



# Finance Act 1989

## CHAPTER 26

### FINANCE ACT 1989

#### PART I

#### CUSTOMS AND EXCISE, VALUE ADDED TAX AND CAR TAX

#### CHAPTER I

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**PART III**

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- Part I
- Part II

### SCHEDULE 2 — Vehicles Excise Duty: Special Machines

- 1 .....
- 2 .....
- 3 .....
- 4 .....

### SCHEDULE 3 —

#### *Zero-rating*

- 1 For Group 8 (construction of buildings etc.) of Schedule 5...
- 2 (1) Group 8A (protected buildings) of that Schedule shall be...
- 3 In Group 11 (caravans and houseboats) of that Schedule, for...

#### *Exemptions*

- 4 (1) For Group 1 (land) of Schedule 6 (exemptions) to...

#### *Other provisions*

- 5 The following section shall be substituted for section 21 (refund...
- 6 (1) The following section shall be inserted in the ValueAdded...
- 7 In section 42 (adjustment of consideration on changes in tax)...
- 8 In section 45(4) (orders etc.) of the Value Added TaxAct...
- 9 In section 48 (interpretation) of the Value Added Tax Act...
- 10 In Schedule 1 (registration) to the Value Added Tax Act...
- 11 In Schedule 2 (supplies of goods and services) to the...

#### *Commencement*

- 12 (1) Subject to sub-paragraphs (2) and (3) and paragraph 13...
- 13 (1) Subject to sub-paragraph (3) below, the amendments made by...

### SCHEDULE 4 —



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- 1 The Taxes Act 1988 shall be amended in accordance with...
- 2 (1) In section 171(4) (limit on pay of which half...
- 3 After section 177 there shall be inserted— Death of scheme...
- 4 (1) Section 178 (cancellation of registration) shall be amended as...
- 5 At the end of section 179 (recovery of tax) there...
- 6 At the end of section 180 (annual returns) there shall...
- 7 At the end of section 181 (information) there shall be...
- 8 (1) Section 182 (appeals) shall be amended as follows.
- 9 (1) Paragraph 7 of Schedule 8 (no payments for employees...
- 10 (1) Paragraphs 13(2) and 14(2) of Schedule 8 (which provide...
- 11 At the end of paragraph 13 of Schedule 8 (calculation...
- 12 In paragraph 14 of Schedule 8 (calculation of distributable pool...
- 13 At the end of paragraph 14 of Schedule 8 there...
- 14 (1) Paragraph 19 of Schedule 8 (profit and loss account...
- 15 After paragraph 20 of Schedule 8 there shall be inserted—...

## SCHEDULE 5 — Employee Share Ownership Trusts

### *Qualifying trusts*

- 1 A trust is a qualifying employee share ownership trust at...

### *General*

- 2 (1) The trust must be established under a deed (the...

### *Trustees*

- 3 (1) The trust deed must provide for the establishment of...
- 3A Where a trust is established after the day on which...
- 3B (1) The following are the provisions that must be complied...
- 3C (1) This paragraph applies where the trust deed provides that...

### *Beneficiaries*

- 4 (1) The trust deed must contain provision as to the...

### *Trustees' functions*

- 5 (1) The trust deed must contain provision as to the...

### *Sums*

- 6 (1) The trust deed must require that any sum received...

### *Securities*

- 7 (1) Subject to paragraph 8 below, the trust deed must...
- 8 The trust deed may provide that the trustees may acquire...
- 9 (1) The trust deed must provide that—

### *Other features*

- 10 The trust deed must not contain features which are not...

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*Rules about acquisition etc.*

- 11 (1) The trust deed must provide that, for the purposes...

*Position after trust's establishment*

- 12 A trust which was at the time it was established...  
12A (1) Subject to sub-paragraphs (2) and (3) below, a trust...  
13 A trust is an employee share ownership trust at a...

*Interpretation*

- 14 For the purposes of this Schedule the following are securities—...  
15 For the purposes of this Schedule, the question whether one...  
16 (1) For the purposes of this Schedule a person shall...  
17 For the purposes of this Schedule a trust is established...  
18 For the purposes of this Schedule “ SAYE option scheme...

SCHEDULE 6 — Retirement Benefits Schemes  
Part I — AMENDMENTS OF TAXES ACT

*Preliminary*

- 1 Retirement Benefits Schemes

*Amendments*

- 2 Retirement Benefits Schemes  
3 Retirement Benefits Schemes  
4 Retirement Benefits Schemes  
5 Retirement Benefits Schemes  
6 Retirement Benefits Schemes  
7 Retirement Benefits Schemes  
8 Retirement Benefits Schemes  
9 Retirement Benefits Schemes  
10 Retirement Benefits Schemes  
11 Retirement Benefits Schemes  
12 Retirement Benefits Schemes  
13 Retirement Benefits Schemes  
14 Retirement Benefits Schemes  
15 Retirement Benefits Schemes  
16 Retirement Benefits Schemes  
17 Retirement Benefits Schemes

*Effect of amendments*

- 18 Retirement Benefits Schemes  
Part II — APPROVED SCHEMES: GENERAL

*Preliminary*

- 19 Retirement Benefits Schemes

*Remuneration*

- 20 Retirement Benefits Schemes  
21 Retirement Benefits Schemes

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22 Retirement Benefits Schemes

*Accelerated accrual*

23 Retirement Benefits Schemes

24 Retirement Benefits Schemes

*Associated employments*

25 Retirement Benefits Schemes

*Connected schemes*

26 Retirement Benefits Schemes

*Augmentation*

27 Retirement Benefits Schemes

*Centralised schemes*

28 Retirement Benefits Schemes

*Election*

29 Retirement Benefits Schemes

*Supplementary*

30 Retirement Benefits Schemes

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CONTRIBUTIONS

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31 Retirement Benefits Schemes

*Abatement of benefits*

32 Retirement Benefits Schemes

*Return of surplus funds*

33 Retirement Benefits Schemes

34 Retirement Benefits Schemes

*Supplementary*

35 Retirement Benefits Schemes

SCHEDULE 7 — Personal Pension Schemes

Part I — AMENDMENTS OF TAXES ACT

1 Personal Pension Schemes

2 Personal Pension Schemes

3 Personal Pension Schemes

4 Personal Pension Schemes

5 Personal Pension Schemes

6 Personal Pension Schemes

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- 7 Personal Pension Schemes
- 8 Personal Pension Schemes
- 9 Personal Pension Schemes

Part II — SCHEMES APPROVED BEFORE PASSING OF THIS ACT

*Interpretation*

- 10 Personal Pension Schemes

*Lump sum to member*

- 11 Personal Pension Schemes
- 12 Personal Pension Schemes

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 (Insurance Companies)

- 1 . . . . .
- 2 Section 433 (profits reserved for policy holders or annuitants) shall cease...
- 3 (1) In section 434 (franked investment income etc.), for subsection...
- 4 . . . . .
- 5 Section 435 (taxation of gains reserved for policy holders and...
- 6 In section 436 (annuity and pension business: separate charge on...
- 7 . . . . .

SCHEDULE 8A — Modification of sections 82 TO 83A, 88 and 89 in relation to overseas life insurance companies

- 1 Modification of sections 82 TO 83A, 88 and 89 in relation to overseas life insurance companies
- 1ZA Modification of sections 82 TO 83A, 88 and 89 in relation to overseas life insurance companies
- 1ZB Modification of sections 82 TO 83A, 88 and 89 in relation to overseas life insurance companies
- 1A Modification of sections 82 TO 83A, 88 and 89 in relation to overseas life insurance companies
- 1AA Modification of sections 82 TO 83A, 88 and 89 in relation to overseas life insurance companies
- 1B Modification of sections 82 TO 83A, 88 and 89 in relation to overseas life insurance companies
- 1C Modification of sections 82 TO 83A, 88 and 89 in relation to overseas life insurance companies
- 1D Modification of sections 82 TO 83A, 88 and 89 in relation to overseas life insurance companies
- 2 Modification of sections 82 TO 83A, 88 and 89 in relation to overseas life insurance companies

SCHEDULE 9 — Life Policies Etc. Held by Companies

- 1 Chapter II of Part XIII of the Taxes Act 1988...
- 2 At the end of section 539 there shall be added—...
- 3 (1) Section 540 shall be amended as follows.
- 4 (1) Section 541 shall be amended as follows.
- 5 (1) Section 547 shall be amended as follows.
- 6 (1) Section 548 shall be amended as follows.
- 7 In section 552, in subsection (2), after paragraph (b) there...

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8 Paragraph 5 above shall have effect in relation to chargeable...

#### SCHEDULE 10 —

- 1 Schedule 4 to the Taxes Act 1988 (deep discount securities)...
- 2 (1) Paragraph 1 shall be amended as follows.
- 3 The following sub-paragraph shall be inserted after paragraph 4(7)—
- 4 In paragraph 11(1) after the words “deep discount security” there shall...
- 5 The following paragraph shall be inserted after paragraph 11—
- 6 The following sub-paragraph shall be inserted after paragraph 13(2)—
- 7 The following shall be inserted after paragraph 14— Retirement benefit...

#### SCHEDULE 11 —

##### *Deep gain securities*

- 1 (1) For the purposes of this Schedule a deep gain...

##### *Qualifying indexed securities*

- 2 (1) For the purposes of paragraph 1 above a qualifying...

##### *Convertible securities*

- 3 (1) For the purposes of paragraph 1 above a security...

##### *Issue price*

- 3A (1) This paragraph applies where— (a) securities (old securities) of...

##### *Meaning of transfer etc.*

- 4 (1) This paragraph has effect for the purposes of this...

##### *Charge to tax on transfer*

- 5 (1) This paragraph applies if— (a) there is a transfer...

##### *Exchange gains and losses*

- 5A (1) This paragraph applies where— (a) there is a transfer...

##### *Redemption*

- 6 (1) Paragraph 5 above applies where there is a redemption...

##### *Death*

- 7 (1) Where an individual who is entitled to a security...

##### *Connected persons*

- 8 (1) This paragraph applies where a security is transferred from...

##### *Market value*

- 9 (1) This paragraph applies where a security is transferred from...

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*Underwriters*

10 .....

*Trustees*

11 (1) Where on a transfer or redemption of a security...

*Foreign currency*

12 (1) Where, for the purposes of paragraph 5 above and...

*Receipts in United Kingdom*

13 (1) Sub-paragraph (2) below applies where— (a) by virtue of...

*Retirement benefit schemes*

14 In a case where— (a) paragraph 5 above would apply...

*Charities*

15 (1) In a case where— (a) paragraph 5 above would...

*Stock lending*

16 In a case where— (a) a security is the subject...

*Accrued income scheme*

17 In a case where— (a) a security is the subject...

*Other provisions excluded*

18 In a case where paragraph 5 above applies to the...

*Identification of securities*

19 Section 108 of the Taxation of Chargeable Gains Act 1992...

*Early redemption: special rules*

19A (1) Sub-paragraph (2) below applies where— (a) a security is...

*Gilts: special rules*

20 (1) In a case where— (a) securities have been issued...

*Non-gilts: special rules*

21 (1) In a case where— (a) all the securities issued...  
21A (1) A security which (apart from this paragraph) would be...

*Indexed securities: special rules*

22 (1) Sub-paragraph (2) below applies where— (a) a qualifying indexed...

*Convertible securities: special rules (1)*

22A (1) Sub-paragraph (2) below applies where— (a) a security is...

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*Convertible securities: special rules (2)*

22B (1) In a case where— (a) a security is a...

*No particular redemption date: special rule*

22C (1) This paragraph applies to a security whose terms contain...

*Power to modify*

23 (1) The Treasury may make regulations amending paragraph 2 above...

SCHEDULE 12 — Close Companies  
Part I — ADMINISTRATIVE PROVISIONS

*Interpretation*

1 In this Part of this Schedule “ the relevant provisions...

*Provision of information by company*

2 The inspector may, by notice, require any company which is,...

*Provision of information by shareholders*

3 .....

*Information about bearer securities*

4 (1) The inspector may, for the purposes of the relevant...

Part II — AMENDMENTS CONNECTED WITH REPEAL OF CHAPTER III OF  
PART XI OF TAXES ACT 1988

*The Taxes Management Act 1970 (c.9)*

5 In the first column of the Table in section 98...

*The Capital Gains Tax Act 1979 (c.14)*

6 .....

*The Income and Corporation Taxes Act 1988 (c.1)*

7 In section 13 of the Taxes Act 1988 (small companies’...

8 (1) In section 168(11) of the Taxes Act 1988 (cases...

9 (1) In section 187(3) of the Taxes Act 1988 (cases...

10 (1) In section 214 of the Taxes Act 1988 (chargeable...

11 .....

12 (1) Section 360 of the Taxes Act 1988 (loan to...

13 (1) Section 360A of the Taxes Act 1988 (cases in...

14 (1) In section 576 of the Taxes Act 1988 (which...

15 (1) In section 623 of the Taxes Act 1988 (meaning...

16 (1) In section 644 of the Taxes Act 1988 (meaning...

17 In section 745 of the Taxes Act 1988 (power to...

18 (1) Paragraph 7 of Schedule 8 to the Taxes Act...

SCHEDULE 13 — Capital Allowances: Miscellaneous Amendments  
1–26 .....

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*Patent rights*

- 27 .....  
28–30 .....

SCHEDULE 14 —

*Gifts of business assets*

- 1 .....  
2 .....  
3 .....

*Gifts on which inheritance tax is chargeable etc.*

- 4 .....

*Payment of tax by instalments*

- 5 .....

*Minor and consequential amendments*

- 6 .....

SCHEDULE 15 —

*Postponed charges etc.: pre-1st April 1982 events*

- 1 .....  
2 .....

*Reduction of 1982 value in certain cases*

- 3 .....

*No gain/no loss disposals*

- 4 .....

*Elections*

- 5 .....

SCHEDULE 16 — Broadcasting: Additional Payments by Programme Contractors

Part I — AMENDMENTS OF THE PRINCIPAL SECTIONS

- 1 (1) Section 32 of the Broadcasting Act 1981 (rental payments by...  
2 (1) Section 33 of the Broadcasting Act 1981 (supplemental provisions)  
shall...  
3 (1) Section 34 of the Broadcasting Act 1981 (instalments payable...  
4 (1) Section 35 of the Broadcasting Act 1981 (provision  
for supplementing...

Part II — PROVISIONS INSERTED AS SCHEDULE 4 TO THE BROADCASTING  
ACT 1981

Schedule 4 Rental Payments Advertising revenue (1) The advertising  
revenue of a programme contractor for an...

Part III — TRANSITIONAL PROVISIONS



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- 1 (1) In this paragraph— “ new statutory provisions ” means...
- 2 Where any accounting period of a programme contractor begins before...
- 3 Where, under the existing statutory provisions, any excess of firstcategory...
- 4 In this Part of this Schedule, references to programme contractors...

## SCHEDULE 17 — Repeals

### Part I — CUSTOMS AND EXCISE

#### Part II

### Part III — VALUE ADDED TAX

- 1 The repeal of Group 6 of Schedule 5 to the...
- 2 The remaining repeals have effect in accordance with Schedule 3...

### Part IV — INCOME AND CORPORATION TAX: GENERAL

- 1 The repeals in sections 131 and 149 and of section...
- 2 The repeals in sections 231 and 824 of the Income...
- 3 The repeals in sections 433 to 435 of the Income...
- 4 The repeals in sections 590, 595, 596 and 600 of...
- 5 The repeals in sections 635, 645 and 655 of the...
- 6 The repeal of section 769(7)(b) and (c) of the Income...
- 7 The repeal in the Finance Act 1988 has effect in...

### Part V — CLOSE COMPANIES

- 1 The repeal in section 98 of the Taxes Management Act...
- 2 The repeal in section 89 of the Capital Gains Tax...
- 3 The repeal of section 414(3) of the Income and Corporation...
- 4 The repeal of sections 423 to 430 of, and Schedule...
- 5 The repeals in section 681 of the Income and Corporation...
- 6 The remaining repeals have effect in relation to accounting periodsbeginning...

### Part VI — CAPITAL ALLOWANCES

- 1 The repeal in paragraph 7(1)(b) of Schedule 8 to the...
- 2 The repeals in sections 68 and 87(4) of the Capital...
- 3 The repeal in section 521(5) of the Income and Corporation...
- 4 The repeals of the provisions listed in sub-paragraph (5) of...

### Part VII — CAPITAL GAINS

- 1 The repeal in the Finance Act 1973 has effect in...
- 2 The repeal in section 142A of the Capital Gains Tax...
- 3 The repeal of section 81 of the Finance Act 1982...
- 4 The repeal of section 64(2)(a) of the Finance Act 1984...
- 5 The repeal in section 97(2) of the Inheritance Tax Act...
- 6 The repeal in the Finance (No.2) Act 1987 has effect...
- 7 The remaining repeals have effect in relation to disposals on...

### Part VIII — MANAGEMENT

- 1 The repeals in sections 16, 53 and 98 of the...
- 2 The repeals in sections 20 and 20B of the Taxes...
- 3 The repeals of sections 37 to 39, in section 40,...
- 4 The repeals in section 61 of the Taxes Management Act...
- 5 The repeals in sections 86 and 87 of the Taxes...
- 6 The repeal in the Finance Act 1982 has effect in...
- 7 The repeal of subsection (2) of section 165 of this...

### Part IX — STAMP DUTY: INSURANCE

### Part X — RATES OF INTEREST

### Part XI — BROADCASTING

**Changes to legislation:** Finance Act 1989 is up to date with all changes known to be in force on or before 15 March 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

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- Part XII — GOVERNMENT STOCK: REDEMPTION
- Part XIII — NATIONAL SAVINGS
- Part XIV — TITHE REDEMPTION

**Changes to legislation:**

Finance Act 1989 is up to date with all changes known to be in force on or before 15 March 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.

[View outstanding changes](#)

**Changes and effects yet to be applied to :**

- s. 182(1)(c) words substituted by [2023 c. 20 Sch. para. 8\(2\)](#)
- s. 182(2A)(a) words substituted by [2023 c. 20 Sch. para. 8\(2\)](#)
- s. 182(4)(c)(iii) words substituted by [2023 c. 20 Sch. para. 8\(2\)](#)
- s. 182(5)(b) words substituted by [2023 c. 20 Sch. para. 8\(2\)](#)
- s. 182(11A) words substituted by [2023 c. 20 Sch. para. 8\(3\)\(a\)](#)
- s. 182(11A) words substituted by [2023 c. 20 Sch. para. 8\(3\)\(b\)](#)