 Taxes Management Act 1970 (c. 9, SIF 63:1), s. 70(5) repealed by Finance Act 1989, s. 187, Sch. 17 Pt. VIII

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

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 [^{F20}rate applicable under section 178 of the Finance Act 1989] from the date when the tax becomes due and payable (in accordance with section [^{F21}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 ^{M34}Bills of Exchange Act 1882.
- (3) In relation to corporation tax assessed by virtue of section [^{F22}346(2) or 347(1) of the principal Act, section 267(3C) or 278(5) of the Income and Corporation Taxes Act 1970][^{F23}, section 96(8) of the Finance Act 1990] or section 87(4) of the ^{M35}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) In any case where—
 - (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 [^{F24}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 [^{F24}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 [^{F25}section 252(5) of the principal Act] (recovery of payment of tax credit or interest on such a payment) shall carry interest at the [^{F26}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.”

Status: Point in time view as at 01/02/1991.

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

Textual Amendments

- F20** 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
- F21** **Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1)**, s. 844, **Sch. 29 para. 10(4)(a)**. Previously “243(4)”
- F22** **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”.
- F23** Finance Act 1990, s. 96(12)
- F24** **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.
- F25** **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”
- F26** 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

Modifications etc. (not altering text)

- C5** The appointed day for the purposes of s. 85 is 30.9.1993, see **S.I. 1992/3066**, art. 2(2)(a)

Marginal Citations

- M34** 1882 c. 61.
M35 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 ^{M36}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
 - (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—

Status: Point in time view as at 01/02/1991.

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

- (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 [F27]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

F27 [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)

C6 The appointed day for the purposes of s. 86 is 30.9.1993, see [S.I. 1992/3066](#), art. 2(2)(a)

Marginal Citations

M36 [1973 c. 51](#).

87 Interest on tax overpaid.

F28

Textual Amendments

F28 [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—

Status: Point in time view as at 01/02/1991.

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

“(2A) In any case where—

- (a) interest has been paid under section [F²⁹826 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 [F²⁹826 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.”

(5) F30

(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;

Status: Point in time view as at 01/02/1991.

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

F31

Textual Amendments

- F29** *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”.
- F30** *S. 88(5)(6)* repealed by *Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, Sch. 31*
- F31** Words repealed by *Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), s. 844, Sch. 31*.

Modifications etc. (not altering text)

- C7** The appointed day for the purposes of s. 88 is 30.9.1993, see *S.I. 1992/3066, art. 2(2)(a)*
- C8** *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*).
- C9** *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

F32

Textual Amendments

- F32** *S. 89* repealed by *Finance Act 1989 (c. 26) s. 187(1), Sch. 17, Pt X*

Miscellaneous

90

F33

Textual Amendments

- F33** *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 section [^{F34}419] became due and payable shall be that determined in accordance with subsection [^{F34}(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 [^{F34}(4)] of section [^{F34}419] of the principal Act, interest under section 87A of this Act on so much of the tax under the said section [^{F34}419] 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.”

Status: Point in time view as at 01/02/1991.

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

- (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

F34 [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)

C10 The appointed day for the purposes of s. 91 is 30.9.1993, see [S.I. 1992/3066](#), art. 2(2)(a)

92, 93. ^{F35}

Textual Amendments

F35 [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 ^{M37}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.

Modifications etc. (not altering text)

C11 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

M37 1970 c. 9.

Status:

Point in time view as at 01/02/1991.

Changes to legislation:

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