Finance Act 1993

1993 CHAPTER 34

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

GENERAL

Income tax: charge, rates and allowances

51 Charge and rates of income tax for 1993-94

(1) Income tax shall be charged for the year 1993-94, and for that year—

(a) the lower rate shall be 20 per cent.,

(b) the basic rate shall be 25 per cent., and

(c) the higher rate shall be 40 per cent.

(2) For the year 1993-94 section 1(2) of the Taxes Act 1988 shall apply as if—

(a) the amount specified in paragraph (aa) were £2,500 (the lower rate limit), and

(b) the amount specified in paragraph (b) were £23,700 (the basic rate limit);

and accordingly section 1(4) of that Act (indexation) shall not apply for the year 1993-94.

52 Personal and married couple's allowances

Sections 257 and 257A of the Taxes Act 1988 (personal and married couple's allowances) shall apply for the year 1993-94 as if the amounts specified in them were the same as the amounts specified in them as they apply for the year 1992-93, and accordingly section 257C(1) of that Act (indexation) shall not apply for the year 1993-94.

Corporation tax charge and rate

53 Charge and rate of corporation tax for 1993

Corporation tax shall be charged for the financial year 1993 at the rate of 33 per cent.

54 Small companies

For the financial year 1993—

(a) the small companies' rate shall be 25 per cent., and

(b) the fraction mentioned in section 13(2) of the Taxes Act 1988 (marginal relief for small companies) shall be one fiftieth.

Interest: general

55 Relief for interest

For the year 1993-94 the qualifying maximum defined in section 367(5) of the Taxes Act 1988 (limit on relief for interest on certain loans) shall be £30,000.

56 Interest relief: substitution of security

The following sections shall be inserted after section 357 of the Taxes Act 1988—

"**357A Substitution of security**

(1) Subject to subsection (9) below, this section applies where—

(a) on or after 16th March 1993 a person purchases an estate or interest in land or the property in a caravan or house-boat (the new estate, interest or property), and

(b) a security substitution arrangement takes effect on or after that date in connection with the purchase.

(2) Subsection (3) below applies where—

(a) the arrangement mentioned in subsection (1) above relates to one existing loan only, and

(b) no other security substitution arrangement takes effect at the same time in connection with the purchase of the new estate, interest or property.

(3) As regards interest paid on the loan after the time the new estate, interest or property became security for the loan, the loan shall be treated for the purposes of sections 353 to 379 (other than this section and sections 357B and 357C) as if—

(a) it had been made at that time, and

(b) so much of it as was then outstanding and did not exceed the relevant amount had been used at that time to defray money applied in purchasing the new estate, interest or property.

(4) Subsection (5) below applies where either—

(a) the arrangement mentioned in subsection (1) above relates to two or more existing loans, or

(b) two or more security substitution arrangements take effect at the same time in connection with the purchase of the new estate, interest or property.

(5) As regards interest paid on the loans after the time the new estate, interest or property became security for the loans, the loans shall be treated for the purposes of sections 353 to 379 (other than this section and sections 357B and 357C) as if—

(a) they had been made at that time, and

(b) they had been used at that time to defray money applied in purchasing the new estate, interest or property;

but in any case where at that time the aggregate of the amounts of the loans outstanding exceeded the relevant amount, the loans shall be treated as mentioned in paragraph (b) above only to the extent that the aggregate did not exceed the relevant amount.

(6) For the purposes of this section the relevant amount is—

(a) where there is no loan falling within subsection (7) below, an amount equal to the purchase price of the new estate, interest or property;

(b) where there is one loan falling within that subsection, an amount equal to the difference between the purchase price of the new estate, interest or property and the amount of that loan;

(c) where there are two or more loans falling within that subsection, an amount equal to the difference between the purchase price of the new estate, interest or property and the total of the amounts of those loans.

(7) A loan falls within this subsection if—

(a) it is at the relevant time, or was before the relevant time, actually used to any extent to defray money applied in purchasing the new estate, interest or property, or

(b) by virtue of an earlier security substitution arrangement, it is treated to any extent as if before the relevant time it had been used to defray money so applied;

but a loan does not fall within this subsection unless interest on the loan is eligible for relief under section 353 by virtue of section 355(1)(a) or 356(1).

(8) For the purposes of subsection (7) above the relevant time is the time when under the arrangement mentioned in subsection (1) above the new estate, interest or property becomes security for the existing loan or loans.

(9) This section does not apply in relation to a security substitution arrangement if, as regards the new estate, interest or property—

(a) there is at least one loan falling within subsection (7) above, and

(b) the amount of that loan or (if there is more than one) the total of the amounts of those loans is the same as the purchase price of the new estate, interest or property.

(10) For the purposes of subsections (6) and (9) above the amount of a loan is its amount when made, except that where—

(a) a loan falls within subsection (7) above by virtue of the fact that it is or was partly used to defray money applied in purchasing the new estate, interest or property, or

(b) a loan falls within that subsection by virtue of the fact that it is treated as if it had been partly so used,

the amount of the loan shall be taken for the purposes of subsections (6) and (9) above to be the amount of the part so used or (as the case may be) treated as so used.

357B Treatment of loans following security substitution

(1) This section applies where—

(a) by virtue of section 357A a loan is treated to any extent as having been used at a particular time to defray money applied in purchasing the new estate, interest or property,

(b) after that time a loan (a new loan) is actually used to any extent to defray money applied in purchasing the new estate, interest or property, and

(c) interest on the new loan is (or would be apart from this section) eligible for relief under section 353 by virtue of section 355(1)(a) or 356(1).

(2) Subject to subsection (4) below, as regards interest paid on the new loan after the time it is used as mentioned in subsection (1)(b) above (the material time), such part of the loan as was actually used to defray money applied in purchasing the new estate, interest or property shall be treated for the purposes of sections 353 to 379 as having been so used only to the extent that the amount of that part does not exceed the applicable amount.

(3) Subsection (4) below applies in a case where—

(a) two or more new loans are simultaneously used to any extent as mentioned in subsection (1)(b) above, and

(b) interest on each of them is or would be eligible for relief as mentioned in subsection (1)(c) above.

(4) As regards interest paid on the new loans after the material time, such parts of the loans as were actually used to defray money applied in purchasing the new estate, interest or property shall be treated for the purposes of sections 353 to 379 as having been so used only to the extent that the aggregate of the amounts of those parts does not exceed the applicable amount.

(5) For the purposes of this section the applicable amount is the difference between—

(a) the purchase price of the new estate, interest or property, and

(b) the amount of any relevant loan or, if there is more than one, the total amounts of the relevant loans.

(6) For the purposes of subsection (5) above a relevant loan is a loan which—

(a) before the material time was actually used to any extent to defray money applied in purchasing the new estate, interest or property, or

(b) by virtue of section 357A, is treated to any extent as if before the material time it had been used to defray money so applied;

but a loan is not a relevant loan unless interest on it is eligible for relief under section 353 by virtue of section 355(1)(a) or 356(1).

(7) For the purposes of subsection (5) above the amount of a relevant loan is its amount when made, except that where—

(a) a loan is a relevant loan by virtue of the fact that it was partly used to defray money applied in purchasing the new estate, interest or property, or

(b) a loan is a relevant loan by virtue of the fact that it is treated as if it had been partly so used,

the amount of the loan shall be taken for the purposes of that subsection to be the amount of the part so used or (as the case may be) treated as so used.

357C Substitution of security: supplemental

(1) An arrangement is a security substitution arrangement for the purposes of section 357A if—

(a) under the arrangement the new estate, interest or property becomes security for an existing loan or existing loans,

(b) under the arrangement an estate or interest in land, or the property in a caravan or house-boat, ceases to be security for the loan or loans,

(c) the estate, interest or property mentioned in paragraph (b) above was not absorbed into, or given up to obtain, the new estate, interest or property,

(d) the loan or (as the case may be) at least one of the loans is a qualifying loan, and

(e) the circumstances are such that, had the loan or loans been used to defray money applied in purchasing the new estate, interest or property, interest on the loan or (as the case may be) on each of the loans would have been eligible for relief under section 353 by virtue of section 355(1)(a) or 356(1).

(2) For the purposes of subsection (1) above a loan is a qualifying loan if, immediately before the arrangement took effect, interest on the loan was eligible for relief under section 353 by virtue of section 355(1)(a) or section 356(1).

(3) In a case where—

(a) paragraphs (a) to (d) of subsection (1) above apply in relation to an arrangement,

(b) the arrangement relates to two or more loans, and

(c) one or more of the loans is not a qualifying loan for the purposes of subsection (1) above,

any loan which is not a qualifying loan shall be ignored in applying subsection (1)(e) above.

(4) Where a security substitution arrangement relates to two or more loans and one or more of them is not a qualifying loan for the purposes of subsection (1) above, any loan which is not a qualifying loan—

(a) shall be left out of account in determining for the purposes of section 357A the number of existing loans to which the arrangement relates;

(b) shall not be treated as mentioned in section 357A(3) or (5);

(c) shall be left out of account in calculating for the purposes of section 357A(5) the aggregate of the amounts of the loans outstanding at the time the new estate, interest or property became security for them.

(5) Subsection (6) below applies where—

(a) the purchase mentioned in subsection (1) of section 357A is made jointly by the person mentioned in that subsection (the relevant person) and another person or other persons, and

(b) any of the money applied in the purchase is attributable to the relevant person and not to the other person or, as the case may be, attributable to the relevant person and not to all the other persons.

(6) In relation to the relevant person—

(a) the references in sections 357A and 357B to the new estate, interest or property shall be treated as references to his share of the new estate, interest or property, and

(b) the references in sections 357A and 357B to the purchase price of the new estate, interest or property shall be treated as references to so much of the money applied in purchasing the estate, interest or property as is attributable to him.

(7) In determining for the purposes of this section and sections 357A and 357B whether interest is, was or would have been eligible for relief under section 353, section 353(2) shall be disregarded."

57 Temporary relief for interest payments

(1) In section 355 of the Taxes Act 1988 (conditions of relief on interest on loans to buy land), after subsection (1) there shall be inserted the following subsections—

"(1A) Where, in the case of any loan—

(a) the condition specified in subsection (1)(a) above would not (apart from this subsection) be fulfilled with respect to any land, caravan or house-boat by reason of its having ceased at any time to be used by a particular person as his only or main residence; and

(b) the borrower's intention at that time was to take steps, before the end of the period of 12 months after the day on which it ceased to be so used, with a view to the disposal of that land, caravan or house-boat,

that condition shall be treated in relation to interest on that loan as continuing to be fulfilled with respect to that land, caravan or house-boat (as well as with respect to any other land, caravan or house-boat with respect to which it is in fact fulfilled) from that time until the end of that period or (if sooner) the abandonment by the borrower of his intention to dispose of the land, caravan or house-boat in question.

(1B) Where—

(a) subsection (1A) above has effect in the case of any loan ("the first loan") so that the condition specified in subsection (1)(a) above is treated in relation to any person as fulfilled with respect to any land, caravan or house-boat, and

(b) there is another loan raised by the borrower to defray money to be applied as mentioned in section 354(1) with a view to the use of any other land, caravan or house-boat as the borrower's only or main residence,

interest on the other loan shall be treated as eligible for relief to the same extent (if any) as if no interest were payable on the first loan."

(2) In subsection (2) of that section (extension of 12 month period in subsection (1)), after "subsection (1)" there shall be inserted "or (1A)".

(3) In section 365 of that Act (relief on interest on loans to buy a life annuity), after subsection (1) there shall be inserted the following subsections—

"(1A) Where, in the case of any loan—

(a) the condition specified in subsection (1)(d) above would not (apart from this subsection) be fulfilled with respect to any land by reason of its having ceased at any time to be used by a particular person as his only or main residence; and

(b) the intention at that time of the person to whom the loan was made, or of each of the annuitants owning an estate or interest in that land, was to take steps, before the end of the period of 12 months after the day on which it ceased to be so used, with a view to the disposal of his estate or interest,

that condition shall be treated in relation to interest on that loan as continuing to be fulfilled with respect to the land from that time until the end of that period or (if sooner) the abandonment by that person or any of those annuitants of his intention to dispose of his estate or interest.

(1B) If it appears to the Board reasonable to do so, having regard to all the circumstances of a particular case, they may direct that in relation to that case subsection (1A) above shall have effect as if for the reference to 12 months there were substituted a reference to such longer period as meets the circumstances of that case."

(4) In consequence of subsections (1) to (3) above, that Act shall have effect with the following amendments—

(a) in section 354(1), for "to (6)" there shall be substituted "to (4)";

(b) sections 354(5) and (6), 356D(9), 357(4) and 371 (second loans) shall cease to have effect;

(c) in section 370(1), for "371" there shall be substituted "372";

(d) in section 370(6), after paragraph (b) there shall be inserted—

"and section 355(1A) shall have effect as if after the word "used" in paragraph (a) there were inserted the words "wholly or to a substantial extent"."";

(e) in section 370(7), after paragraph (a) there shall be inserted the following paragraph—

"(aa) subsections (1A) and (1B) of that section shall have effect as if—

(i) after the word "used" in paragraph (a) of subsection (1A) there were inserted the words "wholly or partly";

(ii) for the words "subsection (1)(a)", wherever they occur, there were substituted the words "subsection (1)";

(iii) for the words "land, caravan or house-boat", wherever they occur without being immediately preceded by the word "other", there were substituted the word "dwelling"; and

(iv) for the words "other land, caravan or house-boat", wherever they occur, there were substituted the words "land, caravan or house-boat"; and".

(5) This section shall have effect in relation to payments of interest made on or after 16th March 1993 (whenever falling due).

(6) Where this section applies by virtue of subsection (5) above in a case where the condition specified in section 355(1)(a) or 365(1)(d) of the Taxes Act 1988 ceased to be fulfilled before 16th March 1993, the power of the Board by virtue of this section to extend the period specified in section 355(1A) or 365(1A) of that Act—

(a) shall be exercisable in any case in relation to that period irrespective of when that period began in that case; and

(b) in so far as it is exercisable in relation to the period specified in section 355(1A) of that Act where an equivalent period has been extended in any case under section 354(6) or 371(2) or (3) of that Act, shall be deemed to have been exercised so that (subject to any further extensions) the period in question ends when that equivalent period would have ended.

(7) In any case where—

(a) section 355(1A) of the Taxes Act 1988 has effect in the case of any loan so that the condition specified in section 355(1)(a) of that Act is treated in relation to any person as fulfilled with respect to any land, caravan or house-boat, and

(b) apart from the provisions of this section, section 27(3) or (4) of the Finance Act 1991 would have had effect in relation to any interest on that loan, or would have so had effect if any extension of the period which applies for the purposes of section 355(1A) of the Taxes Act 1988 were treated as an equivalent extension of the period which applied for the purposes of section 354(5) or 371(1) of that Act,

the amendments made by section 27(1) and (2) of that Act of 1991 shall not apply in relation to that interest.

58 Overclaims in respect of deductions of mortgage interest

(1) After subsection (6) of section 369 of the Taxes Act 1988 (recovery of amount treated as paid by recipient of interest paid subject to a deduction under that section) there shall be inserted the following subsection—

"(7) The following provisions of the Management Act, namely—

(a) section 29(3)(c) (excessive relief),

(b) section 30 (tax repaid in error etc.),

(c) section 88 (interest), and

(d) section 95 (incorrect return or accounts),

shall apply in relation to an amount which is paid to any person by the Board as an amount recoverable in accordance with regulations made by virtue of subsection (6) above but to which that person is not entitled as if it were income tax which ought not to have been repaid and, where that amount was claimed by that person, as if it had been repaid as a relief which was not due."

(2) This section shall not apply in relation to any payment if the payment, or the claim on which it is made, was made before the day on which this Act is passed.

59 Interest payments to persons not ordinarily resident in UK

In section 349 of the Taxes Act 1988 (annual interest etc.) in subsection (3) (exceptions from requirement to deduct tax from interest payments) at the end of paragraph (g) there shall be inserted "or" and after that paragraph there shall be inserted the following paragraph—

"(h) to any payment in respect of which a liability to deduct income tax would, but for section 481(5)(k), be imposed by section 480A(1)."

60 Certain interest not allowed as a deduction

(1) This section applies where—

(a) a qualifying company becomes subject to a qualifying debt, and

(b) the interest payable exceeds a commercial return on the capital repayable, expressing that capital in the settlement currency of the debt.

(2) In computing the corporation tax chargeable for an accounting period of the company, so much of the excess interest as is paid in the accounting period shall not be allowed as a deduction against the total profits for the period (if it would be allowed apart from this section).

(3) In this section—

"qualifying company" has the meaning given by section 152 below;

"qualifying debt" has the meaning given by section 153(10) below;

"settlement currency", in relation to a debt, shall be construed in accordance with section 161 below.

(4) This section applies where the company becomes subject to the debt (whether as the original debtor or otherwise) on or after the day which is its commencement day for the purposes of section 165 below.

Interest etc. on debts between associated companies

61 Qualifying debts for purposes of sections 63 to 66

(1) A debt is a qualifying debt for the purposes of sections 63 to 66 below at any time if, at that time—

(a) the person entitled to the debt is a company which is resident in the United Kingdom ("the resident company");

(b) the person liable for the debt is either a qualifying company or a qualifying third party; and

(c) the debt is not an exempted debt for those purposes.

(2) A company is a qualifying company for the purposes of this section and section 62 below at any time if, at that time, the company—

(a) is an associated company of the resident company, and

(b) is resident outside the United Kingdom.

(3) For the purposes of subsection (2)(b) above, any company which, though resident in the United Kingdom, is regarded for the purposes of any double taxation arrangements as resident in a territory outside the United Kingdom shall be treated as if it were resident outside the United Kingdom.

(4) A third party, that is to say, a person who is not an associated company of the resident company, is a qualifying third party for the purposes of this section and section 62 below at any time if, at that time, each of the two conditions mentioned below is fulfilled.

(5) The first condition is that, in pursuance of any arrangements made with the third party, that party has at any earlier time been put in funds (directly or indirectly)—

(a) by the resident company or by a company which was at that earlier time an associated company of the resident company, or

(b) by a person from whom the resident company has (directly or indirectly) acquired the debt or by a company which was at that earlier time an associated company of that person.

(6) The second condition is that, in pursuance of those arrangements, a company which is a qualifying company has at any earlier time been put in funds (directly or indirectly) by the third party or by a company which was at that earlier time an associated company of that party.

(7) In this section—

"associated company" shall be construed in accordance with section 416 of the Taxes Act 1988;

"double taxation arrangements" means double taxation arrangements having effect by virtue of section 788 of that Act.

62 Exempted debts for those purposes

(1) A debt is an exempted debt for the purposes of sections 63 to 66 below at any time if each of the first, second and third conditions mentioned below—

(a) is fulfilled at that time;

(b) has been fulfilled throughout so much of the period of the debt as falls before that time; and

(c) is likely to be fulfilled throughout so much of that period as falls after that time.

(2) The first condition is that the terms of the debt provide that any interest carried by it shall be at a rate which falls into one, and one only, of the following categories—

(a) a fixed rate which is the same throughout the period of the debt;

(b) a rate which bears to a standard published rate the same fixed relationship throughout that period; and

(c) a rate which bears to a published index of prices the same fixed relationship throughout that period.

(3) The second condition is that those terms provide for any such interest to be payable as it accrues at intervals of 12 months or less.

(4) The third condition is that those terms are such that—

(a) the amount payable on the debt's redemption cannot exceed the amount of the consideration given for it, or

(b) the debt must be redeemed within 12 months of its creation.

(5) For the purposes of subsection (4) above the amount payable on a debt's redemption does not include any amount payable by way of interest.

(6) A debt is an exempted debt for the purposes of sections 63 to 66 below at any time if the inspector is satisfied that the fourth condition mentioned below is fulfilled and either—

(a) he is also so satisfied with respect to the fifth condition so mentioned, or

(b) the sixth condition so mentioned is fulfilled.

(7) The fourth condition is that the possibility of returns on the debt being chargeable to tax as they arise rather than as they accrue was not the main reason, or one of the main reasons, why the resident company created the debt on the qualifying terms, acquired the debt on those terms or (as the case may be) agreed to the subsequent inclusion of those terms.

(8) The fifth condition is that, even if the person liable for the debt were none of the following, namely—

(a) a qualifying company;

(b) a qualifying third party; and

(c) a person who would be such a company or party if paragraph (b) of section 61(2) above were omitted,

the resident company would have still created the debt on the qualifying terms, acquired the debt on those terms or (as the case may be) agreed to the subsequent inclusion of those terms.

(9) Where it is not the resident company's business to make loans generally, that fact shall be disregarded in applying subsection (8) above.

(10) The sixth condition is that the terms of the debt—

(a) are such that the debt must be redeemed before the end of the relevant period, or

(b) provide for any interest accruing during that period to be payable no later than immediately after the end of that period and for any interest subsequently accruing to be payable as it accrues at intervals of 12 months or less.

(11) In subsection (10) above "the relevant period" means the period of 24 months beginning with the date when the resident company created the debt on the qualifying terms, acquired the debt on those terms or (as the case may be) agreed to the subsequent inclusion of those terms.

(12) A debt is an exempted debt for the purposes of sections 63 to 66 below at any time if the inspector is satisfied that, at that time, the seventh condition mentioned below was fulfilled.

(13) The seventh condition is that, by reason of its inability to pay its debts, the principal debtor—

(a) has been, is in the course of being or is likely to be wound up, or

(b) has been or is likely to be dissolved,

under or by virtue of the laws of the territory in which it is or was incorporated.

(14) Any reference in subsection (13) above to the principal debtor having been or being likely to be dissolved includes a reference to its otherwise having ceased or being likely to cease to exist as a company.

(15) Where there is an appeal arising under subsection (6) or (12) above, that subsection shall be construed as if the reference to the inspector being satisfied were a reference to the Commissioners concerned being satisfied.

(16) In this section—

"the principal debtor" means the qualifying company liable for the debt or, as the case may be, the qualifying company mentioned in section 61(6) above;

"published index of prices" means the retail prices index or any similar general index of prices which is published by, or by an agent of, the government of any territory outside the United Kingdom;

"qualifying terms", in relation to a debt, means such of the terms of the debt as preclude it from being an exempted debt by virtue of subsection (1) above.

63 Accrued income securities

(1) Subsection (2) below applies where the debt on an accrued income security—

(a) is a qualifying debt at the end of the day immediately preceding the commencement date;

(b) becomes such a debt on any day after that date;

(c) ceases to be such a debt on any such day; or

(d) is such a debt at the end of the last day of any accounting period of the resident company ending after that date;

and in that subsection "the relevant day" means the day mentioned in whichever of paragraphs (a) to (d) above is applicable.

(2) For the purposes of sections 710 to 728 of the Taxes Act 1988 (accrued income scheme) the security—

(a) except in a case falling within paragraph (b) of subsection (1) above, shall be treated as transferred by the resident company with accrued interest on the relevant day;

(b) in a case falling within that paragraph where the resident company was the holder of the security on the day immediately preceding the relevant day, shall be treated as transferred by that company with accrued interest on that preceding day; and

(c) in a case falling within paragraph (c) of that subsection where the security is not a variable interest rate security, shall cease to be treated as such a security as from the end of the relevant day;

and, in relation to such a transfer, the settlement day is the day of the transfer (notwithstanding section 712).

(3) Subsection (4) below applies where the debt on an accrued income security—

(a) is a qualifying debt at the beginning of the commencement date;

(b) becomes such a debt on any day after that date;

(c) ceases to be such a debt on any such day; or

(d) is such a debt at the beginning of the first day of any accounting period of the resident company beginning after that date;

and in that subsection "the relevant day" means the day mentioned in whichever of paragraphs (a) to (d) above is applicable.

(4) For the purposes of sections 710 to 728 the security—

(a) except in a case falling within paragraph (c) of subsection (3) above, shall be treated as transferred to the resident company with accrued interest on the relevant day;

(b) in a case falling within that paragraph where the resident company is the holder of the security on the day immediately following the relevant day, shall be treated as transferred to that company with accrued interest on that following day; and

(c) in a case falling within paragraph (a) or (b) of that subsection where the security is not a variable interest rate security, shall be treated as such a security as from the beginning of the relevant day;

and, in relation to such a transfer, the settlement day is the day of the transfer (notwithstanding section 712).

(5) Any income which, apart from this subsection, would be treated as arising on any day by virtue of subsection (1)(a) or (b) above shall be treated as not arising until whichever of the following is the earliest, namely—

(a) the earliest day on which, under the terms on which the security is issued, the resident company is entitled to require it to be redeemed;

(b) the day on which the security is redeemed; and

(c) the day (if any) on which it is transferred by the resident company.

(6) Subsection (7) below applies where, in the case of a debt which is not a debt on a security, the terms of the debt are such that, if it were such a debt, the security would be an accrued income security.

(7) For the purposes of this section and sections 710 to 728, at any time when the debt is a qualifying debt—

(a) an accrued income security incorporating the terms of the debt shall be deemed to be held by the resident company, and

(b) the debt shall be deemed to be a debt on that security.

(8) Subsections (9) and (10) below shall apply where an accrued income security (including one deemed to be held by virtue of subsection (7) above) is treated by virtue of subsection (1)(c) or (d) above as transferred on any day by the resident company.

(9) In subsection (10) below "straddling period" means a period which would (by virtue of section 711(3) and (4) and apart from subsection (10) below) be in relation to the security an interest period beginning on or before and ending after the day of the transfer.

(10) For the purposes of sections 710 to 728 a straddling period is not an interest period but—

(a) the period beginning with the day on which the straddling period begins and ending with the day of the transfer is an interest period; and

(b) the period beginning with the day immediately following the day of the transfer and ending with the day on which the straddling period ends is an interest period.

(11) In this section—

"accrued income security" has the same meaning as "security" has for the purposes of sections 710 to 728;

"variable interest rate security" means a security to which section 717 (variable interest rate) applies;

and other expressions to which meanings are assigned for the purposes of those sections have the same meanings as in sections 710 to 728.

(12) In this section and sections 64 and 65 below "the commencement date" means 1st April 1993.

64 Deep discount securities

(1) Subsection (2) below applies where the debt on a deep discount security—

(a) is a qualifying debt at the end of the day immediately preceding the commencement date;

(b) becomes such a debt at any time after that date;

(c) ceases to be such a debt at any such time; or

(d) is such a debt at the end of the last day of any accounting period of the resident company ending after that date;

and in that subsection "the relevant time" means the time mentioned in whichever of paragraphs (a) to (d) above is applicable.

(2) For the purposes of Schedule 4 to the Taxes Act 1988 (deep discount securities) the resident company shall be deemed—

(a) except in a case falling within paragraph (b) of subsection (1) above, to dispose of the security at the relevant time; and

(b) in a case falling within that paragraph where that company was the holder of the security at a time immediately preceding the relevant time, to dispose of the security at that preceding time.

(3) Subsection (4) below applies where the debt on a deep discount security—

(a) is a qualifying debt at the beginning of the commencement date;

(b) becomes such a debt at any time after that date;

(c) ceases to be such a debt at any such time; or

(d) is such a debt at the beginning of the first day of any accounting period of the resident company beginning after that date;

and in that subsection "the relevant time" means the time mentioned in whichever of paragraphs (a) to (d) above is applicable.

(4) For the purposes of Schedule 4 the resident company shall be deemed—

(a) except in a case falling within paragraph (c) of subsection (3) above, to acquire the security at the relevant time; and

(b) in a case falling within that paragraph where that company is the holder of the security at a time immediately following the relevant time, to acquire the security at that following time.

(5) Any income which, apart from this subsection, would be treated as arising at any time by virtue of subsection (1)(a) or (b) above shall be treated as not arising until whichever of the following is the earliest, namely—

(a) the earliest time at which, under the terms on which the security is issued, the resident company is entitled to require it to be redeemed;

(b) the time at which the security is redeemed; and

(c) the time (if any) at which it is transferred by the resident company.

(6) Subsection (7) below applies where, in the case of a debt which is not a debt on a security, the terms of the debt are such that, if it were such a debt, the security would be a deep discount security.

(7) For the purposes of this section and Schedule 4, at any time when the debt is a qualifying debt—

(a) a deep discount security incorporating the terms of the debt shall be deemed to be held by the resident company, and

(b) the debt shall be deemed to be a debt on that security.

(8) In this section expressions to which meanings are assigned for the purposes of Schedule 4 have the same meanings as in that Schedule.

65 Deep gain securities

(1) Subsection (2) below applies where the debt on a deep gain security—

(a) is a qualifying debt at the end of the day immediately preceding the commencement date;

(b) becomes such a debt on any day after that date;

(c) ceases to be such a debt on any such day; or

(d) is such a debt at the end of the last day of any accounting period of the resident company ending after that date;

and in that subsection "the relevant day" means the day mentioned in whichever of paragraphs (a) to (d) above is applicable.

(2) For the purposes of Schedule 11 to the Finance Act 1989 (deep gain securities) the resident company shall be treated—

(a) except in a case falling within paragraph (b) of subsection (1) above, as transferring the security on the relevant day;

(b) in a case falling within that paragraph where the resident company was the holder of the security on the day immediately preceding the relevant day, as transferring the security on that preceding day; and

(c) (in either case) as obtaining in respect of the transfer an amount equal to the market value of the security at the time of the transfer.

(3) Subsection (4) below applies where the debt on a deep gain security—

(a) is a qualifying debt at the beginning of the commencement date;

(b) becomes such a debt on any day after that date;

(c) ceases to be such a debt on any such day; or

(d) is such a debt at the beginning of the first day of any accounting period of the resident company beginning after that date;

and in that subsection "the relevant day" means the day mentioned in whichever of paragraphs (a) to (d) above is applicable.

(4) For the purposes of Schedule 11 the resident company shall be treated—

(a) except in a case falling within paragraph (c) of subsection (3) above, as acquiring the security on the relevant day;

(b) in a case falling within that paragraph where the resident company is the holder of the security on the day immediately following the relevant day, as acquiring the security on that following day; and

(c) (in either case) as paying in respect of the acquisition an amount equal to the market value of the security at the time of the acquisition.

(5) Any income which, apart from this subsection, would be treated as arising on any day by virtue of subsection (1)(a) or (b) above shall be treated as not arising until whichever of the following is the earliest, namely—

(a) the earliest day on which, under the terms on which the security is issued, the resident company is entitled to require it to be redeemed;

(b) the day on which the security is redeemed; and

(c) the day (if any) on which it is transferred by the resident company.

(6) Subsection (7) below applies where, in the case of a debt which is not a debt on a security, the terms of the debt are such that, if it were such a debt, the security would be a deep gain security.

(7) For the purposes of this section and Schedule 11, at any time when the debt is a qualifying debt—

(a) a deep gain security incorporating the terms of the debt shall be deemed to be held by the resident company, and

(b) the debt shall be deemed to be a debt on that security.

(8) Any reference in this section to Schedule 11 is a reference to that Schedule as it would have effect if paragraphs 1(4)(c) and 22 (exclusion of qualifying indexed securities and special rules for such securities) were omitted; but no income accruing before the commencement date in respect of the debt on a qualifying indexed security shall be chargeable to tax by virtue of this section.

(9) In this section expressions to which meanings are assigned for the purposes of Schedule 11 have the same meanings as in that Schedule.

66 Avoidance of double charging

(1) In any case where—

(a) by virtue of sections 63(2) and 65(2) above, a single security is treated as transferred both for the purposes of sections 710 to 728 of the Taxes Act 1988 and for the purposes of Schedule 11 to the Finance Act 1989; and

(b) the transfer for the purposes of that Schedule is one to which paragraph 5 of that Schedule applies,

the resident company shall not be chargeable to tax in respect of any income treated as arising by virtue of the transfer for the purposes of sections 710 to 728.

(2) In any case where, by virtue of sections 63(7) and 65(7) above, the same qualifying debt is deemed to be a debt on two separate securities, those securities shall be treated as a single security for the purposes of subsection (1) above.

(3) In any case where, by virtue of subsection (7) of section 63, 64 or 65 above, a qualifying debt is deemed to be a debt on a security, any income which is chargeable to tax as income treated as arising to the resident company by virtue of that section shall not also be chargeable to tax as income actually arising.

Charitable donations

67 Donations from companies and individuals

(1) In section 339 of the Taxes Act 1988 (charges on income: donations to charity) in subsection (3A) (payment by close company not a qualifying donation if less than £400 after deducting income tax) for "£400" there shall be substituted "£250".

(2) In section 25 of the Finance Act 1990 (donations to charity by individuals) in subsection (2)(g) (gift must be not less than £400 to be a qualifying donation) for "£400" there shall be substituted "£250".

(3) Subsection (1) above shall apply in relation to payments made on or after 16th March 1993.

(4) Subsection (2) above shall apply in relation to gifts made on or after 16th March 1993.

68 Payroll deduction schemes

(1) In section 202(7) of the Taxes Act 1988 (which limits to £600 the deductions attracting relief) for "£600" there shall be substituted "£900".

(2) This section shall have effect for the year 1993-94 and subsequent years of assessment.

69 Contributions to agent's expenses

The following section shall be inserted after section 86 of the Taxes Act 1988—

"**86A Charitable donations: contributions to agent's expenses**

(1) This section applies where—

(a) a person (the employer) is liable to make to any individual payments from which income tax falls to be deducted by virtue of section 203 and regulations under that section, and

(b) the employer withholds sums from those payments in accordance with a scheme falling within subsection (3) of section 202 and pays the sums to an agent (within the meaning of subsection (4)(a) of that section).

(2) Any relevant expenditure incurred by the employer on or after 16th March 1993—

(a) shall be deducted in computing for the purposes of Schedule D the profits or gains of a trade, profession or vocation carried on by the employer, or

(b) if the employer is an investment company or a company in the case of which section 75 applies by virtue of section 76, shall be treated as expenses of management.

(3) Relevant expenditure is expenditure incurred in making to the agent any payment in respect of expenses which have been or are to be incurred by the agent in connection with his functions under the scheme."

Benefits in kind

70 Car benefits: 1993-94

(1) In Schedule 6 to the Taxes Act 1988 (taxation of directors and others in respect of cars) for Part I (tables of flat rate cash equivalents) there shall be substituted—

"**PART I**

TABLES OF FLAT RATE CASH EQUIVALENTS

Table A

CARS WITH AN ORIGINAL MARKET VALUE UP TO £19,250 AND HAVING A CYLINDER CAPACITY

Cylinder capacity of car in cubic centimetres	*Age of car at end of relevant year of assessment*	
	Under 4 years	*4 years or more*
1,400 or less	£2,310	£1,580
More than 1,400 but not more than 2,000	£2,990	£2,030
More than 2,000	£4,800	£3,220

Table B

CARS WITH AN ORIGINAL MARKET VALUE UP TO £19,250 AND NOT HAVING A CYLINDER CAPACITY

Original market value of car	*Age of car at end of relevant year of assessment*	
	Under 4 years	*4 years or more*
Less than £6,000	£2,310	£1,580
£6,000 or more but less than £8,500	£2,990	£2,030
£8,500 or more but not more than £19,250	£4,800	£3,220

Table C

CARS WITH AN ORIGINAL MARKET VALUE OF MORE THAN £19,250

Original market value of car	*Age of car at end of relevant year of assessment*	
	Under 4 years	*4 years or more*
More than £19,250 but not more than £29,000	£6,210	£4,180

Original market value of car	*Age of car at end of relevant year of assessment*	
	Under 4 years	*4 years or more*
More than £29,000	£10,040	£6,660”

(2) This section shall have effect for the year 1993-94.

71 Car fuel: 1993-94

(1) In section 158 of the Taxes Act 1988 (car fuel) for the Tables in subsection (2) (tables of cash equivalents) there shall be substituted—

“TABLE A

Cylinder capacity of car in cubic centimetres	*Cash equivalent*
1,400 or less	£600
More than 1,400 but not more than 2,000	£760
More than 2,000	£1,130

TABLE AB

Cylinder capacity of car in cubic centimetres	*Cash equivalent*
2,000 or less	£550
More than 2,000	£710

TABLE B

Original market value of car	*Cash equivalent*
Less than £6,000	£600
£6,000 or more but less than £8,500	£760
£8,500 or more	£1,130”

(2) In subsection (5) of that section (reductions in cash equivalents) the words “or 3” shall be omitted.

(3) This section shall have effect for the year 1993-94.

72 Car and car fuel benefits: 1994-95 onwards

Schedule 3 to this Act (which contains provisions, having effect for the year 1994-95 and subsequent years of assessment, about cars available for private use and car fuel) shall have effect.

73 Vans

Schedule 4 to this Act (which contains provisions about vans available for private use) shall have effect.

74 Heavier commercial vehicles

(1) In the Taxes Act 1988, after section 159AB (inserted by Schedule 4 to this Act) there shall be inserted the following section—

"**159AC Heavier commercial vehicles available for private use**

(1) This section applies where in any year—

(a) a heavier commercial vehicle is made available to an employee in circumstances such that, had that vehicle been a van, the benefit so provided would have been chargeable to tax under section 159AA, and

(b) the employee's use of the vehicle is not wholly or mainly private use.

(2) Section 154 shall not apply to—

(a) the benefit so provided, or

(b) any benefit in connection with the vehicle other than a benefit in connection with the provision of a driver for the vehicle.

(3) The employee shall not be taxable—

(a) under Schedule E in respect of the discharge of any liability of his in connection with the vehicle;

(b) under section 141 or 142 in respect of any non-cash voucher or credit-token to the extent that it is used by him—

(i) for obtaining money which is spent on goods or services in connection with the vehicle, or

(ii) for obtaining such goods or services;

(c) under section 153 in respect of any payment made to him in respect of expenses incurred by him in connection with the vehicle.

(4) In this section "heavier commercial vehicle" means a mechanically propelled road vehicle which is—

(a) of a construction primarily suited for the conveyance of goods or burden of any description, and

(b) of a design weight exceeding 3,500 kilograms;

and "design weight" here means the weight which the vehicle is designed or adapted not to exceed when in normal use and travelling on a road laden.

(5) In this section—

(a) "private use", in relation to a vehicle made available to an employee, means any use other than for his business travel, and

(b) "business travel" means travelling which the employee is necessarily obliged to do in the performance of the duties of his employment."

(2) In section 159A of that Act (mobile telephones) in subsection (8)(a) (meaning of "mobile telephone"), as amended by Schedule 4 to this Act—

(a) the word "but" at the end of sub-paragraph (i) shall be omitted,

(b) after that sub-paragraph there shall be inserted the following sub-paragraph—

"(i) includes any such apparatus provided in connection with a heavier commercial vehicle (within the meaning given by section 159AC) notwithstanding

that the vehicle is made available as mentioned in that section;", and

(c) at the end of sub-paragraph (ii) there shall be inserted "or heavier commercial vehicle

(3) This section shall have effect for the year 1993-94 and subsequent years of assessment.

75 Sporting and recreational facilities

(1) After section 197F of the Taxes Act 1988 there shall be inserted the following section—

"Sporting and recreational facilities

197G Sporting and recreational facilities

(1) No charge to tax under Schedule E shall arise in respect of the provision to any person in employment with any employer, or to any member of the family or household of such a person, of—

(a) any benefit to which this section applies; or

(b) any non-cash voucher which is capable of being exchanged only for a benefit to which this section applies.

(2) This section applies, subject to subsections (3) to (5) below, to any benefit consisting in, or in a right or opportunity to make use of, any sporting or other recreational facilities provided so as to be available generally to, or for use by, the employees of the employer in question.

(3) Except in such cases as may be prescribed, this section does not apply to any benefit consisting in—

(a) an interest in, or the use of, any mechanically propelled vehicle;

(b) an interest in, or the use of, any holiday or other overnight accommodation or any facilities which include, or are provided in association with, a right or opportunity to make use of any such accommodation;

(c) a facility provided on domestic premises;

(d) a facility provided so as to be available to, or for use by, members of the public generally;

(e) a facility which is used neither wholly nor mainly by persons whose right or opportunity to use it derives from employment (whether with the same employer or with different employers); or

(f) a right or opportunity to make use of any facility falling within any of the preceding paragraphs.

(4) For the purposes of subsection (3)(e) above a person's right or opportunity to use any facility shall be taken to derive from employment if, and only if—

(a) it derives from his being or having been an employee of a particular employer or a member of the family or household of a person who is or has been such an employee; and

(b) the facility is one which is provided so as to be available generally to the employees of that employer.

(5) The Treasury may by regulations provide—

(a) that such benefits as may be prescribed shall not be benefits to which this section applies; and

(b) that such other benefits as may be prescribed shall be benefits to which this section applies only where such conditions as may be prescribed are satisfied in relation to the terms on which, and the persons to whom, they are provided.

(6) In this section—

"domestic premises" means any premises used wholly or mainly as a private dwelling or any land or other premises belonging to, or enjoyed with, any premises so used;

"non-cash voucher" has the same meaning as in section 141;

"prescribed" means prescribed by regulations made by the Treasury;

"vehicle" includes any ship, boat or other vessel, any aircraft and any hovercraft;

and section 168(2) and (4) shall apply for the purposes of this section as it applies for the purposes of Chapter II of this Part."

(2) This section shall apply for the year 1993-94 and subsequent years of assessment.

76 Removal expenses and benefits

Schedule 5 to this Act (which relates to the payment of expenses, and the provision of benefits, in respect of removals) shall have effect.

Taxation of distributions etc.

77 Application of lower rate

(1) In Chapter I of Part VI of the Taxes Act 1988 (taxation of company distributions), before section 208 there shall be inserted the following section—

"**207A Application of lower rate to company distributions**

(1) Subject to section 686, so much of any person's total income in any year of assessment as—

(a) comprises income which is chargeable under Schedule F; and

(b) in the case of an individual, is not income falling within section 1(2)(b),

shall by virtue of this section be charged for that year at the lower rate, instead of at the rate otherwise applicable to it in accordance with section 1(2)(aa) and (a).

(2) So much of any person's income as comprises income chargeable under Schedule F shall be treated for the purposes of subsection (1)(b) above and any other provisions of the Income Tax Acts as the highest part of his income.

(3) Subsection (2) above shall have effect subject to section 833(3) but shall otherwise have effect notwithstanding any provision requiring income of any

description to be treated for the purposes of the Income Tax Acts (other than section 550) as the highest part of a person's income."

(2) The section 207A inserted in the Taxes Act 1988 by subsection (1) above shall apply, as it applies to income chargeable under Schedule F, to any income which—

(a) is chargeable to income tax under Case V of Schedule D;

(b) is such that, being a dividend or other distribution of a company not resident in the United Kingdom, it would be chargeable under Schedule F if the company were so resident; and

(c) is not such that tax is chargeable by virtue of section 65(5)(b) of that Act on the full amount of the actual sums received in the United Kingdom.

(3) In section 249 of that Act (issues of share capital treated as income)—

(a) in subsection (4)—

(i) for the words "basic rate", in each place where they occur, there shall be substituted "lower rate"; and

(ii) in paragraph (c), for "which is not chargeable at the lower rate and" there shall be substituted "to which (without prejudice to paragraph (a) above) section 207A shall be taken to apply as it applies to income chargeable under Schedule F, but shall be treated";

and

(b) in subsection (6)(b), for "basic rate" there shall be substituted "lower rate".

(4) In section 421(1) of that Act (taxation of borrower where loan under section 419 released)—

(a) in paragraph (a), after "tax" there shall be inserted "at the lower rate";

(b) in paragraph (b), for "basic rate" there shall be substituted "lower rate"; and

(c) in paragraph (c), for the words from "which is not" to "that paragraph" there shall be substituted "to which (without prejudice to paragraph (b) above) section 207A shall be taken to apply as it applies to income chargeable under Schedule F, but, notwithstanding the preceding provisions of this subsection".

(5) This section shall apply in relation to the year 1993-94 and subsequent years of assessment.

78 Rate of advance corporation tax and tax credits

(1) In subsection (3) of section 14 of the Taxes Act 1988 (fraction for the purposes of advance corporation tax), in the words after the formula, for "is the percentage at which income tax at the basic rate" there shall be substituted "for the financial year 1993 is 22.5 and for any subsequent financial year is the percentage at which income tax at the lower rate".

(2) Subsection (1) above shall have effect, subject to section 246(6) of that Act and the following provisions of this section, in relation to the financial year 1993 and subsequent financial years.

(3) Subject to the following provisions of this section, the Tax Acts shall have effect in the case of any distribution in relation to which the rate of advance corporation tax is calculated by reference to the figure fixed by virtue of subsection (1) above for the financial year 1993 as if the amount of the tax credit to which the recipient of the distribution is entitled were to be calculated under section 231(1) of the Taxes Act 1988 on the basis of a rate of advance corporation tax calculated for that financial year

by reference to the lower rate for the year 1993-94, rather than by reference to the figure fixed by virtue of subsection (1) above.

(4) Subject to the following provisions of this section—

(a) subsection (3) above shall not apply in relation to the determination of the amount of any tax credit which under section 238(1) of the Taxes Act 1988 is to be aggregated with the amount or value of any distribution for the purpose of calculating the amount of any franked investment income; but

(b) references in any enactment to the payment of a tax credit comprised in any franked investment income, or to the payment of a tax credit in respect of any such income, shall have effect, in relation to any franked investment income the amount of which is calculated in accordance with paragraph (a) above, as references to the payment of the amount of that credit as determined in accordance with subsection (3) above.

(5) Subsections (6) to (11) below shall have effect for the purposes of references in the Tax Acts to franked investment income so far as those references relate to income consisting of distributions in the case of which there is a difference by virtue of subsections (3) and (4) above between—

(a) the amount of the tax credits determined in respect of the distributions in accordance with subsection (3) above; and

(b) the amount of those tax credits so far as they are comprised for the purposes of section 238(1) of the Taxes Act 1988 in that franked investment income.

(6) Subject to the following provisions of this section, in sections 13(7), 236(5), 434, 438, 458, 490 and 802 of, and paragraph 1(8) of Schedule 19AB to, the Taxes Act 1988 (references to the profits of small companies, exempt funds, mutual businesses and certain insurance businesses), and in section 89 of the Finance Act 1989 (policyholders' share of profits), references to franked investment income shall be construed as references to franked investment income calculated using tax credits of amounts determined in accordance with subsection (3) above, instead of as references to franked investment income calculated in accordance with subsection (4)(a) above.

(7) Sections 241(5), 438(5) and 441A(8) of the Taxes Act 1988 (use of franked investment income) and section 89(8) of the Finance Act 1989 (definition of "unrelieved" franked investment income) shall have effect as if the amounts specified in paragraphs (a) and (b) of subsection (5) above were the same so that, if—

(a) tax credits determined in respect of any distributions in accordance with subsection (3) above have been paid, or

(b) in the case of section 441A(8), tax credits so determined are payable,

there shall be no further amount of tax credits comprised in the franked investment income consisting of those distributions which is available for use for franking distributions or, as the case may be, which is unrelieved.

(8) Where—

(a) a claim is made under section 242(1) or 243(1) of the Taxes Act 1988 (set-off against franked investment income) for any accounting period in relation to any surplus of franked investment income; and

(b) the surplus to which the claim relates is or contains an amount of franked investment income ("the relevant amount") which represents distributions the tax credits in respect of which are of amounts that would, apart from subsection (4)(a) above, be determined in accordance with subsection (3) above,

that claim shall be treated as confined to what would have been the amount of the surplus if the tax credits comprised in the relevant amount (but no other tax credits comprised in the franked investment income in question) had been of amounts so determined.

(9) Where—

(a) for any accounting period there is a claim under section 242(1) or 243(1) of the Taxes Act 1988 to which subsection (8) above applies, and

(b) apart from this subsection there would, after any reduction in pursuance of the claim, be an amount falling under section 241(3) of that Act to be carried forward as a surplus of franked investment income to any subsequent accounting period,

the amount to be so carried forward shall be further reduced by the amount representing the difference between an amount of franked investment income equal to the reduction in pursuance of the claim and calculated with subsection (3) above applying for determining the amount of tax credits comprised in it and the equivalent amount of franked investment income calculated without regard to that subsection.

(10) Without prejudice to subsection (8) above, the reference in section 243(1) of the Taxes Act 1988 to the amount up to which a surplus of franked investment income may be taken into account under section 393(1) of that Act shall have effect as if franked investment income taken into account by virtue of section 393(8) of that Act were to be calculated using tax credits of amounts determined in accordance with subsection (3) above.

(11) Subsection (6) above shall not apply to the references to franked investment income in section 434(3) of the Taxes Act 1988 (policy-holder's share not to be used for franking); but this subsection shall be without prejudice to the effect of subsections (8) and (9) above in relation to a case in which a surplus of franked investment income for any accounting period is determined in accordance with section 434(3) of that Act.

(12) In section 246 of the Taxes Act 1988 (charge of ACT at previous rate), in subsections (1), (2) and (4), for the words "basic rate", wherever they occur, there shall be substituted "lower rate".

(13) Subsection (12) above shall have effect in relation to the financial year 1994 and subsequent financial years.

79 Provisions supplemental to sections 77 and 78

(1) Schedule 6 to this Act (which makes further provision for the purposes of and in connection with the provisions of sections 77 and 78 above) shall have effect.

(2) Subject to that Schedule, subsection (3) of section 687 of the Taxes Act 1988 (definition of pool for the purposes of payments under discretionary trusts) shall have effect, and be deemed always to have had effect, as if—

(a) the repeal of paragraph (b) which was made by Part V of Schedule 17 to the Finance Act 1989 in relation to accounting periods beginning after 31st March 1989 had been confined to the following words in that paragraph, that is to say, "under section 462(2) as applied by section 686(4) or"; and

(b) that subsection included the following paragraph—

"(j) the amount of any tax on an amount which is treated as income of the trustees by virtue of paragraph 12 of

Schedule 10 to the Finance Act 1990 and is charged to tax at a rate equal to the sum of the basic rate and the additional rate by virtue of paragraph 19 of that Schedule;".

(3) Subject to section 686(2A) of the Taxes Act 1988 but notwithstanding anything in section 207A(2) and (3) of that Act, the expenses of any trustees in any year of assessment, so far as they are properly chargeable to income (or would be so chargeable but for any express provisions of the trust), shall be treated as set against so much (if any) of any income as is chargeable to tax in accordance with section 207A of that Act before being set against any other income.

80 Transitional relief for charities etc

(1) In any case where—

(a) a qualifying distribution is made on or after 6th April 1993 and before 6th April 1997 by a company resident in the United Kingdom;

(b) the recipient of the distribution is a section 505 body; and

(c) the section 505 body is entitled to the payment of a tax credit in respect of the distribution,

the section 505 body, on a claim made under this section to the Board, shall (in addition to its entitlement to payment of the tax credit) be entitled to be paid by the Board out of money provided by Parliament an amount determined in accordance with subsection (2) below.

(2) The amount referred to in subsection (1) above is an amount equal to—

(a) one-fifteenth of the amount or value of the distribution if the distribution is made on or after 6th April 1993 and before 6th April 1994;

(b) one-twentieth of that amount or value if the distribution is made on or after 6th April 1994 and before 6th April 1995;

(c) one-thirtieth of that amount or value if the distribution is made on or after 6th April 1995 and before 6th April 1996;

(d) one-sixtieth of that amount or value if the distribution is made on or after 6th April 1996 and before 6th April 1997.

(3) For the purposes of this section each of the following is a section 505 body—

(a) any charity (as defined in section 506(1) of the Taxes Act 1988);

(b) each of the bodies mentioned in section 507 of that Act (heritage bodies);

(c) any Association of a description specified in section 508 of that Act (scientific research organisations).

(4) Any entitlement of a section 505 body to a payment under the preceding provisions of this section shall be subject to a power of the Board to determine (whether before or after any payment is made) that, having regard to the operation in relation to the qualifying distribution in question of section 235, 237 or 703 of the Taxes Act 1988 (distributions of exempt funds, bonus issues and tax avoidance provisions), that body is to be treated as if it had had no entitlement to that payment or to so much of it as they may determine.

(5) No claim may be made under this section later than two years after the end of the chargeable period of the section 505 body in which the distribution is made.

(6) An appeal may be brought against any decision of the Board under this section by giving written notice to the Board within thirty days of receipt of written notice of the decision.

(7) An appeal under this section shall lie to the Special Commissioners, and the provisions of the Taxes Management Act 1970 relating to appeals under the Tax Acts shall apply to an appeal under this section as they apply to those appeals.

(8) Any payment of an amount under this section shall be treated for the purposes of section 252 of the Taxes Act 1988 (rectification of excessive set-off etc. of ACT or tax credit) as a payment of tax credit.

81 Restriction of set-off of ACT

In section 245 of the Taxes Act 1988 (calculation etc. of ACT on change of ownership of company) after subsection (3) there shall be inserted the following subsections—

"(3A) No advance corporation tax paid by the company in respect of distributions made in an accounting period ending after the change of ownership shall be treated under section 239(3) as paid by it in respect of distributions made in an accounting period beginning before the change of ownership; and this subsection shall apply to an accounting period in which the change of ownership occurs as if the part ending with the change of ownership, and the part after, were two separate accounting periods.

(3B) Subsection (3A) above applies in relation to changes in ownership occuring on or after 16th March 1993."

Chargeable gains

82 Annual exempt amount for 1993-94

For the year 1993-94 section 3 of the Taxation of Chargeable Gains Act 1992 (annual exempt amount) shall have effect as if the amount specified in subsection (2) were £5,800, and accordingly subsection (3) of that section (indexation) shall not apply for that year.

83 Annual exempt amount: indexation for 1994-95 onwards

(1) In section 3(3) of the Taxation of Chargeable Gains Act 1992 (indexation of annual exempt amount) for "December" (in each place) there shall be substituted "September".

(2) This section shall have effect for the year 1994-95 and subsequent years of assessment.

84 Re-organisations etc. involving debentures

(1) In section 117 of the Taxation of Chargeable Gains Act 1992 (meaning of qualifying corporate bond), after subsection (6) there shall be inserted the following subsection—

"(6A) For the purposes of this section "corporate bond" also includes, except in relation to a person who acquires it on or after a disposal in relation to which section 115 has or has had effect in accordance with section 116(10)(c), any

debenture issued on or after 16th March 1993 which is not a security (as defined in section 132) but—

(a) is issued in circumstances such that it would fall by virtue of section 251(6) to be treated for the purposes of section 251 as such a security; and

(b) would be a corporate bond if it were a security as so defined."

(2) In section 251 of that Act (general provisions in relation to debts), after subsection (5) there shall be inserted the following subsection—

"(6) For the purposes of this section a debenture issued by any company on or after 16th March 1993 shall be deemed to be a security (as defined in section 132) if—

(a) it is issued on a reorganisation (as defined in section 126(1)) or in pursuance of its allotment on any such reorganisation;

(b) it is issued in exchange for shares in or debentures of another company and in a case unaffected by section 137 where one or more of the conditions mentioned in paragraphs (a) to (c) of section 135(1) is satisfied in relation to the exchange;

(c) it is issued under any such arrangements as are mentioned in subsection (1)(a) of section 136 and in a case unaffected by section 137 where section 136 requires shares or debentures in another company to be treated as exchanged for, or for anything that includes, that debenture; or

(d) it is issued in pursuance of rights attached to any debenture issued on or after 16th March 1993 and falling within paragraph (a), (b) or (c) above."

(3) This section shall have effect in relation to any chargeable period ending on or after 16th March 1993 but, in relation to any accounting period of a company which began before 6th April 1992, this section shall have effect as if the references in this section, and in the amendments made by this section, to provisions of the Taxation of Chargeable Gains Act 1992 were references to such of the provisions of the Capital Gains Tax Act 1979 and the Finance Act 1984 as correspond to those provisions and have effect in relation to that accounting period.

85 Personal equity plans

After subsection (3) of section 151 of the Taxation of Chargeable Gains Act 1992 (personal equity plans) there shall be inserted the following subsection—

"(4) Regulations under this section may include provision which, for cases where a person subscribes to a plan by transferring or renouncing shares or rights to shares—

(a) modifies the effect of this Act in relation to their acquisition and their transfer or renunciation; and

(b) makes consequential modifications of the effect of this Act in relation to anything which (apart from the regulations) would have been regarded on or after their acquisition as an indistinguishable part of the same asset."

86 Roll-over relief

(1) In section 155 of the Taxation of Chargeable Gains Act 1992 (classes of assets for the purposes of roll-over relief), after Class 5 there shall be inserted—

"CLASS 6

Ewe and suckler cow premium quotas (that is, rights in respect of any ewes or suckler cows to receive payments by way of any subsidy entitlement to which is determined by reference to limits contained in a Community instrument)."

(2) The Treasury may by order made by statutory instrument amend that section so as to add one or more further classes of assets to the classes specified in that section.

(3) A statutory instrument containing an order under subsection (2) above shall be subject to annulment in pursuance of a resolution of the House of Commons.

(4) Subsection (1) above shall apply where the disposal of the old assets (or an interest in them) or the acquisition of the new assets (or an interest in them) is on or after 1st January 1993; but, in relation to any accounting period of a company which began before 6th April 1992, subsection (1) above shall have effect as if the inserted class were numbered 5 and were inserted after Class 4 in section 118 of the Capital Gains Tax Act 1979.

87 Relief on retirement or re-investment

(1) Schedule 7 to this Act (which amends the provisions of the Taxation of Chargeable Gains Act 1992 with respect to retirement relief and makes new provision in relation to relief on the re-investment of certain gains) shall have effect.

(2) This section and that Schedule shall have effect in relation to any disposal made on or after 16th March 1993.

88 Restriction on set-off of pre-entry losses

(1) After section 177 of the Taxation of Chargeable Gains Act 1992 there shall be inserted the following section—

"**177A Restriction on set-off of pre-entry losses**

Schedule 7A to this Act (which makes provision in relation to losses accruing to a company before the time when it becomes a member of a group of companies and losses accruing on assets held by any company at such a time) shall have effect."

(2) The Schedule set out in Schedule 8 to this Act shall be inserted after Schedule 7 to that Act.

(3) This section and that Schedule—

(a) shall apply for the calculation of the amount to be included in respect of chargeable gains in a company's total profits for any accounting period ending on or after 16th March 1993; but

(b) shall so apply only in relation to the deduction from chargeable gains accruing on or after 16th March 1993 of amounts in respect of, or of amounts carried forward in respect of—

(i) pre-entry losses accruing before it became a member of the relevant group to a company whose membership of that group began or begins at a time on or after 1st April 1987; and

(ii) losses accruing on the disposal of any assets so far as it is by reference to such a company that the assets fall to be treated as being or having been pre-entry assets or assets incorporating a part referable to pre-entry assets.

(4) In relation to accounting periods beginning before 6th April 1992 this section and that Schedule shall have effect as if—

(a) the section and Schedule inserted by subsections (1) and (2) above were inserted in the Capital Gains Tax Act 1979; and

(b) references in the Schedule so inserted to provisions of the Taxation of Chargeable Gains Act 1992 were references to such of the provisions of that Act of 1979 or of any other enactment as correspond to the provisions referred to and have effect in relation to that accounting period.

89 De-grouping charges

(1) In section 179(4) of the Taxation of Chargeable Gains Act 1992 (time at which de-grouping charges accrue), for the words from "as follows" onwards there shall be substituted "at whichever is the later of the following, that is to say—

(a) the time immediately after the beginning of the accounting period of that company in which or, as the case may be, at the end of which the company ceases to be a member of the group; and

(b) the time when under subsection (3) above it is treated as having reacquired the asset;

and subsection (2) of section 409 of the Taxes Act (group relief) shall require any apportionment under that subsection to be made accordingly but shall not require any reference in this subsection to an accounting period to have effect for any of the purposes specified in subsection (3) of that section as a reference to any accounting period other than a true accounting period."

(2) This section shall have effect in relation to accounting periods ending after the day appointed for the purposes of section 180(1)(b) of that Act.

90 Insurance: transfers of business

(1) In section 211 of the Taxation of Chargeable Gains Act 1992 (insurance: transfers of business) in subsection (2)(b) for "(c)" there shall be substituted "(b)".

(2) This section shall apply in relation to transfers made on or after 17th July 1992.

91 Deemed disposals of unit trusts by insurance companies

(1) Section 212 of the Taxation of Chargeable Gains Act 1992 (annual deemed disposal by insurance companies of unit trusts) shall have effect in relation to accounting periods beginning on or after 1st January 1993; and neither that section nor section 46 of the

Finance Act 1990 (which is consolidated in that section) shall have effect in relation to any earlier accounting period in relation to which either of them would have applied apart from this subsection.

(2) In relation to any accounting period beginning on or after 1st January 1993—

(a) section 432A of the Taxes Act 1988 shall have effect with the omission of subsection (10) (which disapplies the apportionment rules in that section in the case of a deemed disposal under section 212 of that Act of 1992); and

(b) that section 212 shall have effect with the omission, in subsection (2), of the words from "and in relation to" onwards and of subsections (3), (4) and (6) (which provide for a different apportionment rule in the case of the deemed disposal).

(3) In subsection (7) of that section 212, in the words after paragraph (b) (application of definitions in the Taxes Act 1988), for "and 214" there shall be substituted "to 214A".

(4) After section 213(1) of that Act of 1992 (spreading of gains and losses), there shall be inserted the following subsection—

"(1A) Subsection (1) above shall not apply to chargeable gains or allowable losses except so far as they are gains or losses which—

(a) are referable to basic life assurance and general annuity business; or

(b) would (apart from that subsection) be taken into account in computing the profits of any business treated as a separate business under section 458 of the Taxes Act;

and that subsection shall apply separately in relation to the gains and losses falling within paragraph (a) above and those falling within paragraph (b) above for the purpose of determining what chargeable gains or allowable losses so referable are to be treated as accruing under that subsection and what chargeable gains or allowable losses to be so taken into account are to be treated as so accruing."

(5) Section 214 of that Act of 1992 shall have effect with the omission of subsections (3) to (5) (run-off relief), and after that section there shall be inserted the following section—

"**214A Further transitional provisions**

(1) This section applies where within two years after the end of an accounting period beginning on or after 1st January 1993 ("the relevant period")—

(a) an insurance company makes a claim for the purposes of this section in relation to that period; and

(b) that period is one of the company's first eight accounting periods after the end of 1992.

(2) Where this section applies, section 213 shall have effect as if—

(a) the amount of the chargeable gains which—

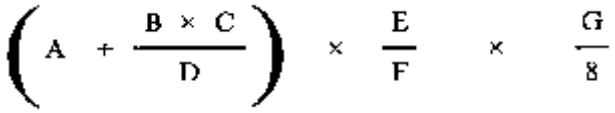
(i) apart from that section and this section, would be treated as accruing on disposals deemed by virtue of section 212 to have been made at the end of the relevant period, and

(ii) satisfy the condition specified in paragraph (a) of section 213(1A),

were reduced by the protected proportion of that amount; and

(b) an amount equal to the appropriate part of that reduction were (subject to section 213) a chargeable gain satisfying that condition and accruing at the end of each of the accounting periods in which the reduction is to be taken into account.

(3) For the purposes of subsection (2) above the protected proportion, in relation to the relevant period, of the amount mentioned in paragraph (a) of that subsection shall be an amount equal to the amount calculated in accordance with the following formula—



(4) In subsection (3) above—

A is so much of the amount mentioned in subsection (2)(a) above as represents chargeable gains on section 212 assets which at the end of the relevant period were linked solely to the basic life assurance and general annuity business of the company in question;

B is so much of the amount so mentioned as represents chargeable gains on linked section 212 assets which at the end of that period were partially linked to that business;

C is the amount of such of the closing liabilities at the end of that period of the company's basic life assurance and general annuity business as were liabilities in respect of benefits to be determined by reference to the value of linked section 212 assets which were then partially linked to that business;

D is the amount of all the closing liabilities of the company at the end of that period which were long term business liabilities in respect of benefits to be so determined;

E is the amount of such of the closing liabilities of the company on the relevant date as were relevant linked liabilities in respect of benefits determined by reference to linked section 212 assets;

F is the amount of all the closing liabilities on the relevant date of the company's basic life assurance and general annuity business which were liabilities in respect of such benefits; and

G is the number of accounting periods in the first nine accounting periods of the company after the end of 1992 which remain after the end of the relevant period or, as the case may be, which would so remain apart from any cessation of the carrying on of any business of the company;

and for the purposes of this subsection the relevant date is, subject to subsection (7) below, the time of the first disposal which is deemed to have been made by the company in question under section 212.

(5) For the purposes of this section and subject to subsection (6) below—

(a) a reduction made under subsection (2) above in relation to the accounting period of any company shall be taken into account in every succeeding accounting period of that company which is included in the first nine accounting periods of that company after the end of 1992; and

(b) in relation to any accounting period in which a reduction is to be taken into account, the appropriate part of the reduction is—

(i) if that is the only accounting period in which it falls to be taken into account, the whole of the reduction; and

(ii) in any other case, the amount of the reduction divided by the number of the accounting periods after the period in which the reduction is made in which the reduction falls to be taken into account or, as the case may be, would so fall apart from any cessation of the carrying on of any business of the company.

(6) Subject to subsection (7) below, where a company ceases to carry on long term business before the end of the first nine accounting periods after the end of 1992, the appropriate part of any reduction in relation to the accounting period ending with the cessation shall be such as to secure that the whole of the reduction has been taken into account under subsection (2)(b) above.

(7) Where at any time on or after 1st January 1993 there is a transfer of the whole or part of the long term business of an insurance company ("the transferor") to another company ("the transferee") in accordance with a scheme sanctioned by a court under section 49 of the Insurance Companies Act 1982, this section shall have effect so that—

(a) the relevant date for the purposes of subsection (4) above shall be determined in relation to any disposal deemed to have been made after the transfer—

(i) by the transferee, or

(ii) in a case where the transfer is of part of the transferor's long term business, by the transferee or the transferor,

as if there had been no deemed disposals under section 212 before the transfer; and

(b) any reduction which (on the assumption that the transferor had continued to carry on the transferred business) would have fallen to be taken into account under subsection (2)(b) above shall be taken into account instead in relation to the transferee.

(8) Where the transfer is of part only of the transferor's long term business, subsection (7)(b) above shall apply only to such part of any reduction to which it would otherwise apply as is appropriate.

(9) Any question arising as to the operation of subsection (8) above shall be determined by the Special Commissioners who shall determine the question in the same manner as they determine appeals; but both the transferor and transferee shall be entitled to appear and be heard or to make representations in writing.

(10) This section shall have effect in relation to any cases in which there is such a transfer as is mentioned in subsection (7) above as if the accounting periods to be taken into account in any calculation for the purposes of this section of the number of accounting periods of the transferee after the end of 1992, and the only accounting periods in relation to which any reduction is to be taken into account under paragraph (b) of that subsection, were—

(a) the accounting periods of the transferor which began on or after 1st January 1993 and ended on or before the day of the transfer (including any which, by reference to a transfer in relation to which

the transferor is a transferee, are taken into account in accordance with this subsection as accounting periods of the transferor); and

(b) the accounting periods of the transferee ending after the day of the transfer,

and this section shall have effect in relation to such a reduction as if the first accounting period of the transferee to end after the day of the transfer began with the day after the transfer.

(11) For the purposes of this section assets shall be taken to be partially linked to a company's basic life assurance and general annuity business if they are not linked solely to that business and are neither—

(a) linked solely to any pension business or long term business of that company other than life assurance business; nor

(b) assets of the company's overseas life assurance fund;

and subsection (1) of section 214 shall apply for the purposes of this section as it applies for the purposes of that section.

(12) Subject to subsection (10) above, the references in this section, in relation to any company, to the first eight accounting periods of a company after the end of 1992 are references to the first accounting period of that company to begin on or after 1st January 1993 and to the succeeding seven accounting periods of that company, and references to the first nine accounting periods of a company after the end of 1992 shall be construed accordingly."

(6) In section 214(6)(a) of that Act of 1992 (replacement relief), after "1989" there shall be inserted "and before the time when it is first deemed under section 212 to have made a disposal of any assets".

Corporation tax: currency

92 The basic rule: sterling to be used

Where a company carries on a trade, the profits or losses of the trade for an accounting period shall for the purposes of corporation tax be computed and expressed in sterling; but this is subject to any regulations under section 93 or 94 below.

93 Currency other than sterling for trades

(1) Regulations may provide that where a company carries on a trade the basic profits or losses of the trade for an accounting period shall for the purposes of corporation tax be computed and expressed in such currency (other than sterling) as is found in accordance with prescribed rules, in a case where—

(a) prescribed conditions are fulfilled, and

(b) an election is made by the company in accordance with the regulations and has effect for the accounting period concerned by virtue of the regulations.

(2) For the purposes of this section the basic profits or losses of a trade for an accounting period are all the profits or losses of the trade for the period, but leaving out of account—

(a) any trading receipt of the trade in the period, and any trading expense of the trade in the period, that arises by virtue of section 144(2) of the

Capital Allowances Act 1990 (which makes provision about giving effect to allowances and charges);

(b) any amount mentioned in section 142(4) below and treated as received in respect of the trade and in respect of the period.

(3) Subsections (4) and (5) below apply where the basic profits or losses of a trade for an accounting period are for the purposes of corporation tax to be computed and expressed in a currency other than sterling.

(4) The amount of the basic profits or losses shall be treated for the purposes of corporation tax as the sterling equivalent of their amount expressed in the other currency.

(5) The profits or losses of the trade for the period shall for the purposes of corporation tax be found by taking the amount of the basic profits or losses found in sterling under subsection (4) above and then—

(a) taking account of any trading receipt of the trade in the period, and any trading expense of the trade in the period, that arises by virtue of section 144(2) of the Capital Allowances Act 1990, and

(b) taking account (as provided by section 142 below) of any amount mentioned in section 142(4) and treated as received in respect of the trade and in respect of the period.

(6) For the purposes of subsection (4) above the sterling equivalent of an amount is the sterling equivalent calculated by reference to—

(a) such rate of exchange as is found under prescribed rules, or

(b) if no such rules apply in the case concerned, the London closing exchange rate for the last day of the accounting period concerned.

94 Parts of trades

(1) Regulations may make provision under this section as regards a case where in an accounting period—

(a) a company carries on part of a trade in the United Kingdom, and carries on a different part of the trade through an overseas branch or different parts through different overseas branches, or

(b) a company carries on different parts of a trade through different overseas branches;

and "overseas branch" means a branch outside the United Kingdom.

(2) Regulations may provide that the basic profits or losses of different parts of the trade for an accounting period shall for the purposes of corporation tax be computed and expressed in such different currencies as are found in accordance with prescribed rules, in a case where—

(a) prescribed conditions are fulfilled, and

(b) an election is made by the company in accordance with the regulations and has effect for the accounting period concerned by virtue of the regulations.

(3) The regulations must be so framed that—

(a) one currency is used for each part;

(b) at least two currencies are used;

(c) subject to paragraph (b) above, the same currency may be used for more than one part;

(d) if no election is made as regards a particular part, sterling is to be used for that part.

(4) For the purposes of this section the basic profits or losses of part of a trade for an accounting period are all the profits or losses of the part for the period; but this is subject to subsections (5) and (6) below.

(5) No account shall be taken of any trading receipt of the trade in the period, and any trading expense of the trade in the period, that arises by virtue of section 144(2) of the Capital Allowances Act 1990 (which makes provision about giving effect to allowances and charges).

(6) Where the basic profits or losses of the part of the trade for the period are for the purposes of corporation tax to be computed and expressed in a currency other than sterling, no account shall be taken of any amount mentioned in section 142(4) below and treated as received in respect of the part of the trade and in respect of the period.

(7) Where the basic profits or losses of different parts of a trade for an accounting period are for the purposes of corporation tax to be computed and expressed in two or more different currencies, subsections (8) to (10) below have effect for finding the profits or losses of the trade for the period for the purposes of corporation tax.

(8) Where the basic profits or losses of any part are for the purposes of corporation tax to be computed and expressed in a currency other than sterling—

(a) find the sterling equivalent of their amount expressed in the other currency, then

(b) take account (as provided by section 142 below) of any amount mentioned in section 142(4) and treated as received in respect of the part and in respect of the period, then

(c) call the result the accountable profits or losses of the part for the period.

(9) Where the basic profits or losses of any part are for the purposes of corporation tax to be computed and expressed in sterling, take those profits or losses and call them the accountable profits or losses of the part for the period.

(10) The profits or losses of the trade for the period for the purposes of corporation tax shall then be found by—

(a) taking account of the accountable profits or losses of the different parts for the period, and

(b) then taking account of any trading receipt of the trade in the period, and any trading expense of the trade in the period, that arises by virtue of section 144(2) of the Capital Allowances Act 1990.

(11) For the purposes of subsection (8) above the sterling equivalent of an amount is the sterling equivalent calculated by reference to—

(a) such rate of exchange as is found under prescribed rules, or

(b) if no such rules apply in the case concerned, the London closing exchange rate for the last day of the accounting period concerned.

95 Currency to be used: supplementary

(1) Regulations under section 93 or 94 above may include—

(a) provision that an election may in prescribed circumstances have effect from a time before it is made;

(b) provision that prescribed conditions shall be treated as fulfilled in prescribed circumstances (subject to any provision under paragraph (c) below);

(c) provision that prescribed conditions shall be treated as not having been fulfilled if the inspector notifies the company that he is not satisfied that they are fulfilled;

(d) provision for an appeal from the inspector's notification;

and any provision under paragraph (c) above may allow a notification to be made after the accounting period ends.

(2) The power to make regulations under section 93 or 94 above shall be exercisable by the Treasury by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.

(3) In sections 93 and 94 above "prescribed" means prescribed by regulations made under the section concerned.

(4) Where as regards a trade and for an accounting period—

(a) an election is made under regulations made under section 93 above, or

(b) an election is made under regulations made under section 94 above,

no election may be made as regards the trade for the period under regulations made under the other section.

(5) For the purposes of sections 93 and 94 above the ecu shall be regarded as a currency other than sterling; and the reference here to the ecu is to the European currency unit as defined for the time being in Council Regulation No. 3180/78/EEC or in any Community instrument replacing it.

(6) Sections 92 to 94 above apply in relation to any accounting period beginning on or after the day appointed under section 165(7)(b) below.

96 Foreign companies: trading currency

(1) In Schedule 24 to the Taxes Act 1988 (assumptions for calculating chargeable profits, creditable tax and corresponding United Kingdom tax of foreign companies) the following paragraph shall be inserted after paragraph 4—

"4A (1) Sub-paragraph (2) below applies where—

(a) the company carries on a trade, and

(b) the currency used in the accounts of the company for an accounting period is a currency other than sterling.

(2) It shall be assumed that by virtue of regulations under section 93 of the Finance Act 1993 (corporation tax: currency to be used) the basic profits or losses of the trade for the accounting period are to be computed and expressed for the purposes of corporation tax in the currency used in the accounts of the company for the period.

(3) References in this paragraph to the accounts of a company—

(a) are to the accounts which the company is required by the law of its home State to keep, or

(b) if the company is not required by the law of its home State to keep accounts, are to the accounts of the company which most closely correspond to the individual accounts which companies formed

and registered under the Companies Act 1985 are required by that Act to keep;

and for the purposes of this paragraph the home State of a company is the country or territory under whose law the company is incorporated.

(4) The reference in sub-paragraph (2) above to the basic profits or losses of the trade for the accounting period shall be construed in accordance with section 93 of the Finance Act 1993."

(2) This section applies in relation to any accounting period beginning on or after the day appointed under section 165(7)(b) below.

Overseas life insurance companies

97 Modification of Taxes Act 1988

(1) The following shall be inserted after section 444A of the Taxes Act 1988—

"Provisions applying in relation to overseas life insurance companies

444B Modification of Act in relation to overseas life insurance companies

Schedule 19AC (which makes modifications of this Act in relation to overseas life insurance companies) shall have effect."

(2) Schedule 9 to this Act (which inserts Schedule 19AC into that Act and makes further provision) shall have effect.

98 Modification of section 440 of Taxes Act 1988

(1) The following section shall be inserted after section 444B of the Taxes Act 1988—

"**444C Modification of section 440**

(1) Where the company mentioned in section 440(1) is an overseas life insurance company, section 440 shall have effect with the modifications in subsections (2) and (3) below.

(2) Subsection (4) shall be treated as if—

(a) paragraph (c) were omitted;

(b) in paragraphs (a), (b), (d) and (e), the words "UK assets" were substituted for the word "assets"; and

(c) at the end there were inserted the following paragraphs—

"(f) section 11C assets;

(g) non-UK assets."

(3) The following subsection shall be treated as inserted at the end of the section—

"(6) For the purposes of this section—

(a) UK assets are—

(i) section 11(2)(b) assets;

(ii) section 11(2)(c) assets; or

(iii) assets which by virtue of section 11B are attributed to the branch or agency in the United Kingdom through which the company carries on life assurance business;

(b) section 11C assets are assets—

(i) (in a case where section 11C (other than subsection (9)) applies) of the relevant fund, other than UK assets; or

(ii) (in a case where that section including that subsection applies) of the relevant funds, other than UK assets;

(c) non-UK assets are assets which are not UK assets or section 11C assets;

and any expression used in this subsection to which a meaning is given by section 11A has that meaning."

(4) Where one or each of the companies mentioned in section 440(2) is an overseas life insurance company, section 440(2)(b) and (4) shall have effect as if for "categories", in each place where the word occurs, there were substituted "paragraphs".

(5) Where the transferor company mentioned in section 440(2) is an overseas life insurance company, section 440 shall have effect, as regards the time immediately before the acquisition, with the modifications in subsections (2) and (3) above.

(6) Where the acquiring company mentioned in section 440(2) is an overseas life insurance company, section 440 shall have effect, as regards the time immediately after the acquisition, with the modifications in subsections (2) and (3) above."

(2) This section shall apply—

(a) so far as section 440(1) is concerned, as regards events falling on or after the first day of the relevant accounting period of the company concerned;

(b) so far as section 440(2) is concerned, as regards events falling on or after the first day of the relevant accounting period of the transferor company or on or after the first day of the relevant accounting period of the acquiring company (whichever of those days falls later).

(3) For the purposes of subsection (2) above a company's relevant accounting period is its first accounting period to begin after 31st December 1992.

99 Qualifying distributions, tax credits, etc

(1) The following section shall be inserted after section 444C of the Taxes Act 1988—

"**444D Qualifying distributions, tax credits, etc**

(1) Subsection (2) below applies where—

(a) an overseas life insurance company receives a qualifying distribution made by a company resident in the United Kingdom; and

(b) the distribution (or part of the distribution)—

(i) would fall within paragraph (a), (aa) or (ab) of section 11(2) (as section 11(2) has effect by virtue of Schedule 19AC) but for the exclusion contained in that paragraph; and

(ii) is referable to life assurance business.

(2) Where this subsection applies the recipient shall be treated for the purposes of the Corporation Tax Acts as entitled to such a tax credit in respect of the distribution (or part of the distribution) as it would be entitled to under section 231 if it were resident in the United Kingdom.

(3) Where part only of a qualifying distribution would fall within paragraph (ab) of section 11(2) (as section 11(2) has effect by virtue of Schedule 19AC) but for the exclusion contained in that paragraph, the tax credit to which the recipient shall be treated as entitled by virtue of subsection (2) above is the proportionate part of the tax credit to which the recipient would be so treated as entitled in respect of the whole of the distribution.

(4) In this section "UK distribution income" means income of an overseas life insurance company which consists of a distribution (or part of a distribution) in respect of which the company is entitled to a tax credit (and which accordingly represents income equal to the aggregate of the amount or value of the distribution (or part) and the amount of that credit).

(5) An overseas life insurance company may, on making a claim for the purpose, require that any UK distribution income for an accounting period shall for all or any of the purposes mentioned in subsection (6) below be treated as if it were a like amount of profits chargeable to corporation tax; and where it does so—

(a) the provisions mentioned in subsection (6) below shall apply to reduce the amount of the UK distribution income; and

(b) the company shall be entitled to have paid to it the amount of the tax credits comprised in the amount of UK distribution income which is so reduced.

(6) The purposes for which a claim may be made under subsection (5) above are those of—

(a) the setting of trading losses against total profits under section 393A(1);

(b) the deduction of charges on income under section 338 or paragraph 5 of Schedule 4;

(c) the deduction of expenses of management under section 76;

(d) the setting of certain capital allowances against total profits under section 145(3) of the 1990 Act.

(7) Subsections (3), (4) and (8) of section 242 shall apply for the purposes of a claim under subsection (5) above as they apply for the purposes of a claim under that section."

(2) In section 431(2) of that Act (definitions), the following definition shall be inserted after the definition of "periodical return"—

""UK distribution income" has the meaning given by section 444D(4);".

(3) This section shall apply in relation to accounting periods beginning after 31st December 1992.

100 Income from investments attributable to BLAGAB, etc

(1) The following section shall be inserted after section 444D of the Taxes Act 1988—

"**444E Income from investments attributable to BLAGAB, etc**

(1) In computing the income from the investments of an overseas life insurance company attributable to the basic life assurance and general annuity business of the branch or agency in the United Kingdom through which the company carries on life assurance business, any interest, dividends and other payments whatsoever to which section 48 or 123(4) extends shall be included notwithstanding the exemption from tax conferred by those sections.

(2) Where in computing the income referred to in subsection (1) above any interest on any securities issued by the Treasury is excluded by virtue of a condition of the issue of those securities regulating the treatment of the interest on them for tax purposes, the relief under section 76 shall be reduced so that it bears to the amount of relief which would be granted apart from this subsection the same proportion as the amount of that income excluding that interest bears to the amount of that income including that interest."

(2) In section 475 of that Act (tax-free Treasury securities: exclusion of interest on borrowed money), in subsection (6)—

(a) for "445(8)(b)", in each place where it occurs, there shall be substituted "444E(2)";

(b) for the words "of the life assurance fund", in each place where they occur, there shall be substituted the words "attributable to basic life assurance and general annuity business".

(3) This section shall apply in relation to accounting periods beginning after 31st December 1992.

101 Modification of Finance Act 1989

(1) The following section shall be inserted after section 89 of the Finance Act 1989—

"**89A Modification of sections 83 and 89 in relation to overseas life insurance companies**

Schedule 8A to this Act (which makes modifications of sections 83 and 89 in relation to overseas life insurance companies) shall have effect."

(2) Schedule 10 to this Act (which inserts Schedule 8A into that Act) shall have effect.

102 Modification of Taxation of Chargeable Gains Act 1992

(1) The following section shall be inserted after section 214A of the Taxation of Chargeable Gains Act 1992—

"**214B Modification of Act in relation to overseas life insurance companies**

Schedule 7B (which makes modifications of this Act in relation to overseas life insurance companies) shall have effect."

(2) Schedule 11 to this Act (which inserts Schedule 7B into that Act) shall have effect.

103 Amendment of definition and repeals

(1) In section 431(2) of the Taxes Act 1988 (definitions), in the definition of "overseas life insurance company" for the words "having its head office outside" there shall be substituted the words "not resident in".

(2) The following provisions of that Act shall cease to have effect—

(a) section 445 (charge to tax on investment income of overseas life insurance company);

(b) section 446(1) (qualifying distributions part of profits of pension business of overseas life insurance company);

(c) section 447(1), (2) and (4) (set-off of income tax and tax credits against corporation tax assessed under section 445);

(d) section 448 (qualifying distributions and tax credits);

(e) section 449 (double taxation agreements);

(f) section 724(5) to (8) (special provisions of accrued income scheme for overseas life insurance companies);

(g) section 811(2)(c) (provision about deduction of foreign tax not to affect overseas life insurance company charged under section 445);

(h) paragraph 1(9) of Schedule 19AB (payments on account of tax credits in case of pension business: special provision for overseas life insurance companies).

(3) Subject to subsection (4) below, this section shall apply in relation to accounting periods beginning after 31st December 1992.

(4) Where in the accounting period of an overseas life insurance company ending immediately before its first accounting period to begin after 31st December 1992 there is such an excess as is mentioned in subsection (7) of section 724 of the Taxes Act 1988, then, notwithstanding the preceding provisions of this section, that subsection shall continue to apply to the company but only—

(a) in relation to that excess; and

(b) if it would have so applied apart from this section.

Approved share option schemes

104 Calculation of consideration

After section 149 of the Taxation of Chargeable Gains Act 1992 there shall be inserted the following section—

"**149A Approved share option schemes**

(1) This section applies where—

(a) an option is granted on or after 16th March 1993,

(b) the option consists of a right to acquire shares in a body corporate and is obtained as mentioned in section 185(1) of the Taxes Act (approved share option schemes), and

(c) section 17(1) would (apart from this section) apply for the purposes of calculating the consideration for the grant of the option.

(2) The grantor of the option shall be treated for the purposes of this Act as if section 17(1) did not apply for the purposes of calculating the consideration and, accordingly, as if the amount or value of the consideration was its actual amount or value.

(3) Where the option is granted wholly or partly in recognition of services or past services in any office or employment, the value of those services shall not be taken into account in calculating the actual amount or value of the consideration.

(4) The preceding provisions of this section shall not affect the treatment for the purposes of this Act of the person to whom the option is granted."

105 Expenditure on shares

(1) In section 120(6) of the Taxation of Chargeable Gains Act 1992 (increase in expenditure by reference to tax charged in relation to shares)—

(a) for the words "section 185(6)" there shall be substituted the words "the applicable provision", and

(b) at the end there shall be inserted "; and in this subsection "the applicable provision" means—

(a) subsection (6) of section 185 of the Taxes Act (as that subsection had effect before the coming into force of section 39(5) of the Finance Act 1991), or

(b) subsection (6A) of that section."

(2) The amendments made by subsection (1) above shall be deemed always to have had effect.

(3) In section 32A(5) of the Capital Gains Tax Act 1979 (expenditure: amounts to be included as consideration)—

(a) for the words "section 185(6)" there shall be substituted the words "the applicable provision", and

(b) at the end there shall be inserted "; and in this subsection "the applicable provision" means—

(a) subsection (6) of section 185 of the Taxes Act (as that subsection had effect before the coming into force of section 39(5) of the Finance Act 1991), or

(b) subsection (6A) of that section."

(4) The amendments made by subsection (3) above shall be deemed to have come into force on 1st January 1992 (but shall have effect subject to the repeals made by the Taxation of Chargeable Gains Act 1992).

Indexation: miscellaneous

106 Earnings cap etc: no indexation in 1993-94

The figure £75,000 shall be deemed to be the figure found for the year 1993-94, for the purposes of section 590C of the Taxes Act 1988, by virtue of section 590C(4) and (5) (indexation of earnings cap for retirement benefits schemes and certain other figures).

107 Indexation of allowances etc. for 1994-95 onwards

(1) The Taxes Act 1988 shall be amended as mentioned in subsections (2) to (6) below.

(2) In section 1—

(a) in subsection (4) (indexation of income tax bands) for "December" (in each place) there shall be substituted "September";

(b) subsection (5) (no change required for PAYE before 18th May) shall be omitted.

(3) In section 257C—

(a) in subsection (1) (indexation of personal allowance and married couple's allowance) for "December" (in each place) there shall be substituted "September";

(b) subsection (2) (no change required for PAYE before 18th May) shall be omitted.

(4) In section 590C (earnings cap for retirement benefits schemes) in subsection (5) (indexation) for "December" (in each place) there shall be substituted "September".

(5) In section 590C the following subsection shall be inserted after subsection (5)—

"(5A) If the retail prices index for the month of September preceding a year of assessment falling within subsection (4) above is not higher than it was for the previous September, the figure for that year shall be the same as the figure for the previous year of assessment."; and accordingly, in subsection (4) of that section for "subsection (5)" there shall be substituted

"subsections (5) and (5A)".

(6) In each of the provisions to which this subsection applies (provisions which refer to section 590C(4) and (5)) for "and (5)" there shall be substituted "to (5A)"; and this subsection applies to sections 590B(11), 592(8E), 594(7), 599(12) and 640A(4).

(7) In Schedule 6 to the Finance Act 1989 (retirement benefits schemes) in paragraphs 20(6) and 22(5) (which refer to section 590C(4) and (5) of the Taxes Act 1988) for "and (5)" there shall be substituted "to (5A)".

(8) This section shall have effect for the year 1994-95 and subsequent years of assessment.

Miscellaneous provisions about reliefs

108 Counselling services for employees

In Chapter VI of Part XIII of the Taxes Act 1988, after section 589 there shall be inserted the following sections—

"**589A Counselling services for employees**

(1) This section applies where—

(a) qualifying counselling services are provided to a person (the employee) in connection with the termination of the holding by him of any office or employment, and

(b) the termination takes place on or after 16th March 1993.

(2) This section also applies where—

(a) subsection (1)(a) above applies, and

(b) the termination takes place before 16th March 1993 but relevant expenditure is incurred on or after that date.

(3) Relevant expenditure is expenditure incurred in—

(a) providing the qualifying counselling services to the employee,

(b) paying or reimbursing fees for the provision to the employee of the qualifying counselling services, or

(c) paying or reimbursing any allowable travelling expenses incurred in connection with the provision of the qualifying counselling services to the employee.

(4) No charge to tax under Schedule E shall arise in respect of—

(a) the provision of the qualifying counselling services to the employee,

(b) the payment or reimbursement of fees for the provision to the employee of the qualifying counselling services, or

(c) the payment or reimbursement of any allowable travelling expenses incurred in connection with the provision of the qualifying counselling services to the employee.

(5) Where this section applies by virtue of subsection (2) above, subsection (4) above shall apply only to the extent that the expenditure incurred in providing the services or paying or reimbursing the fees or expenses is incurred on or after 16th March 1993.

(6) Subsection (4) above shall apply whether or not the person who provides the services or pays or reimburses the fees or expenses is the person under whom the employee holds or held the office or employment mentioned in subsection (1) above.

(7) Subsections (8) to (10) below apply where any relevant expenditure is incurred by the person under whom the employee holds or held the office or employment mentioned in subsection (1) above (the employer).

(8) If and so far as the expenditure would not, apart from this subsection, be so deductible, it shall be deductible in computing for the purposes of Schedule D

the profits or gains of the trade, profession or vocation of the employer for the purposes of which the employee is or was employed.

(9) If the employer carries on a business and the expenses of management of the business are eligible for relief under section 75, subsection (8) above shall have effect as if for the words from "in computing" onwards there were substituted "as expenses of management for the purposes of section 75".

(10) Where this section applies by virtue of subsection (2) above, subsections (8) and (9) above shall apply only to the extent that the expenditure is incurred on or after 16th March 1993.

589B Qualifying counselling services etc

(1) Subsections (2) to (4) below apply for the purposes of section 589A.

(2) Subject to subsection (3) below, services are qualifying counselling services if—

(a) the purpose, or main purpose, of their provision is to enable the employee to adjust to the termination of his holding of the office or employment mentioned in section 589A(1) or is to enable him to find other gainful employment (including self-employment) or is to enable him to do both,

(b) the services consist wholly of any or all of the following, namely, giving advice and guidance, imparting or improving skills, and providing or making available the use of office equipment or similar facilities,

(c) the employee has been employed by the employer full-time throughout the period of two years ending at the time when the services begin to be provided to him or, if it is earlier, at the time he ceases to be employed by the employer,

(d) the opportunity to receive the services, on similar terms as to payment or reimbursement of any expenses incurred in connection with their provision, is available either generally to holders or past holders of offices or employment under the employer or to a particular class or classes of such holders or past holders, and

(e) the services are provided in the United Kingdom.

(3) Where paragraphs (a) to (d) of subsection (2) above are satisfied in relation to particular services but the services are provided partly in and partly outside the United Kingdom, the extent to which the services are qualifying counselling services shall be determined on a just and reasonable basis.

(4) In relation to services, allowable travelling expenses are those which would be deductible under section 198—

(a) on the assumption that receipt of the services is one of the duties of the employee's office or employment, and

(b) if the employee has in fact ceased to be employed by the employer, on the assumption that he continues to be employed by him.

(5) Any reference in this section or section 589A to an employee being employed by an employer is a reference to the employee holding office or employment under the employer."

109 Pre-trading expenditure

(1) In subsection (1) of section 401 of the Taxes Act 1988 (which gives relief for expenditure incurred within the five years before the beginning of any trade, profession or vocation), for "five" there shall be substituted "seven".

(2) After subsection (1) of that section there shall be inserted the following subsection—

"(1A) Where—

(a) a company pays any charge on income at a time before it begins to carry on any trade, and

(b) the payment is made wholly and exclusively for the purposes of that trade,

that payment, to the extent that it is not deducted otherwise than by virtue of this section from any profits, shall be treated for the purposes of corporation tax as paid on the day on which the trade is first carried on by the company."

(3) In section 338(5)(b) of that Act (payments not to be treated as charges on income), after "trade" there shall be inserted "which is or is to be".

(4) Subsections (1) and (2) above shall have effect where the time when the person begins to carry on the trade, profession or vocation falls after 31st March 1993, and subsection (3) above shall have effect in relation to payments made after that date.

110 Waste disposal expenditure

(1) In section 91A(6) of the Taxes Act 1988 (relevant licence for the purposes of restoration payments), after paragraph (b) there shall be inserted "or

(c) any authorisation under the Radioactive Substances Act 1960 or the Radioactive Substances Act 1993 for the disposal of radioactive waste or any nuclear site licence under the Nuclear Installations Act 1965."

(2) In section 91B of that Act (preparation expenditure for waste disposal), after subsection (10) there shall be inserted the following subsection—

"(10A) For the purposes of this section any expenditure incurred for the purposes of a trade by a person about to carry it on shall be treated as if it had been incurred by that person on the first day on which he does carry it on and in the course of doing so."

(3) This section shall have effect in relation to any case where the trade in question is begun after 31st March 1993.

111 Business expansion scheme: loan linked investments

(1) After section 299 of the Taxes Act 1988 there shall be inserted the following section—

"**299A Loan linked investments**

(1) An individual shall not be entitled to relief in respect of any shares in a company issued on or after 16th March 1993 if—

(a) there is a loan made by any person, at any time in the relevant period, to that individual or any associate of his; and

(b) the loan is one which would not have been made, or would not have been made on the same terms, if that individual had not subscribed for those shares or had not been proposing to do so.

(2) References in this section to the making by any person of a loan to any individual or an associate of his include references—

(a) to the giving by that person of any credit to that individual or any associate of his; and

(b) to the assignment or assignation to that person of any debt due from that individual or any associate of his;

and the references in section 307(6)(ca) to the making of a loan shall be construed accordingly."

(2) In sections 289(12)(a) and 310(1) and (10)(a) of that Act (definition of "the relevant period" and information provisions), after "299,", in each case, there shall be inserted "299A,".

(3) In section 307(6) of that Act (reckonable date for the purposes of interest on relief that is withdrawn), after paragraph (c) there shall be inserted the following paragraph—

"(ca) in the case of relief withdrawn by virtue of section 299A in consequence of the making of any loan after the grant of the relief, the date of the making of the loan;".

(4) This section shall apply in relation to any case in which the claim for relief is made on or after 16th March 1993.

112 Employers' pension contributions

(1) In section 592(4) of the Taxes Act 1988 (employers' contributions to exempt approved schemes), at the end there shall be inserted "but no other sum shall for those purposes be allowed to be deducted as an expense, or expense of management, in respect of the making, or any provision for the making, of any contributions under the scheme."

(2) Subsection (1) above shall have effect in the case of any employer in relation to, as the case may be—

(a) any accounting period of that employer ending with a day after 5th April 1993; or

(b) any year of assessment the employer's basis period for which ends with a day after that date.

(3) Where—

(a) there is after 5th April 1993 an actual payment by an employer of a contribution under an exempt approved scheme,

(b) that payment would, apart from this subsection, be allowed to be deducted as an expense, or expense of management, of the employer in relation to any chargeable period in relation to which subsection (1) above has effect, and

(c) the total of previously allowed deductions exceeds the relevant maximum,

the amount allowed to be so deducted in respect of the payment mentioned in paragraph (a) above and of any other actual payments of contributions under the scheme which, having been made after 5th April 1993, fall within paragraph (b) above in relation to the same chargeable period shall be reduced by whichever is the smaller of the excess and the amount which reduces the deduction to nil.

(4) In relation to any such actual payment by an employer of a contribution under an exempt approved scheme as would be allowed to be deducted as mentioned in subsection (3) above in relation to any chargeable period-

(a) the reference in that subsection to the total of previously allowed deductions is a reference to the aggregate of every amount in respect of the making, or any provision for the making, of that or any other contributions under the scheme, which has been allowed to be deducted as an expense, or expense of management, of that person in relation to a previous chargeable period; and

(b) the reference to the relevant maximum is a reference to the amount which would have been that aggregate if the restriction on deductions imposed by virtue of subsection (1) above had been applied in relation to every previous chargeable period;

and for the purposes of this subsection an amount the deduction of the whole or any part of which falls to be taken into account as allowed in relation to more than one chargeable period shall be treated as if the amount allowed were a different amount in the case of each of those periods.

(5) For the purposes of this section any payment which is treated under subsection (6) of section 592 of the Taxes Act 1988 as spread over a period of years shall be treated as actually paid at the time when it is treated as paid in accordance with that subsection.

(6) After subsection (6) of section 592 of the Taxes Act 1988 there shall be inserted the following subsection—

"(6A) Where any sum is paid to the trustees of the scheme in or towards the discharge of any liability of an employer under section 58B of the Social Security Pensions Act 1975 or section 144 of the Pension Schemes Act 1993 (deficiencies in the assets of a scheme) or under Article 68B of the Social Security Pensions (Northern Ireland) Order 1975 or section 140 of the Pension Schemes (Northern Ireland) Act 1993 (which contain corresponding provision for Northern Ireland), the payment of that sum—

(a) shall be treated for the purposes of this section as an employer's contribution under the scheme; and

(b) notwithstanding (where it is the case) that the employer's trade, profession, vocation or business is permanently discontinued before the making of the payment, shall be allowed, in accordance with subsection (4) above, to be deducted as such a contribution to the same extent as it would have been allowed but for the discontinuance and as if it had been made on the last day on which the trade, profession, vocation or business was carried on."; and this subsection shall have effect in relation to any payment made on or after the day on which this Act is passed.

(7) In this section—

"basis period", in relation to any person, means a period on the profits or gains of which income tax for any year of assessment falls to be finally computed under Case I or II of Schedule D in respect of the trade, profession or vocation of that person (being the later period in any case where the profits and gains of an earlier period are taken to be the profits and gains of a later period); and

"exempt approved scheme" has the meaning given by section 592(1) of the Taxes Act 1988.

Capital allowances

113 Initial allowances: industrial buildings and structures

(1) In Chapter I of Part I of the Capital Allowances Act 1990, after section 2 there shall be inserted the following section—

"**2A Initial allowances: contracts entered into between October 1992 and November 1993**

(1) In relation to expenditure to which this section applies, section 1 shall have effect with the following modifications, that is to say—

(a) so much of that section as relates to the requirement that the site in question is at a material time in an enterprise zone, namely—

(i) paragraph (b) of subsection (1) and the reference to that paragraph in subsection (1A);

(ii) paragraph (b) of subsection (1A); and

(iii) subsection (11),

shall be omitted;

(b) for the reference in subsection (1) to 100 per cent. there shall be substituted a reference to 20 per cent.; and

(c) subsection (2) shall have effect with the omission of the words "and to a commercial building or structure".

(2) No initial allowance shall be made under this section in respect of any expenditure on the construction of a building or structure unless it is or is to be first used on or before 31st December 1994; and in a case where—

(a) an initial allowance is granted under this section in respect of any expenditure on the construction of a building or structure; and

(b) by the end of that day that building or structure has not come to be used,

that allowance shall be withdrawn and all such assessments and adjustments of assessments to tax shall be made as may be necessary in consequence of its being withdrawn.

(3) Subject to subsection (5) below, this section applies to any capital expenditure incurred under a contract which—

(a) is entered into either—

(i) in the period beginning with 1st November 1992 and ending with 31st October 1993; or

(ii) for the purpose of securing that obligations under a contract entered into in that period are complied with;

but

(b) is not entered into for the purpose of securing that obligations under a contract entered into before the beginning of that period are complied with.

(4) Subject to subsection (5) below, this section also applies to any additional VAT liability incurred in respect of expenditure falling within subsection (3) above.

(5) This section does not apply to—

(a) any expenditure incurred, or incurred under a contract entered into, at a time when the site of the building or structure is in an enterprise zone, being a time not more than 10 years after the site was first included in the zone;

(b) expenditure falling in relation to expenditure so incurred within section 1(1A); or

(c) expenditure to which section 2 applies.

(6) Subsection (5) above shall have effect subject to sections 10C and 17A."

(2) In section 4(9) of that Act, in the definition of "capital expenditure", for "or 10B" there shall be substituted "10B or 10C".

(3) In section 10(3A) of that Act (provisions not to apply in cases falling within section 10A)—

(a) after "apply" there shall be inserted "for the purpose of determining whether any expenditure is expenditure to which section 2A applies or"; and

(b) after "10A" there shall be inserted "or 10C".

(4) After section 10B of that Act there shall be inserted the following section—

"**10C Purchases of buildings and structures: allowances under section 2A**

(1) This section shall apply (subject to subsection (2) below) where—

(a) expenditure is incurred on the construction of a building or structure ("actual expenditure");

(b) some or all of that expenditure is expenditure to which section 2A applies or would be such expenditure if it were capital expenditure; and

(c) before the building or structure is used, the relevant interest in it is sold.

(2) In relation to any case in which the relevant interest is sold in pursuance of a contract entered into in the period beginning with 1st November 1992 and ending with 31st October 1993 by a person who—

(a) carries on a trade which consists, in whole or in part, in the construction of buildings or structures with a view to their sale; and

(b) has been entitled to that interest since before 1st November 1992,

section 2A(3) above shall have effect for the purposes of subsection (1)(b) above and subsections (6) and (11) below as if for the words from "capital expenditure" onwards there were substituted "capital expenditure incurred under a contract entered into either before 1st November 1993 or for the purpose of securing that obligations under a contract entered into before that date are complied with."

(3) Where this section applies—

(a) the actual expenditure shall be left out of account for the purposes of sections 1 to 8; but

(b) subject to subsections (9) to (11) below, the person who buys the relevant interest shall be deemed for those purposes to have incurred, on the date when the purchase price becomes payable, expenditure on the construction of the building or structure ("deemed expenditure")

equal to the actual expenditure or to the net price paid by him for that interest, whichever is the less.

(4) The deemed expenditure shall be regarded as comprising a section 2A element and a residual element.

(5) The section 2A element of the deemed expenditure shall be calculated in accordance with the formula—

$$A \times \frac{B}{C}$$

(6) In subsection (5) above—

A is the deemed expenditure;

B is so much of the actual expenditure as is expenditure to which section 2A applies or expenditure that would be such expenditure if it were capital expenditure; and

C is the actual expenditure.

(7) The residual element of the deemed expenditure shall be so much (if any) of the deemed expenditure as does not comprise the section 2A element.

(8) Notwithstanding the provisions of subsection (3)(b) above—

(a) the section 2A element of the deemed expenditure shall be treated for the purpose only of determining entitlement to allowances as expenditure to which that section applies; and

(b) the residual element of the deemed expenditure shall be treated for that purpose as expenditure which is not expenditure to which that section applies.

(9) Where the relevant interest in the building or structure is sold more than once before the building or structure is used, subsections (2) and (3)(b) above shall have effect only in relation to the last of those sales.

(10) Where the actual expenditure was incurred by a person carrying on a trade which consists, in whole or in part, in the construction of buildings or structures with a view to their sale and, before the building or structure is used, he sells the relevant interest in it in the course of that trade or, as the case may be, of that part of that trade, then—

(a) if that sale is the only sale of the relevant interest before the building or structure is used, paragraph (b) of subsection (3) above shall have effect as if the words "the actual expenditure or to" and "whichever is the less" were omitted; and

(b) in any other case, that paragraph shall have effect as if the reference to the actual expenditure were a reference to the price paid on that sale.

(11) Where some of the actual expenditure is expenditure falling within subsection (1)(b) of section 10A and some or all of the remainder is expenditure to which section 2A applies or to which section 2A would apply if it were capital expenditure, section 10A and this section shall both have effect but as if—

(a) subsections (3), (9) and (10) of this section were omitted;

(b) references in this section to the deemed expenditure were references to the expenditure which, in accordance with subsections (2), (8) and

(9) of section 10A, is the deemed expenditure for the purposes of that section; and

(c) the section 2A element of the deemed expenditure were comprised in the non-enterprise zone element of that expenditure."

(5) In section 17A of that Act (exclusion of expenditure incurred more than 20 years after a site is included in an enterprise zone), after "sections 1(1)(b)" there shall be inserted "2A(5)(a)".

(6) In section 18(14) of that Act (application of section 18(13) to certain buildings), for "qualifying hotels to which this Part applies by virtue of section 7" there shall be substituted "any qualifying hotel".

(7) This section shall have effect in relation to every chargeable period which, or the basis period for which, ends after 31st October 1992.

114 Initial allowances: agricultural buildings etc

(1) Schedule 12 to this Act (which makes provision, which broadly corresponds to that made in relation to industrial buildings and structures by section 113 above, for the making of initial allowances in respect of expenditure on the construction of agricultural buildings, fences and other works) shall have effect.

(2) This section and the amendments made by Schedule 12 to this Act shall have effect in relation to every chargeable period which, or the basis period for which, ends after 31st October 1992.

115 First year allowances: machinery and plant

(1) In subsection (1) of section 22 of the Capital Allowances Act 1990 (first-year allowances), in the words after paragraph (b), after "which" there shall be inserted ", in the case of expenditure to which this section applies by virtue only of subsection (3B) below, shall be of an amount equal to 40 per cent. of that expenditure and, in any other case,".

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

"(3B) This section applies to—

(a) any expenditure which, disregarding any effect of section 83(2) on the time at which it is to be treated as incurred, is incurred by any person in the period beginning with 1st November 1992 and ending with 31st October 1993; and

(b) any additional VAT liability incurred in respect of expenditure to which this section applies by virtue of paragraph (a) above."

(3) In subsection (4)(c) of that section (no first-year allowance on the provision of machinery or plant for leasing), after "(6)" there shall be inserted "(6A)"; and after subsection (6) of that section there shall be inserted the following subsection—

"(6A) Paragraph (c) of subsection (4) above does not apply to expenditure to which this section applies by virtue only of subsection (3B) above; but (subject to section 43) no first-year allowance shall be made by virtue of subsection (3B) above in respect of any expenditure on the provision of machinery or plant for leasing if—

(a) it appears that the expenditure is such that section 42 would have effect with respect to it; or

(b) each of the following conditions is satisfied, that is to say—

(i) the expenditure is incurred on or after 14th April 1993;

(ii) the expenditure is expenditure in respect of which paragraph (c) of subsection (4) above would, if it applied, prevent the making of any first year allowance; and

(iii) the person to whom the machinery or plant is to be or is leased, or a person who (within the meaning of section 839 of the principal Act) is connected with that person, used the machinery or plant for any purpose at any time before its provision for leasing."

(4) Schedule 13 to this Act (which makes further amendments of that Act of 1990 in connection with the first-year allowances for which provision is made by this section) shall have effect.

(5) This section and the amendments made by Schedule 13 to this Act shall have effect (subject to paragraph 12(3) of that Schedule) in relation to every chargeable period which, or the basis period for which, ends after 31st October 1992.

116 Leasing

(1) In the second sentence in section 40(4) of the Capital Allowances Act 1990 (shortening of "requisite period" while assets used for qualifying purpose), after "effect" there shall be inserted "for the purposes of sections 31(2) and 37(6)".

(2) In section 42(1) of that Act (assets leased to non-residents), for paragraph (b) there shall be substituted the following paragraph—

"(b) does not use the machinery or plant exclusively for earning such profits or gains as are chargeable to tax (whether as profits or gains arising from a trade carried on in the United Kingdom or by virtue of section 830(4) of the principal Act),".

(3) In section 50 of that Act (interpretation of Chapter V), after subsection (3) there shall be inserted the following subsection—

"(3A) References in this Chapter to profits or gains chargeable to tax shall not include any of those arising to a person who, under arrangements specified in an Order in Council making any such provisions as are referred to in section 788 of the principal Act (double taxation arrangements), is afforded, or is entitled to claim, any relief from the tax chargeable thereon."

(4) This section shall have effect in relation to the use of machinery or plant for leasing under leases entered into on or after 16th March 1993.

117 Transactions between connected persons etc

(1) Section 158 of the Capital Allowances Act 1990 (election exercisable in the case of transactions between connected persons etc.) shall be amended as follows.

(2) In paragraph (a) of subsection (2) (sum at which industrial building or structure is treated as sold)—

(a) after the word "structure,", in the first place where it occurs, there shall be inserted "a qualifying hotel or a commercial building or structure,"; and

(b) for the words "or structure", in the second place where they occur, there shall be substituted "structure or hotel".

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

"(d) in the case of an asset representing allowable scientific research expenditure of a capital nature—

(i) if the expenditure is expenditure in respect of which an allowance is made under section 137, nil; and

(ii) in any other case, the amount of the expenditure."

(4) In subsection (3) (cases where election may not be made), for paragraph (a) there shall be substituted the following paragraph—

"(a) if the circumstances of the sale (including those of the parties to it) are such that an allowance or charge under Part I, III, IV, VI or VII which (apart from those circumstances) would or might fall, in consequence of the sale, to be made to or on any of those parties will not be capable of so falling;".

(5) This section shall have effect in relation to sales and other transfers on or after 16th March 1993 other than one which is in pursuance of—

(a) a contract entered into before that date; or

(b) a contract entered into for the purpose of securing that obligations under a contract entered into before that date are complied with.

Miscellaneous

118 Scottish trusts

(1) Where—

(a) any of the income of a trust having effect under the law of Scotland is income to which a beneficiary of the trust would have an equitable right in possession if that trust had effect under the law of England and Wales, and

(b) the trustees of that trust are resident in the United Kingdom,

the rights of that beneficiary shall be deemed for the purposes of the Income Tax Acts to include such a right to that income notwithstanding that no such right is conferred according to the law of Scotland.

(2) This section shall have effect in relation to the income of any trust for the year 1993–94 or any subsequent year of assessment.

119 Controlled foreign companies

(1) In section 750(1) of the Taxes Act 1988 (meaning of lower level of taxation for purposes of provisions relating to controlled foreign companies) for "one-half" there shall be substituted "three-quarters".

(2) Subsection (1) above shall apply in relation to accounting periods beginning on or after 16th March 1993.

(3) Where a company is by virtue of section 749(1) or (2) of the Taxes Act 1988 regarded as resident in a territory outside the United Kingdom and (apart from this section)—

(a) an accounting period of the company would begin before 16th March 1993 and end on or after that date, and

(b) the company would not be considered to be subject, by virtue of section 750(1) of that Act, to a lower level of taxation in that accounting period in the territory in which it is regarded as resident,

for the purposes of Chapter IV of Part XVII of that Act that accounting period shall be treated as ending on 15th March 1993.

120 Pay and file: miscellaneous amendments

Schedule 14 to this Act (which makes various amendments of the Taxes Management Act 1970, the Taxes Act 1988 and the Finance Act 1989 with a view to, or in connection with, the introduction of "pay and file") shall have effect.

121 Repayments and payments to friendly societies

(1) The Treasury may by regulations provide, in relation to accounting periods beginning on or after 1st January 1994, for Schedule 19AB of the Taxes Act 1988 (payments on account of exempt pension business) to have effect, with such modifications and exceptions as may be specified in the regulations, in relation to any business to which this section applies as it has effect in relation to the pension business of an insurance company.

(2) This section applies to any business of a friendly society the profits arising from which are exempt from income tax and corporation tax under section 460(1), 461(1) or 461B(1) of the Taxes Act 1988 (life or endowment and other business), not being a business carried on by a friendly society all of whose profits are so exempt.

(3) Regulations under this section may make different provision for different cases.

(4) This section shall be without prejudice to section 463(1) of the Taxes Act 1988 (application of the Corporation Tax Acts to life or endowment business carried on by friendly societies).

122 Application of Income Tax Acts etc. to public departments

(1) In subsection (2) of section 829 of the Taxes Act 1988 (restriction on application of Income Tax Acts to public departments), at the end there shall be inserted "unless it is tax which would not have been so borne but for a failure by a public office or department of the Crown to make a deduction required by virtue of subsection (1) above."

(2) The provisions of Parts IX and X of the Taxes Management Act 1970 (interest and penalties) shall apply in relation to public offices and departments of the Crown for the purposes, so far as they so apply, of the other provisions of that Act and of the provisions of the Income Tax Acts mentioned in section 829(1) of the Taxes Act 1988.

(3) This section shall have effect in relation to the year 1993-94 and subsequent years of assessment.

123 Expenditure involving crime

(1) The following section shall be inserted after section 577 of the Taxes Act 1988—

"**577A Expenditure involving crime**

(1) In computing profits or gains chargeable to tax under Schedule A or Schedule D, no deduction shall be made for any expenditure incurred in making a payment the making of which constitutes the commission of a criminal offence.

(2) Such expenditure shall not be included in computing any expenses of management in respect of which relief may be given under the Tax Acts."

(2) This section shall apply in relation to expenditure incurred on or after 11th June 1993.

124 Expenses of Members of Parliament

(1) Section 200 of the Taxes Act 1988 (expenses of Members of Parliament) shall become subsection (1) of that section and the following subsection shall be inserted after that subsection—

"(2) A sum which is paid to a Member of the House of Commons in accordance with any resolution of that House providing for Members of that House to be reimbursed in respect of the cost of, and any additional expenses incurred in, travelling between the United Kingdom and any European Community institution in Brussels, Luxembourg or Strasbourg shall not be regarded as income for any purpose of the Income Tax Acts."

(2) This section shall apply in relation to sums paid on or after 1st January 1992.

(3) Any such adjustment (whether by way of discharge or repayment of tax, the making of an assessment or otherwise) as is appropriate in consequence of this section may be made.