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Changes to legislation: Finance Act 1994 is up to date with all changes known to be in force on or before 27 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)



Finance Act 1994

1994 CHAPTER 9

U.K.

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance. [3rd May 1994]

Most Gracious Sovereign,

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

Modifications etc. (not altering text)

C1 Act restricted (1.5.1995) by 1995 c. 4, s. 86(11)(14) (with Sch. 8 paras. 55(2), 57(1))

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PART I U.K.

CUSTOMS AND EXCISE

CHAPTER I U.K.

GENERAL

Rates of duty

1 **Wine, made-wine and cider.** U.K.

- (1) For the Table of rates of duty in Schedule 1 to the ^{M1}Alcoholic Liquor Duties Act 1979 (wine and made-wine) there shall be substituted the Table in Schedule 1 to this Act.
- (2) In section 62(1) of that Act (cider) for “£22.39” there shall be substituted “ £22.82 ”.
- (3) This section shall be deemed to have come into force on 1st January 1994.

Marginal Citations

M1 1979 c. 4.

2 **Tobacco products.** U.K.

- (1) For the Table in Schedule 1 to the ^{M2}Tobacco Products Duty Act 1979 there shall be substituted—

“ TABLE

1. Cigarettes	An amount equal to 20 per cent. of the retail price plus £52.33 per thousand cigarettes.
2. Cigars	£77.58 per kilogram.
3. Hand-rolling tobacco	£81.86 per kilogram.
4. Other smoking tobacco and chewing tobacco	£34.26 per kilogram.”

- (2) This section shall be deemed to have come into force at 6 o’clock in the evening of 30th November 1993.

Marginal Citations

M2 1979 c. 7.

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3 Hydrocarbon oil. **U.K.**

- (1) In section 6(1) of the ^{M3}Hydrocarbon Oil Duties Act 1979 for “£0.3058” (duty on light oil) and “£0.2514” (duty on heavy oil) there shall be substituted “ £0.3314 ” and “ £0.2770 ” respectively.
- (2) In section 11(1) of that Act (rebate on heavy oil) for “£0.0105” (fuel oil) and “£0.0149” (gas oil) there shall be substituted “ £0.0116 ” and “ £0.0164 ” respectively.
- (3) In section 14(1) of that Act (rebate on light oil for use as furnace fuel) for “£0.0105” there shall be substituted “ £0.0116 ”.
- (4) This section shall be deemed to have come into force at 6 o’clock in the evening of 30th November 1993.

Marginal Citations

M3 1979 c. 5.

4 Vehicles excise duty. **U.K.**

- (1) The ^{M4}Vehicles (Excise) Act 1971 shall be amended as follows.
- (2) In section 2(1)(b) (six month licences), for “£35” there shall be substituted “ £50 ”.
- (3) In Schedule 1 (annual rates of duty on motorcycles), in Part I, paragraph 4(a) (special provision about old motorcycles in Northern Ireland) shall be omitted.
- (4) In Schedule 2 (annual rates of duty on hackney carriages)—
 - (a) in Part I, paragraph 3 (special provision about vehicles used partly for private purposes) and paragraph 5 (special provision for Northern Ireland) shall be omitted; and
 - (b) in the second column of the first entry in the Table set out in Part II (hackney carriages with seating capacity under nine), for “125” there shall be substituted “ 130 ”.
- (5) In Schedule 4 (annual rates of duty on goods vehicles), in the Table set out in paragraph 4(1) (articulated vehicles), there shall be inserted at the end—

“38,000	44,000	2,730	2,730	1,240”
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- (6) In Schedule 4, in paragraph 6 (farmers’ goods vehicles and showmen’s goods vehicles), sub-paragraph (6)(a), (c) and (d) (exceptional cases where rate is not determined according to sub-paragraphs (3) to (5)) shall be omitted.
- (7) In Schedule 5 (annual rates of duty on vehicles not falling within Schedules 1 to 4A), in the second column of paragraph 2 in the Table set out in Part II (vehicles other than those constructed before 1947), for “125.00” there shall be substituted “ 130.00 ”.
- (8) This section shall apply in relation to licences taken out after 30th November 1993.

Marginal Citations

M4 1971 c. 10.

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Other provisions

5 Vehicles excise duty: miscellaneous provisions. U.K.

Schedule 2 to this Act (which contains miscellaneous provisions relating to vehicles excise duty) shall have effect.

6 Gaming machine licence duty. U.K.

Schedule 3 to this Act (which makes amendments to the ^{M5}Betting and Gaming Duties Act 1981 about gaming machine licence duty) shall have effect.

Marginal Citations

M5 1981 c. 63.

VALID FROM 01/07/1994

CHAPTER II U.K.

APPEALS AND PENALTIES

Modifications etc. (not altering text)

C2 Pt. I Chapter II (ss. 7-19) applied (17.3.2000) by S.I. 2000/426, art. 5

VAT and duties tribunals

7 VAT and duties tribunals. U.K.

- (1) As from the coming into force of this section the tribunals for which provision is made by Schedule 8 to the ^{M6}Value Added Tax Act 1983 (value added tax tribunals)—
- (a) shall be known as the VAT and duties tribunals; and
 - (b) shall (in addition to their jurisdiction in relation to matters relating to value added tax) have the jurisdiction in relation to matters relating to customs and excise which is conferred by this Chapter.
- (2) Accordingly—
- (a) the President of Value Added Tax Tribunals and any Vice-President of Value Added Tax Tribunals shall be known after the coming into force of this section as, respectively, the President of the VAT and Duties Tribunals and a Vice-President of the VAT and Duties Tribunals; and
 - (b) references in the Value Added Tax Act 1983 or in any other enactment, or in any subordinate legislation, to a value added tax tribunal, to the President of Value Added Tax Tribunals or to a Vice-President of Value Added Tax Tribunals, and any cognate expressions, shall be construed in accordance with subsection (1) and paragraph (a) above.

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<p>(3) In the following provisions of this Chapter references to an appeal tribunal are references to a VAT and duties tribunal.</p> <p>(4) Sections 25 and 29 of the ^{M7}Finance Act 1985 (settling of appeals by agreement and enforcement of decisions of tribunal) shall have effect as if—</p> <p>(a) the references to section 40 of the ^{M8}Value Added Tax Act 1983 included references to this Chapter; and</p> <p>(b) references to value added tax included references to any relevant duty.</p> <p>(5) Without prejudice to the generality of the power conferred by paragraph 9 of Schedule 8 to the ^{M9}Value Added Tax Act 1983 (rules of procedure for tribunals), rules under that paragraph may provide for costs awarded against an appellant on an appeal by virtue of this Chapter to be recoverable, and for any directly applicable Community legislation relating to any relevant duty or any enactment so relating to apply, as if the amount awarded were an amount of duty which the appellant is required to pay.</p> <p>(6) In Part I of Schedule 1 to the ^{M10}Tribunals and Inquiries Act 1992 (tribunals under direct supervision of Council on Tribunals), for the entry beginning “Value added tax” there shall be substituted the following entry—</p>	
“VAT and duties	44. VAT and duties tribunals for England and Wales and for Northern Ireland, constituted in accordance with Schedule 8 to the Value Added Tax Act 1983 (c. 55).”
<p>(7) In Part II of Schedule 1 to that Act of 1992 (tribunals under supervision of Scottish Committee of the Council), for the entry beginning “Value added tax” there shall be substituted the following entry—</p>	
“VAT and duties	63. VAT and duties tribunals for Scotland constituted in accordance with Schedule 8 to the Value Added Tax Act 1983 (c. 55).”
<p>Commencement Information</p> <p>I1 S. 7 wholly in force at 31.8.1994; s. 7 not in force at Royal Assent see s. 19(1); s. 7 (except s. 7(1)(b)) in force at 1.7.1994 by S.I. 1994/1690, art. 2; s. 7(1)(b) in force at 31.8.1994 by S.I. 1994/2143, art. 2</p> <p>Marginal Citations</p> <p>M6 1983 c. 55. M7 1985 c. 54. M8 1983 c. 55. M9 1983 c. 55. M10 1992 c. 53.</p>	

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VALID FROM 01/11/1994

Civil penalties

8 Penalty for evasion of excise duty. U.K.

- (1) Subject to the following provisions of this section, in any case where—
- (a) any person engages in any conduct for the purpose of evading any duty of excise, and
 - (b) his conduct involves dishonesty (whether or not such as to give rise to any criminal liability),
- that person shall be liable to a penalty of an amount equal to the amount of duty evaded or, as the case may be, sought to be evaded.
- (2) References in this section to a person's evading a duty of excise shall include references to his obtaining or securing, without his being entitled to it—
- (a) any repayment, rebate or drawback of duty;
 - (b) any relief or exemption from or any allowance against duty; or
 - (c) any deferral or other postponement of his liability to pay any duty or of the discharge by payment of any such liability,
- and shall also include references to his evading the cancellation of any entitlement to, or the withdrawal of, any such repayment, rebate, drawback, relief, exemption or allowance.
- (3) In relation to any such evasion of duty as is mentioned in subsection (2) above, the reference in subsection (1) above to the amount of duty evaded or sought to be evaded shall be construed as a reference to the amount of the repayment, rebate, drawback, relief, exemption or allowance or, as the case may be, the amount of the payment which, or the liability to make which, is deferred or otherwise postponed.
- (4) Where a person is liable to a penalty under this section—
- (a) the Commissioners or, on appeal, an appeal tribunal may reduce the penalty to such amount (including nil) as they think proper; and
 - (b) an appeal tribunal, on an appeal relating to a penalty reduced by the Commissioners under this subsection, may cancel the whole or any part of the reduction made by the Commissioners.
- (5) Neither of the following matters shall be a matter which the Commissioners or any appeal tribunal shall be entitled to take into account in exercising their powers under subsection (4) above, that is to say—
- (a) the insufficiency of the funds available to any person for paying any duty of excise or for paying the amount of the penalty;
 - (b) the fact that there has, in the case in question or in that case taken with any other cases, been no or no significant loss of duty.
- (6) Statements made or documents produced by or on behalf of a person shall not be inadmissible in—
- (a) any criminal proceedings against that person in respect of any offence in connection with or in relation to any duty of excise, or

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- (b) any proceedings against that person for the recovery of any sum due from him in connection with or in relation to any duty of excise,
by reason only that any of the matters specified in subsection (7) below has been drawn to his attention and that he was, or may have been, induced by that matter having been brought to his attention to make the statements or produce the documents.
- (7) The matters mentioned in subsection (6) above are—
- (a) that the Commissioners have power, in relation to any duty of excise, to assess an amount due by way of a civil penalty, instead of instituting criminal proceedings;
 - (b) that it is the Commissioners' practice, without being able to give an undertaking as to whether they will make such an assessment in any case, to be influenced in determining whether to make such an assessment by the fact (where it is the case) that a person has made a full confession of any dishonest conduct to which he has been a party and has given full facilities for an investigation;
 - (c) that the Commissioners or, on appeal, an appeal tribunal have power to reduce a penalty under this section, as provided in subsection (4) above; and
 - (d) that, in determining the extent of such a reduction in the case of any person, the Commissioners or tribunal will have regard to the extent of the co-operation which he has given to the Commissioners in their investigation.
- (8) Where, by reason of conduct falling within subsection (1) above, a person is convicted of an offence, that conduct shall not also give rise to liability to a penalty under this section.

Commencement Information

- I2** S. 8 wholly in force at 1.1.1995; s. 8 not in force at Royal Assent see s. 19(1); s. 8 in force for certain purposes at 1.11.1994 by [S.I. 1994/2679](#), art. 2, [Sch.](#); s. 8 in force at 1.1.1995 insofar as not already in force by [S.I. 1994/2679](#), art. 3

9 Penalties for contraventions of statutory requirements. **U.K.**

- (1) This section applies, subject to section 10 below, to any conduct in relation to which any enactment (including an enactment contained in this Act or in any Act passed after this Act) provides for the conduct to attract a penalty under this section.
- (2) Any person to whose conduct this section applies shall be liable—
- (a) in the case of conduct in relation to which provision is made by subsection (4) below or any other enactment for the penalty attracted to be calculated by reference to an amount of, or an amount payable on account of, any duty of excise, to a penalty of whichever is the greater of 5 per cent. of that amount and £250; and
 - (b) in any other case, to a penalty of £250.
- (3) Subject to section 13(3) and (4) below, in the case of any conduct to which this section applies which is conduct in relation to which provision is made by subsection (4) or (5) below or any other enactment for that conduct to attract daily penalties, the person whose conduct it is—

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- (a) shall be liable, in addition to an initial penalty under subsection (2) above, to a penalty of £20 for every day, after the first, on which the conduct continues, but
 - (b) shall not, in respect of the continuation of that conduct, be liable to further penalties under subsection (2) above.
- (4) Where any conduct to which this section applies consists in a failure, in contravention of any subordinate legislation, to pay any amount of any duty of excise or an amount payable on account of any such duty, then, in so far as that would not otherwise be the case—
- (a) the penalty attracted to that contravention shall be calculated by reference to the amount unpaid; and
 - (b) the contravention shall also attract daily penalties.
- (5) Where—
- (a) a contravention of any provision made by or under any enactment consists in or involves a failure, before such time as may be specified in or determined in accordance with that provision, to send a return to the Commissioners showing the amount which any person is or may become required to pay by way of, or on account of, any duty of excise, and
 - (b) that contravention attracts a penalty under this section,
- that contravention shall also attract daily penalties.
- (6) Where, by reason of any conduct to which this section applies, a person is convicted of an offence, that conduct shall not also give rise to liability to a penalty under this section.
- (7) If it appears to the Treasury that there has been a change in the value of money since the passing of this Act or, as the case may be, the last occasion when the power conferred by this subsection was exercised, they may by order substitute for any sum for the time being specified in subsection (2) or (3) above such other sum as appears to them to be justified by the change.
- (8) The power to make an order under subsection (7) above—
- (a) shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons; but
 - (b) shall not be exercisable so as to vary the penalty for any conduct occurring before the coming into force of the order.
- (9) Schedule 4 to this Act (which provides for the conduct to which this section applies, repeals the summary offences superseded by this section and makes related provision with respect to forfeiture) shall have effect.

Modifications etc. (not altering text)

- C3** S. 9 applied (29.4.1996 with effect as mentioned in 1996 c. 8, s. 6(5)) by 1979 c. 5, s. 20AAB(8) (as inserted by 1996 c. 8, s. 6(3)(5)); S.I. 1996/2751, art. 2
- S. 9 applied (29.4.1996 with effect as mentioned in 1996 c. 8, s. 5(6)) by 1979 c. 5, s. 13AB(1)(b)(2)(b)(5) (as inserted by 1996 c. 8, s. 5(4)(6)); S.I. 1996/2314, art. 2
- C4** S. 9 applied (1.1.1995) by 1979 c. 2, ss. 92(6)(8), 93(6), 100J, 101(4), 107(2)(3), 108(4), 111(1), 114(2), 115(4), 116(3), 118G, 170A(1)(2) (all as amended (1.1.1995) by 1994 c. 9, s. 9, Sch. 4 paras. 2(1)(2), 3, 4, 5(b), 6(1)(2), 7, 8(1), 9, 10(1)(b), 11, 12, 13(1)(2)); S.I. 1994/2679, art. 3

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S. 9 applied (1.1.1995) by 1979 c. 4, **ss. 8(2)**, 10(2), 13(3)(5), 15(4)(5)(7), 16(2)(3), 18(6), 19(2), 20(1)(2), 21(3), 22(9), 24(4), 33(1)(5), 34(2), 35(3), 41A(8), 44(2), 46(2), 47(4)(5), 49(3), 54(5), 55(6), 55A(3), 56(2), 59(2), 61(2), 62(4)(6), 64(2), 67(2), 69(3)(4), 71(1)(3), 75(5), 77(3)(4), 78(4), 82(2) (all as amended (1.1.1995) by 1994 c. 9, s. 9, Sch. 4 paras. 15, 16, 17(1)(a)(3), 18(1)(2)(3), 19(1)(2), 20, 21(1), 22, 23(1), 24, 25, 26(1)(2), 27, 28, 29, 30, 31, 32(1)(2), 33, 34, 35, 36(b), 37, 38, 39, 40(1)(2), 41, 42, 43(1)(2), 44(1)(2), 45(b), 46(1)(2), 47, 48); S.I. 1994/2679, **art. 3**

S. 9 applied (1.1.1995) by 1979 c. 5, **ss. 10(3)(4)**, 13(1)(2), 14(4)(5), 18(5), 20AA(4)(a), 21(3), 22(1), 23(1), 24(4) (all as amended (1.1.1995) by 1994 c. 9, s. 9, Sch. 4 paras. 50(1)(b)(2)(c), 51(1)(b)(2)(c), 52(1)(b)(2)(c), 53, 54, 55(b), 56(1)(b), 57(1)(b), **58(b)**); S.I. 1994/2679, **art. 3**

S. 9 applied (1.1.1995) by 1979 c. 7, s. **7(2)** (as amended (1.1.1995) by 1994 c. 9, s. 9, **Sch. 4 para. 59**); S.I. 1994/2679, **art. 3**

S. 9 applied (1.1.1995) by 1981 c. 63, s. 24(5), Sch. 1 paras. 13(1), 14(3), Sch. 2 para. 7(1), Sch. 3 para. 16(3)(b), **Sch. 4 para. 16(1)** (all as amended (1.1.1995) by 1994 c. 9, s. 9, Sch. 4 paras. 61(a), 62(1)(2)(b), 63(1), 64(1), **65(1)**); S.I. 1994/2679, **art. 3**

S. 9 applied (1.1.1995) by 1993 c. 34, **ss. 27(4)**, 28(3), 29(8) (all as amended (1.1.1995) by 1994 c. 9, s. 9, Sch. 4 paras. 67(b), **68(b)**); S.I. 1994/2679, **art. 3**

S. 9 applied (19.3.1997) by 1997 c. 16, ss. 12(5)(a), 13(1), 15, 50(1), Sch. 1 paras. 5(3), 7, 10(3), **Sch. 5 para. 4(1)**

Commencement Information

- 13** S. 9 wholly in force at 1.1.1995; s. 9 not in force at Royal Assent see s. 19(1); s. 9(1)-(8) in force for certain purposes at 1.11.1994 by S.I. 1994/2679, **art. 2, Sch.**; s. 9 in force at 1.1.1995 insofar as not already in force by S.I. 1994/2679, **art. 3**

10 Exceptions to liability under section 9. **U.K.**

- (1) Subject to subsection (2) below and to any express provision to the contrary made in relation to any conduct to which section 9 above applies, such conduct shall not give rise to any liability to a penalty under that section if the person whose conduct it is satisfies the Commissioners or, on appeal, an appeal tribunal that there is a reasonable excuse for the conduct.
- (2) Where it appears to the Commissioners or, on appeal, an appeal tribunal that there is no reasonable excuse for a continuation of conduct for which there was at first a reasonable excuse, liability for a penalty under section 9 above shall be determined as if the conduct began at the time when there ceased to be a reasonable excuse for its continuation.
- (3) For the purposes of this section—
- an insufficiency of funds available for paying any duty or penalty due shall not be a reasonable excuse; and
 - where reliance is placed by any person on another to perform any task, then neither the fact of that reliance nor the fact that any conduct to which section 9 above applies was attributable to the conduct of that other person shall be a reasonable excuse.

Modifications etc. (not altering text)

- C5** S. 10 excluded (1.1.1995) by 1979 c. 2, **ss. 114(2)**, 170A(2) (both as amended (1.1.1995) by 1994 c. 9, s. 9, Sch. 4 paras. 9, **13(2)** (with s. 19(3)); S.I. 1994/2679, **art. 3**

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S. 10 excluded (1.1.1995) by 1979 c. 5, ss. 22(1A), 23(1A) (both as amended (1.1.1995) by 1994 c. 9, s. 9, Sch. 4 paras. 56(2), 57(2) (with s. 19(3)); S.I. 1994/2679, art. 3

Commencement Information

- 14** S. 10 wholly in force at 1.1.1995; s. 10 not in force at Royal Assent see s. 19(1); s. 10 in force for certain purposes at 1.11.1994 by S.I. 1994/2679, art. 2, Sch.; s. 10 in force at 1.1.1995 insofar as not already in force by S.I. 1994/2679, art. 3

11 Breaches of walking possession agreements. **E+W+N.I.**

- (1) This section applies where—
- (a) by virtue of section 117 of the Management Act or section 28 of the ^{M11}Betting and Gaming Duties Act 1981, a person (“the person levying the distress”) is empowered or authorised to distrain any property of another person (“the person in default”); and
 - (b) the person levying the distress and the person in default have entered into a walking possession agreement.
- (2) In this section a “walking possession agreement” means an agreement under which, in consideration of the property distrained upon being allowed to remain in the custody of the person in default and of the delaying of its sale, the person in default—
- (a) acknowledges that the property specified in the agreement is under distraint and held in walking possession; and
 - (b) undertakes that, except with the consent of the Commissioners and subject to such conditions as they may impose, he will not remove or allow the removal of any of the specified property from the premises named in the agreement.
- (3) Subject to subsection (4) below, if the person in default is in breach of the undertaking contained in a walking possession agreement, he shall be liable to a penalty equal to one-half of the unpaid duty or penalty which gives rise to the distraint.
- (4) The person in default shall not be liable to a penalty under subsection (3) above if he satisfies the Commissioners or, on appeal, an appeal tribunal that there is a reasonable excuse for the breach in question.
- (5) This section does not extend to Scotland.

Commencement Information

- 15** S. 11 wholly in force at 1.1.1995; s. 11 not in force at Royal Assent see s. 19(1); s. 11 in force for certain purposes at 1.11.1994 by S.I. 1994/2679, art. 2, Sch.; s. 11 in force at 1.1.1995 insofar as not already in force by S.I. 1994/2679, art. 3

Marginal Citations

- M11** 1981 c. 63.

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VALID FROM 01/11/1994

Assessments to excise duty or to penalties

12 Assessments to excise duty. U.K.

- (1) Subject to subsection (4) below, where it appears to the Commissioners—
 - (a) that any person is a person from whom any amount has become due in respect of any duty of excise; and
 - (b) that there has been a default falling within subsection (2) below,the Commissioners may assess the amount of duty due from that person to the best of their judgement and notify that amount to that person or his representative.
- (2) The defaults falling within this subsection are—
 - (a) any failure by any person to make, keep, preserve or produce as required or directed by or under any enactment any returns, accounts, books, records or other documents;
 - (b) any omission from or inaccuracy in any returns, accounts, books, records or other documents which any person is required or directed by or under any enactment to make, keep, preserve or produce;
 - (c) any failure by any person to take or permit to be taken any step which he is required under Schedule 1 or 3 to the ^{M12}Betting and Gaming Duties Act 1981 to take or to permit to be taken;
 - (d) any unreasonable delay in performing any obligation the failure to perform which would be a default falling within this subsection.
- (3) Where an amount has been assessed as due from any person and notified in accordance with this section, it shall, subject to any appeal under section 16 below, be deemed to be an amount of the duty in question due from that person and may be recovered accordingly, unless, or except to the extent that, the assessment has subsequently been withdrawn or reduced.
- (4) An assessment of the amount of any duty of excise due from any person shall not be made under this section at any time after whichever is the earlier of the following times, that is to say—
 - (a) subject to subsection (5) below, the end of the period of six years beginning with the time when his liability to the duty arose; and
 - (b) the end of the period of one year beginning with the day on which evidence of facts, sufficient in the opinion of the Commissioners to justify the making of the assessment, comes to their knowledge;but this subsection shall be without prejudice, where further evidence comes to the knowledge of the Commissioners at any time after the making of an assessment under this section, to the making of a further assessment within the period applicable by virtue of this subsection in relation to that further assessment.
- (5) Subsection (4) above shall have effect as if the reference in paragraph (a) to six years were a reference to twenty years in the case of any assessment to any amount of duty the assessment or payment of any of which has been postponed or otherwise affected by—

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

Changes to legislation: Finance Act 1994 is up to date with all changes known to be in force on or before 27 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (a) conduct in respect of which any person (whether or not the person assessed) —
- (i) has become liable to a penalty under section 8 above, or
- (ii) has been convicted of an offence of fraud or dishonesty; or
- (b) any conduct in respect of which proceedings for an offence of fraud or dishonesty would have been commenced or continued against any person (whether or not the person assessed), but for their having been compounded under section 152(a) of the Management Act.
- (6) The reference in subsection (4) above to the time when a person’s liability to a duty of excise arose are references—
- (a) in the case of a duty of excise on goods, to the excise duty point; and
- (b) in any other case, to the time when the duty was charged.
- (7) In this section references to an offence of fraud or dishonesty include references to an offence under any of the following provisions, that is to say—
- (a) sections 100(3), 136(1), 159(6), 167(1), 168(1), 170(1) and (2) and 170B(1) of the Management Act,
- (b) section 24(6) of the ^{M13}Betting and Gaming Duties Act 1981 and paragraph 13(3) of Schedule 1, paragraph 7(3) of Schedule 2 and paragraph 16(1) of Schedule 3 to that Act,
- (c) section 31(1) and (3) of the ^{M14}Finance Act 1993, and
- (d) section 41(1) and (3) below,
- and also include references to attempting or conspiring to commit an offence of fraud or dishonesty and to inciting the commission of such an offence.
- (8) In this section “representative”, in relation to a person appearing to the Commissioners to be a person from whom any amount has become due in respect of any duty of excise, means his personal representative or trustee in bankruptcy, any receiver or liquidator appointed in relation to that person or any of his property or any other person acting in a representative capacity in relation to that person.

Modifications etc. (not altering text)

- C6** S. 12(1) extended (29.4.1996 with effect as mentioned in 1996 c. 8, s. 6(5)) by 1979 c. 5, s. 20AAB(5) (as inserted by 1996 c. 8, s. 6(3)(5)); S.I. 1996/2751, art. 2

Commencement Information

- I6** S. 12 wholly in force at 1.1.1995; s. 12 not in force at Royal Assent see s. 19(1); s. 12 (except s. 12(7)(b)(c) and specified references in s. 12(7)(a)) in force for certain purposes at 1.11.1994 by S.I. 1994/2679, art. 2, Sch.; s. 12 in force at 1.1.1995 insofar as not already in force by S.I. 1994/2679, art. 3

Marginal Citations

- M12** 1981 c. 63.
M13 1981 c. 63.
M14 1993 c. 34.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.
Changes to legislation: Finance Act 1994 is up to date with all changes known to be in force on or before 27 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

VALID FROM 01/06/1997

[^{F1}12A Other assessments relating to excise duty matters. **U.K.**

- (1) This subsection applies where any relevant excise duty relief other than an excepted relief—
 - (a) has been given but ought not to have been given, or
 - (b) would not have been given had the facts been known or been as they later turn out to be.
- (2) Where subsection (1) above applies, the Commissioners may assess the amount of the relief given as being excise duty due from the liable person and notify him or his representative accordingly.
- (3) Where an amount has been assessed as due from any person under—
 - (a) subsection (2) above,
 - (b) section 94 or 96 of the Management Act, or
 - (c) section 10, 13, 14, 23 or 24 of the ^{M15}Hydrocarbon Oil Duties Act 1979,and notice has been given accordingly, that amount shall, subject to any appeal under section 16 below, be deemed to be an amount of excise duty due from that person and may be recovered accordingly, unless, or except to the extent that, the assessment has subsequently been withdrawn or reduced.
- (4) No assessment under any of the provisions referred to in subsection (3) above, or under section 61 or 167 of the Management Act, shall be made at any time after whichever is the earlier of the following times, that is to say—
 - (a) subject to subsection (6) below, the end of the period of three years beginning with the relevant time; and
 - (b) the end of the period of one year beginning with the day on which evidence of facts, sufficient in the opinion of the Commissioners to justify the making of the assessment, comes to their knowledge.
- (5) Subsection (4) above shall be without prejudice, where further evidence comes to the knowledge of the Commissioners at any time after the making the assessment concerned, to the making of a further assessment within the period applicable by virtue of that subsection in relation to that further assessment.
- (6) Subsection (4) above shall have effect as if the reference in paragraph (a) to three years were a reference to twenty years in any case where the assessment has been postponed or otherwise affected by, or the power to make the assessment arises out of, conduct falling within subsection (5)(a) or (b) of section 12 above (construed in accordance with subsection (7) of that section).]

Textual Amendments

F1 Ss. 12A, 12B inserted (1.6.1997) by 1997 c. 16, s. 50(2), Sch. 6 paras. 1(1), 7; S.I. 1997/1305, art. 2

Marginal Citations

M15 1979 c. 5.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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VALID FROM 01/06/1997

F²12B Section 12A: supplementary provisions. U.K.

(1) For the purposes of section 12A above and this section, relevant excise duty relief has been given if (and only if)—

- (a) an amount of excise duty which a person is liable to pay has been remitted or payment of an amount of excise duty which a person is liable to pay has been waived;
- (b) an amount of excise duty has been repaid to a person;
- (c) an amount by way of drawback of excise duty has been paid to a person;
- (d) an allowance of excise duty in any amount has been made to a person;
- (e) an amount by way of rebate has been allowed to a person;
- (f) the liability of a person to repay an amount paid by way of drawback of excise duty has been waived;
- (g) an amount has been paid to a person under section 20(3) of the Hydrocarbon Oil Duties Act 1979 (payments in respect of contaminated or accidentally mixed oil); or
- (h) an amount of relief has been allowed to a person by virtue of section 20AA of that Act (power to allow reliefs), or in accordance with paragraph 10 of Schedule 3 to that Act (power to make regulations for the purpose of relieving from excise duty oil intended for exportation or shipment as stores);

and the amount of the relief is the amount mentioned in relation to the relief in this subsection.

(2) For the purposes of section 12A above the relevant time is—

- (a) in the case of an assessment under section 61 of the Management Act, the time when the ship or aircraft in question returned to a place within the United Kingdom;
- (b) in the case of an assessment under section 94 of that Act, the time at which the goods in question were warehoused;
- (c) in the case of an assessment under that section as it has effect by virtue of section 95 of that Act, the time when the goods in question were lawfully taken from the warehouse;
- (d) in the case of an assessment under section 96 of that Act, the time when the goods in question were moved by pipe-line or notified as goods to be moved by pipe-line;
- (e) in the case of an assessment under section 167 of that Act—
 - (i) if the assessment relates to unpaid duty, the time when the duty became payable or, if later, the time when the document in question was delivered or the statement in question was made; and
 - (ii) if the assessment relates to an overpayment, the time when the overpayment was made;
- (f) in the case of an assessment under section 10, 13, 14 or 23 of the ^{M16}Hydrocarbon Oil Duties Act 1979, the time of the action which gave rise to the power to assess;

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- (g) in the case of an assessment under section 24(4A) or (4B) of that Act, the time when the rebate was allowed or the oil was delivered without payment of duty (as the case may be);
 - (h) in the case of an assessment under section 12A(2) above, the time when the relevant excise duty relief in question was given.
- (3) In section 12A above “the liable person” means—
- (a) in the case of excise duty which has been remitted or repaid under section 130 of the Management Act on the basis that goods were lost or destroyed while in a warehouse, the proprietor of the goods or the occupier of the warehouse;
 - (b) in the case of a rebate which has been allowed on any oil under section 11 of the Hydrocarbon Oil Duties Act 1979, the person to whom the rebate was allowed or the occupier of any warehouse from which the oil was delivered for home use;
 - (c) in the case of a rebate allowed on any petrol under section 13A of that Act, the person to whom the rebate was allowed or the occupier of any warehouse from which the petrol was delivered for home use;
 - (d) in any other case, the person mentioned in subsection (1) above to whom the relief in question was given.
- (4) In section 12A above—
- “excepted relief” means any relief which is given by the making of a repayment on a claim made under section 137A of the Management Act;
- “representative”, in relation to any person from whom the Commissioners assess an amount as being excise duty due, means his personal representative, trustee in bankruptcy or interim or permanent trustee, any receiver or liquidator appointed in relation to him or any of his property or any other person acting in a representative capacity in relation to him.

Textual Amendments

F2 Ss. 12A, 12B inserted (1.6.1997) by 1997 c. 16, s. 50(2), Sch. 6 paras. 1(1), 7; S.I. 1997/1305, art. 2

Marginal Citations

M16 1979 c. 5.

13 Assessments to penalties. **U.K.**

- (1) Where any person is liable to a penalty under this Chapter, the Commissioners may assess the amount due by way of penalty and notify that person, or his representative, accordingly.
- (2) An assessment under this section may be combined with an assessment under section 12 above, but any notification for the purposes of any such combined assessment shall separately identify any amount assessed by way of a penalty.
- (3) In the case of any amount due from any person by way of a penalty under section 9 above for conduct consisting in a contravention which attracts daily penalties—

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

Changes to legislation: Finance Act 1994 is up to date with all changes known to be in force on or before 27 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (a) a notification of an assessment under this section shall specify a date, being a date no later than the date of the notification, to which the penalty as assessed is to be calculated; and
 - (b) if the contravention continues after that date, a further assessment, or (subject to this subsection) further assessments, may be made under this section in respect of any continuation of the contravention after that date.
- (4) If—
- (a) a person is assessed to a penalty in accordance with paragraph (a) of subsection (3) above, and
 - (b) the contravention to which that penalty relates is remedied within such period after the date specified for the purposes of that subsection in the notification of assessment as may for the purposes of this subsection be notified to that person by the Commissioners,
- that contravention shall be treated for the purposes of this Chapter as having been remedied, and accordingly the conduct shall be deemed to have ceased, immediately before that date.
- (5) If an amount has been assessed as due from any person and notified in accordance with this section, then unless, or except to the extent that, the assessment has subsequently been withdrawn or reduced, that amount shall, subject to any appeal under section 16 below, be recoverable as if it were an amount due from that person as an amount of the appropriate duty.
- (6) In subsection (5) above “the appropriate duty” means—
- (a) the duty of excise (if any) by reference to an amount of which the penalty in question is calculated; or
 - (b) where there is no such duty, the duty of excise the provisions relating to which are contravened by the conduct giving rise to the penalty or, if those provisions relate to more than one duty, such of the duties as appear to the Commissioners and are certified by them to be relevant in the case in question.
- (7) In this section “representative”, in relation to a person liable to a penalty under this Chapter, means his personal representative or trustee in bankruptcy, any receiver or liquidator appointed in relation to that person or any of his property or any other person acting in a representative capacity in relation to that person.

Commencement Information

- I7** S. 13 wholly in force at 1.1.1995; s. 13 not in force at Royal Assent see s. 19(1); s. 13 in force for certain purposes at 1.11.1994 by S.I. 1994/2679, art. 2, Sch.; s. 13 in force at 1.1.1995 insofar as not already in force by S.I. 1994/2679, art. 3

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.
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VALID FROM 01/11/1994

Customs and excise reviews and appeals

14 Requirement for review of a decision. U.K.

- (1) This section applies to the following decisions, not being decisions under this section or section 15 below, that is to say—
- (a) any decision by the Commissioners, in relation to any customs duty or to any agricultural levy of the European Community, as to—
 - (i) whether or not, and at what time, anything is charged in any case with any such duty or levy;
 - (ii) the rate at which any such duty or levy is charged in any case, or the amount charged;
 - (iii) the person liable in any case to pay any amount charged, or the amount of his liability; or
 - (iv) whether or not any person is entitled in any case to relief or to any repayment, remission or drawback of any such duty or levy, or the amount of the relief, repayment, remission or drawback to which any person is entitled;
 - (b) so much of any decision by the Commissioners that a person is liable to any duty of excise, or as to the amount of his liability, as is contained in any assessment under section 12 above;
 - (c) so much of any decision by the Commissioners that a person is liable to any penalty under any of the provisions of this Chapter, or as to the amount of his liability, as is contained in any assessment under section 13 above; and
 - (d) any decision by the Commissioners or any officer which is of a description specified in Schedule 5 to this Act.
- (2) Any person who is—
- (a) a person whose liability to pay any relevant duty or penalty is determined by, results from or is or will be affected by any decision to which this section applies,
 - (b) a person in relation to whom, or on whose application, such a decision has been made, or
 - (c) a person on or to whom the conditions, limitations, restrictions, prohibitions or other requirements to which such a decision relates are or are to be imposed or applied,
- may by notice in writing to the Commissioners require them to review that decision.
- (3) The Commissioners shall not be required under this section to review any decision unless the notice requiring the review is given before the end of the period of forty-five days beginning with the day on which written notification of the decision, or of the assessment containing the decision, was first given to the person requiring the review.
- (4) For the purposes of subsection (3) above it shall be the duty of the Commissioners to give written notification of any decision to which this section applies to any person who—
- (a) requests such a notification;

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- (b) has not previously been given written notification of that decision; and
 - (c) if given such a notification, will be entitled to require a review of the decision under this section.
- (5) A person shall be entitled to give a notice under this section requiring a decision to be reviewed for a second or subsequent time only if—
- (a) the grounds on which he requires the further review are that the Commissioners did not, on any previous review, have the opportunity to consider certain facts or other matters; and
 - (b) he does not, on the further review, require the Commissioners to consider any facts or matters which were considered on a previous review except in so far as they are relevant to any issue to which the facts or matters not previously considered relate.
- (6) If it appears to the Commissioners that there is any description of decisions falling to be made for the purposes of any provision of—
- (a) the Community Customs Code,
 - (b) any Community legislation made for the purpose of implementing that Code, or
 - (c) any enactment or subordinate legislation so made,
- which are not decisions to which this section otherwise applies, the Commissioners may by regulations provide for this section to apply to decisions of that description as it applies to the decisions mentioned in subsection (1) above.
- (7) The power to make regulations under subsection (6) above shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament and shall include power—
- (a) to provide, in relation to any description of decisions to which this section is applied by any such regulations, that section 16(4) below shall have effect as if those decisions were of a description specified in Schedule 5 to this Act; and
 - (b) to make such other incidental, supplemental, consequential and transitional provision as the Commissioners think fit.

Commencement Information

18 S. 14 wholly in force at 1.1.1995; s. 14 not in force at Royal Assent see s. 19(1); s. 14(1)(2)-(5) (except s. 14(1)(a)) in force for certain purposes at 1.11.1994 by S.I. 1994/2679, art. 2, Sch.; s. 14 in force at 1.1.1995 insofar as not already in force by S.I. 1994/2679, art. 3

15 Review procedure. **U.K.**

- (1) Where the Commissioners are required in accordance with this Chapter to review any decision, it shall be their duty to do so and they may, on that review, either—
- (a) confirm the decision; or
 - (b) withdraw or vary the decision and take such further steps (if any) in consequence of the withdrawal or variation as they may consider appropriate.
- (2) Where—

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- (a) it is the duty of the Commissioners in pursuance of a requirement by any person under section 14 above to review any decision; and
- (b) they do not, within the period of forty-five days beginning with the day on which the review was required, give notice to that person of their determination on the review,

they shall be assumed for the purposes of this Chapter to have confirmed the decision.

- (3) The Commissioners shall not by virtue of any requirement under this Chapter to review a decision have any power, apart from their power in pursuance of section 8(4) above, to mitigate the amount of any penalty imposed under this Chapter.

Modifications etc. (not altering text)

- C7** S. 15 applied (1.6.1995) by S.I. 1995/1046, reg. 7(3)
S. 15 applied (1.5.1995 with effect as mentioned in 1995 c. 4, s. 14(2)) by 1981 c. 63, Sch. 4 para. 7A(5) (as inserted by 1995 c. 4, s. 14, Sch. 3 para. 11(5))
S. 15 applied (*prosp.*) by 1995 c. 4, s. 5(4)(6)
S. 15 applied (19.3.1997) by 1997 c. 16, ss. 11(7), 13(1), 15, 50(1), Sch. 1 paras. 8(11), 9(5), Sch. 5 para. 19(1)

Commencement Information

- I9** S. 15 wholly in force at 1.1.1995; s. 15 not in force at Royal Assent see s. 19(1); s. 15 in force for certain purposes at 1.11.1994 by S.I. 1994/2679, art. 2, Sch.; s. 15 in force at 1.1.1995 insofar as not already in force by S.I. 1994/2679, art. 3

16 Appeals to a tribunal. U.K.

- (1) Subject to the following provisions of this section, an appeal shall lie to an appeal tribunal with respect to any of the following decisions, that is to say—
 - (a) any decision by the Commissioners on a review under section 15 above (including a deemed confirmation under subsection (2) of that section); and
 - (b) any decision by the Commissioners on such review of a decision to which section 14 above applies as the Commissioners have agreed to undertake in consequence of a request made after the end of the period mentioned in section 14(3) above.
- (2) An appeal under this section shall not be entertained unless the appellant is the person who required the review in question.
- (3) An appeal which relates to, or to any decision on a review of, any decision falling within any of paragraphs (a) to (c) of section 14(1) above shall not be entertained if any amount is outstanding from the appellant in respect of any liability of the appellant to pay any relevant duty to the Commissioners (including an amount of any such duty which would be so outstanding if the appeal had already been decided in favour of the Commissioners) unless—
 - (a) the Commissioners have, on the application of the appellant, issued a certificate stating either—
 - (i) that such security as appears to them to be adequate has been given to them for the payment of that amount; or

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- (ii) that, on the grounds of the hardship that would otherwise be suffered by the appellant, they either do not require the giving of security for the payment of that amount or have accepted such lesser security as they consider appropriate;
- or
- (b) the tribunal to which the appeal is made decide that the Commissioners should not have refused to issue a certificate under paragraph (a) above and are satisfied that such security (if any) as it would have been reasonable for the Commissioners to accept in the circumstances has been given to the Commissioners.
- (4) In relation to any decision as to an ancillary matter, or any decision on the review of such a decision, the powers of an appeal tribunal on an appeal under this section shall be confined to a power, where the tribunal are satisfied that the Commissioners or other person making that decision could not reasonably have arrived at it, to do one or more of the following, that is to say—
- (a) to direct that the decision, so far as it remains in force, is to cease to have effect from such time as the tribunal may direct;
- (b) to require the Commissioners to conduct, in accordance with the directions of the tribunal, a further review of the original decision; and
- (c) in the case of a decision which has already been acted on or taken effect and cannot be remedied by a further review, to declare the decision to have been unreasonable and to give directions to the Commissioners as to the steps to be taken for securing that repetitions of the unreasonableness do not occur when comparable circumstances arise in future.
- (5) In relation to other decisions, the powers of an appeal tribunal on an appeal under this section shall also include power to quash or vary any decision and power to substitute their own decision for any decision quashed on appeal.
- (6) On an appeal under this section the burden of proof as to—
- (a) the matters mentioned in subsection (1)(a) and (b) of section 8 above,
- (b) the question whether any person has acted knowingly in using any substance or liquor in contravention of section 114(2) of the Management Act, and
- (c) the question whether any person had such knowledge or reasonable cause for belief as is required for liability to a penalty to arise under section 22(1) or 23(1) of the ^{M17}Hydrocarbon Oil Duties Act 1979 (use of fuel substitute or road fuel gas on which duty not paid),
- shall lie upon the Commissioners; but it shall otherwise be for the appellant to show that the grounds on which any such appeal is brought have been established.
- (7) An appeal tribunal shall not, by virtue of anything contained in this section, have any power, apart from their power in pursuance of section 8(4) above, to mitigate the amount of any penalty imposed under this Chapter.
- (8) References in this section to a decision as to an ancillary matter are references to any decision of a description specified in Schedule 5 to this Act which is not comprised in a decision falling within section 14(1)(a) to (c) above.

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Commencement Information

I10 S. 16 wholly in force at 1.1.1995; s. 16 not in force at Royal Assent see s. 19(1); s. 16 (except s. 16(6)(a)(b)) in force for certain purposes at 1.11.1994 by S.I. 1994/2679, art. 2, Sch.; s. 16 in force at 1.1.1995 insofar as not already in force by S.I. 1994/2679, art. 3

Marginal Citations

M17 1979 c. 5.

VALID FROM 31/08/1994

Supplemental provisions

17 Interpretation. **U.K.**

- (1) Subject to the following provisions of this section, expressions used in this Chapter and in the Management Act have the same meanings in this Chapter as in that Act.
- (2) In this Chapter—
 - “appeal tribunal” shall be construed in accordance with section 7(3) above;
 - “conduct” includes any act, omission or statement;
 - “contravention” includes a failure to comply, and cognate expressions shall be construed accordingly;
 - “the Community Customs Code” means the Regulation of the Council of the European Communities dated 12 October 1992 (EEC) No. 2913/92 for establishing the Community Customs Code;
 - “the Management Act” means the ^{M18}Customs and Excise Management Act 1979;
 - “relevant duty” means any Community customs duty or agricultural levy of the European Community or any duty of excise; and
 - “subordinate legislation” has the same meaning as in the ^{M19}Interpretation Act 1978.
- (3) For the purposes of this Chapter a contravention consisting in a failure to do something at or before a particular time shall be taken to continue after that time until the thing is done, and references in this Chapter to the remedying of such a contravention shall be construed accordingly.
- (4) References in this Chapter to a duty of excise do not include references to vehicles excise duty.

Marginal Citations

M18 1979 c. 2.
M19 1978 c. 30.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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18 Consequential modifications of enactments. **U.K.**

- (1) Subject to subsection (2) below, references in the Management Act to a penalty shall not include references to a penalty under this Chapter.
- (2) Section 117 of the Management Act (execution and distress against revenue traders) shall have effect—
 - (a) as if any amount assessed as due from any person by way of a penalty under this Chapter, not being an amount in relation to which subsection (4) below applies, were an amount of excise duty payable by that person; and
 - (b) with the substitution, in subsection (7A)—
 - (i) for “estimated under section 116A above” of “assessed under section 12 of the Finance Act 1994”; and
 - (ii) for the word “estimated”, in the second and third places where it occurs, of “assessed”.
- (3) Section 127 of the Management Act (determination of disputes as to duties on imported goods) shall cease to have effect; and for subsection (5) of section 40 of the ^{M20}Value Added Tax Act 1983 (which provides for there to be no appeal with respect to any matter falling to be determined in accordance with section 127 of the Management Act) there shall be substituted the following subsection—

“(5) No appeal shall lie under this section with respect to the subject-matter of any decision which by virtue of section 24 above is a decision to which section 14 of the Finance Act 1994 (decisions subject to review) applies unless the decision—

 - (a) relates exclusively to one or both of the following matters, namely whether or not section 16(3) above applies in relation to the importation of the goods in question and (if it does not) the rate of tax charged on those goods; and
 - (b) is not one in respect of which notice has been given to the Commissioners under section 14 of that Act requiring them to review it.”
- (4) Sections 28 and 29 of the ^{M21}Betting and Gaming Duties Act 1981 (distress and pouncing) shall apply, as they apply in relation to any amount recoverable by way of general betting duty, in relation to any amount assessed as due from any person by way of a penalty incurred under this Chapter with respect to conduct connected with a duty or licence under that Act.
- (5) In section 29A(1)(d) of that Act of 1981 (certificate to be evidence of certain matters), for the words “or estimate made in pursuance of this Act” there shall be substituted “ made in pursuance of this Act or in any assessment made under section 12 of the Finance Act 1994 ”.
- (6) In section 35(1)(c) of the ^{M22}Finance Act 1993 (certificate to be evidence of certain matters), for the words “in an estimate made under section 116A of the Customs and Excise Management Act 1979” there shall be substituted “ in any assessment made under section 12 of the Finance Act 1994 ”.
- (7) In section 827 of the Taxes Act 1988 (VAT penalties etc.), after subsection (1) there shall be inserted the following subsection—

“(1A) Where a person is liable to make a payment by way of a penalty under any of sections 8 to 11 of the Finance Act 1994 (penalties relating to excise),

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that payment shall not be allowed as a deduction in computing any income, profits or losses for any tax purposes.”

- (8) Subsections (1), (2) and (4) above shall be without prejudice to section 13(5) above; and subsection (7) above shall have effect in relation to any chargeable period ending after the coming into force of the provision which provides for the imposition of the penalty in question.

Marginal Citations

- M20** 1983 c. 55.
M21 1981 c. 63.
M22 1993 c. 34.

VALID FROM 01/01/1995

19 Commencement of Chapter. **U.K.**

- (1) Subject to section 18(8) above, this Chapter shall come into force on such day as the Commissioners may by order made by statutory instrument appoint, and different days may be appointed under this subsection for different provisions and for different purposes.
- (2) An order under this section may make such transitional provision and savings as appear to the Commissioners to be appropriate in connection with the bringing into force by such an order of any provision of this Chapter.
- (3) Nothing in any provision of this Chapter shall, in respect of conduct occurring before the coming into force of that provision, impose or affect any liability to any civil or criminal penalty or any liability of goods to forfeiture.

Subordinate Legislation Made

- P1** [S. 19](#) power partly exercised: 1.7.1994 appointed for specified provisions by [S.I. 1994/1690, art. 2](#)
[S. 19](#) power partly exercised: 31.8.1994 appointed for specified provision by [S.I. 1994/2143, art. 2](#)
[S. 19](#) power partly exercised: different dates appointed for specified provisions by [S.I. 1994/2679, arts. 2, 3](#)

Commencement Information

- III1** [S. 19](#) wholly in force at 1.1.1995; [s. 19](#) not in force at Royal Assent see [s. 19\(1\)](#); [s. 19](#) in force at 1.1.1995 by [S.I. 1994/2679, art. 3](#)

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CHAPTER III U.K.

CUSTOMS: ENFORCEMENT POWERS

20 Interpretation, etc. U.K.

- (1) This Chapter applies to any person carrying on a trade or business which consists of or includes any of the following activities—
 - (a) importing or exporting any goods of a class or description subject to a duty of customs (whether or not in fact chargeable with that duty);
 - (b) producing, manufacturing or applying a process to them;
 - (c) buying, selling or dealing in them;
 - (d) handling or storing them;
 - (e) financing or facilitating any activity mentioned in paragraphs (a) to (d) above.
- (2) In subsection (1) above “duty of customs” includes any agricultural levy of the European Community.
- (3) In this Chapter—
 - (a) “customs goods” means any goods mentioned in paragraph (a) of subsection (1) above; and
 - (b) any reference to the business of a person to whom this Chapter applies is a reference to the trade or business carried on by him as mentioned in that subsection.
- (4) This Chapter shall have effect and be construed as if it were contained in the ^{M23}Customs and Excise Management Act 1979.
- (5) In consequence of the provision made by sections 21 to 27 below, any power under—
 - (a) section 75A, 75B or 75C of the Customs and Excise Management Act 1979 to require a person importing or exporting goods to keep or preserve records, or
 - (b) section 77A, 77B or 77C of that Act to require a person to furnish information or produce documents relating to imported or exported goods,
 shall cease to be exercisable in relation to a person to the extent that the goods in question are customs goods.

Marginal Citations

M23 1979 c. 2.

21 Requirements about keeping records. U.K.

- (1) The Commissioners may by regulations require any person to whom this Chapter applies—
 - (a) to keep such records as may be prescribed in the regulations; and
 - (b) to preserve those records—
 - (i) for such period not exceeding four years as may be prescribed in the regulations, or
 - (ii) for such lesser period as the Commissioners may require.
- (2) The Commissioners may also require any person mentioned in subsection (3) below—

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- (a) to keep such records as they may specify; and
 - (b) to preserve those records for such period not exceeding four years as they may require.
- (3) The person referred to is any person who—
- (a) is not carrying on a trade or business which consists of or includes the importation or exportation of customs goods, but
 - (b) is concerned in some other capacity in such importation or exportation.
- (4) A duty imposed under subsection (1)(b) or (2)(b) above to preserve records may be discharged by the preservation of the information contained in them by such means as the Commissioners may approve.
- (5) On giving approval under subsection (4) above, the Commissioners may impose such reasonable requirements as appear to them necessary for securing that the information will be as readily available to them as if the records themselves had been preserved.
- (6) Regulations under this section may—
- (a) make different provision for different cases; and
 - (b) be framed by reference to such records as may be specified in any notice published by the Commissioners in pursuance of the regulations and not withdrawn by a further notice.
- (7) Any person who fails to comply with a requirement imposed by virtue of this section shall be liable on summary conviction to a penalty not exceeding level 3 on the standard scale.

22 Records and rules of evidence. **U.K.**

- (1) Where any information is preserved by approved means as mentioned in section 21(4) above, a copy of any document in which it is contained shall, subject to subsection (2) below, be admissible in evidence in any proceedings, whether civil or criminal, to the same extent as the records themselves.
- (2) A statement contained in a document produced by a computer shall not by virtue of subsection (1) above be admissible in evidence—
- (a) in civil proceedings in England and Wales, except in accordance with sections 5 and 6 of the ^{M24}Civil Evidence Act 1968;
 - (b) in criminal proceedings in England and Wales, except in accordance with sections 69 and 70 of the ^{M25}Police and Criminal Evidence Act 1984 and Part II of the ^{M26}Criminal Justice Act 1988;
 - (c) in civil proceedings in Scotland, except in accordance with sections 5 and 6 of the ^{M27}Civil Evidence (Scotland) Act 1988;
 - (d) in criminal proceedings in Scotland, except in accordance with Schedule 3 to the ^{M28}Prisoners and Criminal Proceedings (Scotland) Act 1993;
 - (e) in civil proceedings in Northern Ireland, except in accordance with sections 2 and 3 of the ^{M29}Civil Evidence Act (Northern Ireland) 1971; and
 - (f) in criminal proceedings in Northern Ireland, except in accordance with Article 68 of the ^{M30}Police and Criminal Evidence (Northern Ireland) Order 1989 and Part II of the ^{M31}Criminal Justice (Evidence, Etc.) (Northern Ireland) Order 1988.

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Marginal Citations

- M24** 1968 c. 64.
- M25** 1984 c. 60.
- M26** 1988 c. 33.
- M27** 1988 c. 32.
- M28** 1993 c. 9.
- M29** 1971 c. 36 (N.I.).
- M30** S.I. 1989/1341 (N.I. 12).
- M31** S.I. 1988/1847 (N.I. 17).

23 Furnishing of information and production of documents. **U.K.**

- (1) Every person to whom this Chapter applies shall furnish the Commissioners, within such time and in such form as they may reasonably require, with such information relating to his business as they may reasonably specify.
- (2) Every person to whom this Chapter applies shall, if required to do so by an officer, produce or cause to be produced for inspection by the officer—
 - (a) at that person's principal place of business or at such other place as the officer may reasonably require, and
 - (b) at such time as the officer may reasonably require, any documents which relate to his business.
- (3) Where it appears to an officer that any documents which relate to a business of a person to whom this Chapter applies are in the possession of another person, the officer may require that other person, at such time and place as the officer may reasonably require, to produce those documents or cause them to be produced.
- (4) For the purposes of this section, the documents which relate to a business of a person to whom this Chapter applies shall be taken to include—
 - (a) any profit and loss account and balance sheet, and
 - (b) any documents required to be kept by virtue of section 21(1) above.
- (5) Every person mentioned in section 21(3) above shall furnish the Commissioners, within such time and in such form as they may reasonably require, with such information relating to the importation or exportation of customs goods in which he is concerned as they may reasonably specify.
- (6) Every person mentioned in section 21(3) above shall, if required to do so by an officer, produce or cause to be produced for inspection by the officer at such time and place as the officer may reasonably require, any documents which relate to the importation or exportation of customs goods in which he is concerned.
- (7) An officer may take copies of, or make extracts from, any document produced under this section.
- (8) If it appears to an officer to be necessary to do so, he may, at a reasonable time and for a reasonable period, remove any document produced under this section.
- (9) Where a document is removed under subsection (8) above—
 - (a) if the person from whom the document is removed so requests, he shall be given a record of what was removed;

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- (b) if the document is reasonably required for the proper conduct of any business, the person by whom the document was produced or caused to be produced shall be provided as soon as practicable with a copy of the document free of charge;
 - (c) if the document is lost or damaged, the Commissioners shall be liable to compensate the owner of it for any expenses reasonably incurred by him in replacing or repairing it.
- (10) If a person claims a lien on any document produced by him under subsection (3) or (6) above—
- (a) the production of the document shall be without prejudice to the lien; and
 - (b) the removal of the document under subsection (8) above shall not be regarded as breaking the lien.
- (11) Any person who fails to comply with a requirement imposed under this section shall be liable on summary conviction to a penalty not exceeding level 3 on the standard scale.

24 Power of entry. **U.K.**

Where an officer has reasonable cause to believe that—

- (a) any premises are used in connection with a business of a person to whom this Chapter applies, and
- (b) any customs goods are on those premises,

he may at any reasonable time enter and inspect those premises and inspect any goods found on them.

25 Order for production of documents. **U.K.**

- (1) Where, on an application by an officer, a justice is satisfied that there are reasonable grounds for believing—
- (a) that an offence in connection with a duty of customs is being, has been or is about to be committed, and
 - (b) that any information or documents which may be required as evidence for the purpose of any proceedings in respect of such an offence is in the possession of any person,
- he may make an order under this section.
- (2) An order under this section is an order that the person who appears to the justice to be in possession of the information or documents to which the application relates shall—
- (a) furnish an officer with the information or produce the document,
 - (b) permit an officer to take copies of or make extracts of any document produced, and
 - (c) permit an officer to remove any document which he reasonably considers necessary,
- not later than the end of the period of seven days beginning with the date of the order or the end of such longer period as the order may specify.
- (3) In this section “justice” means a justice of the peace or, in relation to Scotland, a justice within the meaning of section 462 of the ^{M32}Criminal Procedure (Scotland) Act 1975.

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Marginal Citations

M32 1975 c. 21.

26 Procedure when documents are removed. **U.K.**

- (1) An officer who removes any document in the exercise of a power conferred under section 25 above shall, if so requested by a person showing himself—
 - (a) to be the occupier of premises from which it was removed, or
 - (b) to have had custody or control of it immediately before the removal,provide that person with a record of what he removed.
- (2) The officer shall provide the record within a reasonable time from the making of the request for it.
- (3) Subject to subsection (7) below, if a request for permission to be granted access to any document which—
 - (a) has been removed by an officer, and
 - (b) is retained by the Commissioners for the purposes of investigating an offence,is made to the officer in charge of the investigation by a person who had custody or control of the document immediately before it was so removed or by someone acting on behalf of such a person, the officer shall allow the person who made the request access to it under the supervision of an officer.
- (4) Subject to subsection (7) below, if a request for a photograph or copy of any such document is made to the officer in charge of the investigation by a person who had custody or control of the document immediately before it was so removed, or by someone acting on behalf of such a person, the officer shall—
 - (a) allow the person who made the request access to it under the supervision of an officer for the purpose of photographing it or copying it, or
 - (b) photograph or copy it, or cause it to be photographed or copied.
- (5) Where any document is photographed or copied under subsection (4)(b) above, the photograph or copy shall be supplied to the person who made the request.
- (6) The photograph or copy shall be supplied within a reasonable time from the making of the request.
- (7) There is no duty under this section to grant access to, or to supply a photograph or copy of, any document if the officer in charge of the investigation for the purposes of which it was removed has reasonable grounds for believing that to do so would prejudice—
 - (a) that investigation;
 - (b) the investigation of an offence other than the offence for the purposes of the investigation of which the document was removed; or
 - (c) any criminal proceedings which may be brought as a result of—
 - (i) the investigation of which he is in charge; or
 - (ii) any such investigation as is mentioned in paragraph (b) above.
- (8) Any reference in this section to the officer in charge of the investigation is a reference to the person whose name and address are endorsed on the order concerned as being the officer in charge of it.

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27 Failure of officer to comply with requirements under section 26. **U.K.**

- (1) Where, on an application made as mentioned in subsection (2) below, the appropriate judicial authority is satisfied that a person has failed to comply with a requirement imposed by section 26 above, the authority may order that person to comply with the requirement within such time and in such manner as may be specified in the order.
- (2) An application under subsection (1) above shall be made—
 - (a) in the case of a failure to comply with any of the requirements imposed by subsections (1) and (2) of section 26 above, by the occupier of the premises from which the document in question was removed or by the person who had custody or control of it immediately before it was so removed, and
 - (b) in any other case, by the person who has such custody or control.
- (3) In this section “the appropriate judicial authority” means—
 - (a) in England and Wales, a magistrates’ court;
 - (b) in Scotland, the sheriff; and
 - (c) in Northern Ireland, a court of summary jurisdiction, as defined in Article 2(2) (a) of the ^{M33}Magistrates’ Courts (Northern Ireland) Order 1981.
- (4) Any application for an order under this section—
 - (a) in England and Wales, shall be made by way of complaint; or
 - (b) in Northern Ireland, shall be made by way of civil proceedings upon complaint.
- (5) Sections 21 and 42(2) of the ^{M34}Interpretation Act (Northern Ireland) 1954 (rules and orders regulating procedure of courts etc and assignment of business to particular courts) shall apply as if any reference in those provisions to any enactment included a reference to this section.

Marginal Citations

M33 S.I. 1981/1675 (N.I. 26).

M34 1954 c. 33 (N.I.).

CHAPTER IV **U.K.**

AIR PASSENGER DUTY

The duty

28 Air passenger duty. **U.K.**

- (1) A duty to be known as air passenger duty shall be charged in accordance with this Chapter on the carriage on a chargeable aircraft of any chargeable passenger.
- (2) Subject to the provisions of this Chapter about accounting and payment, the duty in respect of any carriage on an aircraft of a chargeable passenger—
 - (a) becomes due when the aircraft first takes off on the passenger’s flight, and
 - (b) shall be paid by the operator of the aircraft.

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- (3) Subject to section 29 below, every aircraft designed or adapted to carry persons in addition to the flight crew is a chargeable aircraft for the purposes of this Chapter.
- (4) Subject to sections 31 and 32 below, every passenger on an aircraft is a chargeable passenger for the purposes of this Chapter if his flight begins at an airport in the United Kingdom.
- (5) In this Chapter, “flight”, in relation to any person, means his carriage on an aircraft; and for the purposes of this Chapter, a person’s flight is to be treated as beginning when he first boards the aircraft and ending when he finally disembarks from the aircraft.

29 Chargeable aircraft. **U.K.**

- (1) Where—
 - (a) the authorised take-off weight in respect of an aircraft is less than ten tonnes, or
 - (b) an aircraft is not authorised to seat twenty or more persons (excluding members of the flight crew and cabin attendants),
 the aircraft is not a chargeable aircraft for the purposes of this Chapter.
- (2) In this section “take-off weight”, in relation to an aircraft, means the total weight of the aircraft and its contents when taking off; and for the purposes of this section the authorised take-off weight of an aircraft is less than ten tonnes if—
 - (a) there is a certificate of airworthiness in force in respect of the aircraft showing that the maximum authorised take-off weight (assuming the most favourable circumstances for take-off) is less than ten tonnes, or
 - (b) the Commissioners are satisfied that the aircraft is not designed or adapted to take off when its take-off weight is ten tonnes or more (assuming the most favourable circumstances for take-off) or the aircraft belongs to a class or description of aircraft in respect of which the Commissioners are so satisfied.
- (3) For the purposes of this section an aircraft is not authorised as mentioned in subsection (1)(b) above if—
 - (a) there is a certificate of airworthiness in force in respect of the aircraft showing that the maximum number of persons who may be seated on the aircraft (excluding members of the flight crew and cabin attendants) is less than twenty, or
 - (b) the Commissioners are satisfied that the aircraft is not designed or adapted to seat twenty or more persons (excluding members of the flight crew and cabin attendants) or the aircraft belongs to a class or description of aircraft in respect of which the Commissioners are so satisfied.
- (4) In this section “certificate of airworthiness” has the same meaning as in the Air Navigation Order.

30 The rate of duty. **U.K.**

- (1) Air passenger duty shall be charged on the carriage of each chargeable passenger at the rate appropriate for the place where the passenger’s journey ends.
- ^{F3}(2) The rate is £5 if that place is in the area specified in subsection (3) below and in—
 - (a) the United Kingdom or another EEA State, or

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- (b) any territory for whose external relations the United Kingdom or another member State is responsible.]
- (3) The area referred to in subsection (2) above is the area bounded by the meridians of longitude 32° W and 32° E and the parallels of latitude 26° N and 81° N.
- (4) In any other case, the rate is £10.
- (5) Subject to subsection (6) below, the journey of a passenger whose agreement for carriage is evidenced by a ticket ends for the purposes of this section at his final place of destination.
- (6) Where in the case of such a passenger—
- (a) his journey includes two or more flights, and
 - (b) any of those flights is not followed by a connected flight,
- his journey ends for those purposes where the first flight not followed by a connected flight ends.
- (7) The journey of any passenger whose agreement for carriage is not evidenced by a ticket ends for those purposes where his flight ends.
- (8) For the purposes of this Chapter, successive flights are connected if (and only if) they are treated under an order as connected.
- [^{F4}(9) In this section “EEA State” means a State which is a Contracting Party to the EEA Agreement but until the EEA Agreement comes into force in relation to Liechtenstein does not include the State of Liechtenstein; and “EEA Agreement” here means the Agreement on the European Economic Area signed at Oporto on 2nd May 1992 as adjusted by the Protocol signed at Brussels on 17th March 1993.]

Textual Amendments

- F3** S. 30(2) substituted (*retrospectively*) by 1995 c. 4, s. 15(1)(2)
F4 S. 30(9) inserted (*retrospectively*) by 1995 c. 4, s. 15(1)(3)

31 Passengers: exceptions. U.K.

- (1) Where in the case of a passenger whose agreement for carriage is evidenced by a return ticket—
- (a) he is a chargeable passenger in relation to a flight on his outward journey, and
 - (b) his final place of destination in relation to that journey is in the United Kingdom,
- he is not a chargeable passenger in relation to a flight on his return journey.
- (2) Subsection (1) above does not apply if—
- (a) either his outward journey or his return journey includes two or more flights, and
 - (b) in relation to any of those flights (other than the first) on the journey in question, he would (apart from that subsection) be a chargeable passenger.
- (3) A passenger whose agreement for carriage is evidenced by a ticket is not a chargeable passenger in relation to a flight which is the second or a subsequent flight on his journey if—

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- (a) the prescribed particulars of the flight are shown on the ticket, and
 - (b) that flight and the previous flight are connected.
- (4) A child who—
- (a) has not attained the age of two years, and
 - (b) is not allocated a separate seat before he first boards the aircraft,
- is not a chargeable passenger.
- (5) A passenger not carried for reward is not a chargeable passenger if he is carried—
- (a) in pursuance of any requirement imposed under any enactment, or
 - (b) for the purpose only of inspecting matters relating to the aircraft or the flight crew.
- (6) Regulations may provide for subsection (1) above to have effect as if the reference in paragraph (a) to a person who is a chargeable passenger in relation to a flight on his outward journey included a person whose outward journey began at an airport in the Isle of Man.

Modifications etc. (not altering text)

C8 S. 31(1) modified (1.8.1994) by S.I. 1994/1738, reg. 13(1)

32 Change of circumstances after ticket issued etc. U.K.

- (1) This section applies in the case of a person whose agreement for carriage is evidenced by a ticket.
- (2) Where—
- (a) at the time the ticket is issued or, if it is altered, at the time it is last altered, he would not (assuming there is no change of circumstances) be a chargeable passenger in relation to any flight in the course of his journey, and
 - (b) by reason only of a change of circumstances not attributable to any act or default of his, he arrives at or departs from an airport in the course of that journey on a flight the prescribed particulars of which were not shown on his ticket at that time,
- he shall not by reason of the change of circumstances be treated as a chargeable passenger in relation to that flight.
- (3) Where—
- (a) at the time the ticket is issued or, if it is altered, at the time it is last altered, he would (assuming there is no change of circumstances) be a chargeable passenger in relation to one or more flights (“the proposed chargeable flights”) in the course of his journey,
 - (b) by reason only of a change of circumstances not attributable to any act or default of his, he arrives at or departs from an airport in the course of that journey on a flight the prescribed particulars of which were not shown on his ticket at that time, and
 - (c) but for this subsection he would by reason of the change be a chargeable passenger in relation to a number of flights exceeding the number of the proposed chargeable flights,

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he shall not by reason of the change of circumstances be treated as a chargeable passenger in relation to that flight.

Persons liable for the duty

33 Registration of aircraft operators. U.K.

- (1) The Commissioners shall under this section keep a register of aircraft operators.
- (2) The operator of a chargeable aircraft becomes liable to be registered under this section if the aircraft is used for the carriage of any chargeable passengers.
- (3) A person who has become liable to be registered under this section ceases to be so liable if the Commissioners are satisfied at any time—
 - (a) that he no longer operates any chargeable aircraft, or
 - (b) that no chargeable aircraft which he operates will be used for the carriage of chargeable passengers.
- (4) A person who is not registered and has not given notice under this subsection shall, if he becomes liable to be registered at any time, give written notice of that fact to the Commissioners not later than the end of the prescribed period beginning with that time.
- (5) Notice under subsection (4) above shall be in such form, be given in such manner and contain such information as the Commissioners may direct.
- (6) If a person who is required to give notice under subsection (4) above fails to do so, his failure shall attract a penalty under section 9 above which, if any amount of duty is then due from him and unpaid, shall be calculated by reference to that amount.
- (7) Regulations may make provision as to the information to be included in, and the correction of, the register kept under this section.
- (8) In particular, the regulations may provide—
 - (a) for the inclusion in the register of persons who have not given notice under this section but appear to the Commissioners to be liable to be registered,
 - (b) for persons who are liable to be registered—
 - (i) not to be included in, or
 - (ii) to be removed from,the register in prescribed circumstances,
 - (c) for the removal from the register of persons who have ceased to be so liable, and
 - (d) for the time from which an entry in the register is to be effective (which may be earlier than the time when the entry is first made in the register).

34 Fiscal representatives. U.K.

- (1) An aircraft operator who—
 - (a) is or is liable to be registered, and
 - (b) does not meet the requirements of subsection (3) below,is required to have a fiscal representative.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

Changes to legislation: Finance Act 1994 is up to date with all changes known to be in force on or before 27 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (2) In this Chapter “fiscal representative”, in relation to an aircraft operator, means a person who meets those requirements and stands appointed by the operator for the purposes of this section.
- (3) A person meets the requirements of this subsection if—
- (a) he has any business establishment or other fixed establishment in the United Kingdom, or
 - (b) if he is an individual, he has his usual place of residence in the United Kingdom.
- (4) Where any person is appointed under this section to be the fiscal representative of any aircraft operator (in this section referred to as his “principal”), then, subject to subsection (5) below, the fiscal representative—
- (a) shall be entitled to act on his principal’s behalf for any of the purposes of the enactments relating to duty,
 - (b) shall, subject to such provisions as may be made by regulations, secure (where appropriate by acting on his principal’s behalf) his principal’s compliance with and discharge of the obligations and liabilities to which his principal is subject by virtue of those enactments, and
 - (c) shall be personally liable in respect of any failure of his principal to comply with or discharge any such obligation or liability as if the obligations and liabilities imposed on his principal were imposed jointly and severally on the fiscal representative and his principal.
- (5) A fiscal representative shall not be liable by virtue of subsection (4) above himself to be registered under section 33 above, but regulations may—
- (a) require the names of fiscal representatives to be shown in such manner as may be prescribed against the names of their principals in the register kept under that section, and
 - (b) make it the duty of a fiscal representative, for the purposes of registration, to notify the Commissioners, within such period as may be prescribed, that his appointment has taken effect or has ceased to have effect.

VALID FROM 31/07/1998

[^{F5}34A Administrative representatives. U.K.]

- (1) Subject to the following provisions of this section, where—
- (a) the appointment of any person to be the fiscal representative of an aircraft operator contains a statement that the appointment is made for administrative purposes only,
 - (b) the operator has complied with any obligations for the provision of security imposed, in relation to appointments containing such statements, by any general directions given by the Commissioners, and
 - (c) the operator is not for the time being in contravention of any requirement to provide any security that he is required to provide under section 36 below,
- that appointment shall have effect in accordance with subsection (2) below.

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- (2) Where the appointment of any person as a fiscal representative has effect in accordance with this subsection section 34(4)(b) and (c) above shall be taken, in the case of that person—
 - (a) not to impose any requirement on the representative to secure the payment of amounts of duty which are or may become due from his principal, and
 - (b) not to make him personally liable either to pay any such amounts or in respect of any failure by his principal to pay them.
- (3) The security that may be required by general directions given by the Commissioners for the purposes of this section is any such security for the payment of amounts of duty which are or may become due from the person providing the security as may be determined in accordance with the directions.
- (4) The power of the Commissioners under section 36 below to require the provision of security shall not include any power to require a fiscal representative of an aircraft operator whose appointment has effect in accordance with subsection (2) above to provide any security for the payment of amounts of duty which are or may become due from his principal.
- (5) In this section references to an amount of duty include references to any penalty or interest that is recoverable as if it were an amount of duty, but only in so far as the penalty or interest is in respect of a failure by an aircraft operator to pay an amount of duty, or to pay such an amount before a certain time.]

Textual Amendments

F5 [S. 34A](#) inserted (31.7.1998) by [1998 c. 36, s. 15\(1\)](#)

35 **Fiscal representatives: supplementary.** **U.K.**

- (1) Regulations may make provision about—
 - (a) the manner in which a person is to be appointed as a fiscal representative, and
 - (b) the circumstances in which a person is to be treated as having ceased to be a fiscal representative.
- (2) If any aircraft operator who is required to have a fiscal representative fails to appoint such a representative before the prescribed time, his failure shall attract a penalty under section 9 above.
- (3) Any failure of a fiscal representative to give any notice which he is required to give by regulations under section 34(5)(b) above shall attract a penalty under section 9 above.

36 **Security for payment of duty.** **U.K.**

- (1) The Commissioners may require—
 - (a) any operator of an aircraft who is or is liable to be registered, or
 - (b) any fiscal representative,to provide such security, or further security, as they may think appropriate for the payment of any duty which is or may become due from the operator.

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- (2) Any failure by a person to provide any security which he is required by the Commissioners to provide under subsection (1) above shall attract a penalty under section 9 above.
- (3) For the purposes of this section, a person shall not be treated as having been required to provide security under subsection (1) above unless the Commissioners have either—
 - (a) served notice of the requirement on him, or
 - (b) taken all such other steps as appear to them to be reasonable for bringing the requirement to his attention.

37 Handling agents. **U.K.**

- (1) Where any amount of duty becomes payable at any time by the operator of an aircraft and, within the period of ninety days beginning with that time, that amount, or any other amount which becomes payable by him within the period, is not paid, the Commissioners may give notice under this section to any handling agent of his.
- (2) If any operator of an aircraft who is required to have a fiscal representative fails to appoint such a representative before the prescribed time, the Commissioners may give notice under this section to any handling agent of his.
- (3) In this Chapter “handling agent”, in relation to the operator of an aircraft (“the principal”), means any person (other than an individual) who, under an agreement with the principal, makes arrangements for—
 - (a) the allocation of seats to passengers on aircraft operated by the principal, or
 - (b) the supervision of the boarding of such aircraft by passengers.
- (4) A notice under this section—
 - (a) may be given on the ground referred to in subsection (1) above only if the Commissioners consider it necessary to do so for the protection of the revenue, and
 - (b) may at any time be withdrawn by the Commissioners.
- (5) A notice under this section shall become effective on the date stated in it or, if later, the time when the notice is received by the handling agent and shall continue to be effective until withdrawn.
- (6) If, where a notice given to a handling agent under this section is effective—
 - (a) the allocation of seats to passengers on aircraft operated by his principal, or the supervision of the boarding of such aircraft by passengers, is carried out in pursuance of arrangements made by him under any agreement with his principal, and
 - (b) any duty payable in respect of those passengers is not paid,
 the handling agent shall be liable jointly and severally with his principal for the payment of the duty.

38 Accounting for and payment of duty. **U.K.**

- (1) Regulations shall require aircraft operators who are registered or liable to be registered—
 - (a) to keep accounts for the purposes of duty in such form and manner as may be prescribed, and

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- (b) to make returns in respect of duty—
 - (i) by reference to such periods as may be prescribed or as may be allowed by the Commissioners, in relation to a particular operator, in accordance with regulations, and
 - (ii) at such time and in such manner as may be prescribed or specified.
- (2) Any person from whom any duty is due shall pay the duty at such time and in such manner as may be prescribed or specified.
- (3) In this section “specified” means specified in a notice published, and not withdrawn, by the Commissioners.
- (4) Any failure by any person to comply with regulations under this section shall, unless he is complying with the corresponding provisions of such a notice, attract a penalty under section 9 above and, in the case of any failure to keep accounts, daily penalties.

39 Schemes for simplifying operation of reliefs etc. **U.K.**

- (1) If in the opinion of the Commissioners it is expedient to do so in the light of difficulties encountered or expected to be encountered by any registered operator in obtaining and recording information about passengers and their journeys, they may in accordance with the provisions of this section prepare a scheme for the registered operator.
- (2) Any scheme so prepared shall specify the period for which it is to have effect.
- (3) A scheme prepared for a registered operator shall relate only to passengers—
 - (a) who are carried on chargeable aircraft operated by that operator,
 - (b) whose flights begin in the United Kingdom, and
 - (c) who are not passengers of a description mentioned in section 31(4) or (5) above;and in this section any reference to the relevant passengers of a registered operator is a reference to passengers who fall within this subsection in relation to him.
- (4) A scheme for a registered operator shall provide, in relation to passengers who are relevant passengers of his in the period specified in the scheme, for methods of calculating—
 - (a) how many of those relevant passengers may be treated as passengers who are not chargeable passengers, and
 - (b) how many of them may be treated as passengers on the carriage of whom duty shall be charged at the rate mentioned in section 30(2) above.
- (5) A calculation provided for by the scheme may be provided by reference to such factors as appear to the Commissioners to be expedient in the circumstances, including in particular information—
 - (a) derived from surveys of passengers carried on chargeable aircraft operated by the operator for whom the scheme is prepared, or
 - (b) relating to airports and routes used by that operator,whether obtained before or during the specified period.
- (6) No scheme prepared in accordance with this section shall be of any effect unless the registered operator for whom it is prepared elects in writing to be bound by it for the specified period.

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- (7) If the registered operator makes such an election the scheme shall have effect for the specified period and subsection (8) below shall apply.
- (8) This Chapter shall have effect for the specified period as if, except in accordance with provision made to the contrary by the scheme (by virtue of subsection (4) above)—
 - (a) each of the passengers who are relevant passengers of the registered operator were chargeable passengers, and
 - (b) duty were charged on the carriage of each of them at the rate mentioned in section 30(4) above.
- (9) Regulations may make further provision with respect to schemes under this section, including in particular provision amending this section.

Administration and enforcement

40 Administration and enforcement. U.K.

- (1) Air passenger duty shall be a duty of excise and, accordingly, shall be under the care and management of the Commissioners.
- (2) Schedule 6 to this Act (administration and enforcement) shall have effect.

41 Offences. U.K.

- (1) A person who is knowingly concerned—
 - (a) in the fraudulent evasion (by him or another person) of duty, or
 - (b) in taking steps with a view to such fraudulent evasion,
 is guilty of an offence.
- (2) A person guilty of an offence under subsection (1) above is liable—
 - (a) on summary conviction, to a penalty of—
 - (i) the statutory maximum, or
 - (ii) if greater, treble the amount of the duty evaded or sought to be evaded, or to imprisonment for a term not exceeding six months, or to both, or
 - (b) on conviction on indictment, to a penalty of any amount or to imprisonment for a term not exceeding seven years, or to both.
- (3) A person who in connection with duty—
 - (a) makes a statement that he knows to be false in a material particular or recklessly makes a statement that is false in a material particular, or
 - (b) with intent to deceive, produces or makes use of a book, account, return or other document that is false in a material particular,
 is guilty of an offence.
- (4) A person guilty of an offence under subsection (3) above is liable—
 - (a) on summary conviction, to a penalty of the statutory maximum or to imprisonment for a term not exceeding six months, or to both, or
 - (b) on conviction on indictment, to a penalty of any amount or to imprisonment for a term not exceeding two years, or to both.

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Supplementary

42 Regulations and orders. **U.K.**

- (1) In this Chapter “regulations” means regulations made by the Commissioners and “order” means an order made by the Treasury.
- (2) Regulations and orders may make different provision for different cases or circumstances and make incidental, supplemental, saving or transitional provision.
- (3) Any power to make regulations or an order is exercisable by statutory instrument.
- (4) No order which appears to the Treasury to extend the circumstances in which passengers are to be treated as chargeable passengers shall be made unless a draft of the order has been laid before and approved by the House of Commons.
- (5) Any other order, and any regulations, shall be subject to annulment in pursuance of a resolution of the House of Commons.

43 Interpretation. **U.K.**

- (1) In this Chapter—
 - “accounting period” means any period prescribed or allowed for the purposes of section 38 above,
 - “agreement for carriage”, in relation to the carriage of any person, means the agreement or arrangement under which he is carried, whether the carriage is by a single carrier or successive carriers,
 - “Air Navigation Order” has the same meaning as in the ^{M35}Civil Aviation Act 1982,
 - “airport” means any aerodrome (within the meaning of that Act),
 - “carriage” means carriage wholly or partly by air, and “carried” is to be read accordingly,
 - “connected”, in relation to any flights, has the meaning given by section 30(8) above,
 - “document” includes information recorded in any form,
 - “duty” means air passenger duty,
 - “fiscal representative” has the meaning given by section 34(2) above,
 - “flight” has the meaning given by section 28(5) above,
 - “operator”, in relation to any aircraft, means the person having the management of the aircraft for the time being,
 - “passenger”, in relation to any aircraft, means—
 - (a) where the operator is an air transport undertaking (within the meaning of the Air Navigation Order), any person carried on the aircraft other than—
 - (i) a member of the flight crew,
 - (ii) a cabin attendant, or
 - (iii) a person who is not carried for reward, who is an employee of any aircraft operator and who satisfies such other requirements as may be prescribed, and
 - (b) in any other case, any person carried on the aircraft for reward,
 - “prescribed” means prescribed by regulations,

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“reward”, in relation to the carriage of any person, includes any form of consideration received or to be received wholly or partly in connection with the carriage, irrespective of the person by whom or to whom the consideration has been or is to be given, and

“ticket” means a document or documents evidencing an agreement (wherever made) for the carriage of any person.

- (2) Subject to subsection (3) below, in this Chapter, in relation to a passenger whose agreement for carriage is evidenced by a ticket—

“journey” means the journey from his original place of departure to his final place of destination, and

“original place of departure” and “final place of destination” mean the original place of departure and the final place of destination indicated on his ticket.

- (3) For the purposes of this Chapter, where the agreement for carriage of a passenger by air is evidenced by a ticket, the ticket is a return ticket if (and only if) it covers his return by air to the airport from which he originally departed; and, in such a case, there is both an outward and a return journey and the return journey is the journey from the final place of destination on the outward journey to that airport.
- (4) Subject to the preceding provisions of this section, expressions used in this Chapter and in the ^{M36}Customs and Excise Management Act 1979 have the same meaning as in that Act.

Marginal Citations

M35 1982 c. 16.

M36 1979 c. 2.

44 Commencement. **U.K.**

- (1) This Chapter applies to any carriage of a passenger on an aircraft which begins after 31st October 1994.
- (2) For the purpose of determining whether or not a person is a chargeable passenger in relation to any carriage on an aircraft beginning after that date, the provisions of section 31 above and any order made by virtue of that section shall be treated as having applied to any such carriage of that person which began on or before that date as they would apply to any such carriage of that person beginning after that date.

PART II **U.K.**

VALUE ADDED TAX

45 Misdeclaration etc. **U.K.**

- (1) Section 14 of the ^{M37}Finance Act 1985 (misdeclaration or neglect resulting in understatement or overclaim) shall be amended as follows.

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- (2) In subsection (4), for the words from “aggregate of” to the end there is substituted “ amount of the understatement of liability or, as the case may be, overstatement of entitlement referred to, in relation to that period, in subsection (1) above ”.
- (3) In subsection (5A), for “subsections (4B) and (5) above” there is substituted “ this section ”.
- (4) This section shall have effect in relation to any prescribed accounting period beginning on or after such day as the Treasury may by order made by statutory instrument appoint.

Subordinate Legislation Made

P2 [S. 45\(4\)](#) power exercised: 1.6.1994 appointed by [S.I. 1994/1257, art. 2](#)

Commencement Information

I12 [S. 45](#) in force at Royal Assent with effect as mentioned in s. 45(4)

Marginal Citations

M37 [1985 c. 54.](#)

46 Repayment supplement. **U.K.**

- (1) Section 20 of the Finance Act 1985 (repayment supplement) shall be amended as follows.
- (2) In subsection (1) (supplement of 5 per cent. or £30, whichever is greater) for “£30” there shall be substituted “ £50 ”.
- (3) In subsection (2)(a) (return or claim must be received not later than one month after last day on which it is required) the words “one month after” shall be omitted.
- (4) This section shall apply where the requisite return or claim is received after the expiry of the period of one month beginning with the day after that on which this Act is passed.

47 Set-off of credits. **U.K.**

- (1) Section 21 of the ^{M38}Finance Act 1988 (set-off of credits) shall become subsection (1) of that section and the following subsections shall be inserted in that section after subsection (1), that is to say—

“(2) Subsection (1) above shall not apply in the case of any such amount as is mentioned in paragraph (a) of that subsection where that amount became due to the person in question—

- (a) at a time when that person’s estate was vested in any other person as that person’s trustee in bankruptcy;
- (b) at a time when that person’s estate was vested in any other person as that person’s interim trustee or permanent trustee;
- (c) at a time, other than a time before the appointment of a liquidator, when that person was being wound up, either voluntarily or by the court;

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- (d) at a time when an administration order was in force in relation to that person;
 - (e) at a time when there was an administrative receiver of that person;
 - (f) at a time when—
 - (i) a voluntary arrangement approved in accordance with Part I or VIII of the Insolvency Act 1986, or Part II or Chapter II of Part VIII of the Insolvency (Northern Ireland) Order 1989, or
 - (ii) a deed of arrangement registered in accordance with the Deeds of Arrangement Act 1914 or Chapter I of Part VIII of that Order of 1989,
 was in force in relation to that person; or
 - (g) at a time when that person’s estate was vested in any other person as that person’s trustee under a trust deed.
- (3) In subsection (2) above—
- (a) “administration order” means an administration order under Part II of the Insolvency Act 1986 or an administration order within the meaning of Article 5(1) of the Insolvency (Northern Ireland) Order 1989;
 - (b) “administrative receiver” means an administrative receiver within the meaning of section 251 of that Act of 1986 or Article 5(1) of that Order of 1989; and
 - (c) “interim trustee”, “permanent trustee” and “trust deed” have the same meanings as in the Bankruptcy (Scotland) Act 1985.”
- (2) This section shall have effect in relation to amounts becoming due on or after such day as the Commissioners of Customs and Excise may by order made by statutory instrument appoint.

Subordinate Legislation Made

P3 S. 47(2) power exercised: 10.5.1994 appointed by S.I. 1994/1253, art. 2

Commencement Information

I13 S. 47 in force at Royal Assent with effect as mentioned in s. 47(2)

Marginal Citations

M38 1988 c. 39.

PART III U.K.

INSURANCE PREMIUM TAX

The basic provisions

48 Insurance premium tax. U.K.

- (1) A tax, to be known as insurance premium tax, shall be charged in accordance with this Part.

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- (2) The tax shall be under the care and management of the Commissioners of Customs and Excise.

49 Charge to tax. U.K.

Tax shall be charged on the receipt of a premium by an insurer if the premium is received—

- (a) under a taxable insurance contract, and
- (b) on or after 1st October 1994.

50 Chargeable amount. U.K.

- (1) Tax shall be charged by reference to the chargeable amount.
- (2) For the purposes of this Part, the chargeable amount is such amount as, with the addition of the tax chargeable, is equal to the amount of the premium.
- (3) Subsection (2) above shall have effect subject to section 69 below.

51 Rate of tax. U.K.

Tax shall be charged at the rate of 2.5 per cent.

VALID FROM 19/03/1997

[^{F6}51A Premiums liable to tax at the higher rate. U.K.]

- (1) A premium received under a taxable insurance contract by an insurer is liable to tax at the higher rate if it falls within one or more of the paragraphs of Part II of Schedule 6A to this Act.
- (2) Part I of Schedule 6A to this Act shall have effect with respect to the interpretation of that Schedule.
- (3) Provision may be made by order amending Schedule 6A as it has effect for the time being.
- (4) This section is subject to section 69 below.]

Textual Amendments

F6 S. 51A inserted (19.3.1997 with effect as mentioned in s. 24 of the amending Act) by 1997 c. 16, s. 22(1)

52 Liability to pay tax. U.K.

- (1) Tax shall be payable by the person who is the insurer in relation to the contract under which the premium is received.

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- (2) Subsection (1) above shall have effect subject to any regulations made under section 65 below.

VALID FROM 19/03/1997

[^{F7}52A Certain fees to be treated as premiums under higher rate contracts. U.K.]

- (1) This section applies where—
- (a) at or about the time when a higher rate contract is effected, and
 - (b) in connection with that contract,
- a fee in respect of an insurance-related service is charged by a taxable intermediary to a person who is or becomes the insured (or one of the insured) under the contract or to a person who acts for or on behalf of such a person.
- (2) Where this section applies—
- (a) a payment in respect of the fee shall be treated for the purposes of this Part as a premium received under a taxable insurance contract by an insurer, and
 - (b) that premium—
 - (i) shall be treated for the purposes of this Part as so received at the time when the payment is made, and
 - (ii) shall be chargeable to tax at the higher rate.
- (3) Tax charged by virtue of subsection (2) above shall be payable by the taxable intermediary as if he were the insurer under the contract mentioned in paragraph (a) of that subsection.
- (4) For the purposes of this section, a contract of insurance is a “higher rate contract” if—
- (a) it is a taxable insurance contract; and
 - (b) the whole or any part of a premium received under the contract by the insurer is (apart from this section) liable to tax at the higher rate.
- (5) For the purposes of this Part a “taxable intermediary” is a person falling within subsection (6) below who—
- (a) at or about the time when a higher rate contract is effected, and
 - (b) in connection with that contract,
- charges a fee in respect of an insurance-related service to a person who is or becomes the insured (or one of the insured) under the contract or to a person who acts for or on behalf of such a person.
- (6) A person falls within this subsection if—
- (a) he is a supplier of goods or services falling within subsection (7) below; or
 - (b) he is connected with a supplier of goods or services falling within that subsection; or
 - (c) he is a person who pays—
 - (i) the whole or any part of the premium received under that contract, or
 - (ii) a fee connected with the arranging of that contract,
 to a supplier of goods or services falling within subsection (7) below or to a person who is connected with a supplier of goods or services falling within that subsection.

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- (7) A person is a supplier of goods or services falling within this subsection if—
- (a) he is a supplier of motor cars or motor cycles, within the meaning of paragraph 2 of Schedule 6A to this Act;
 - (b) he is a supplier of relevant goods, within the meaning of paragraph 3 of that Schedule; or
 - (c) he is a tour operator or travel agent.
- (8) For the purposes of this section, any question whether a person is connected with another shall be determined in accordance with section 839 of the Taxes Act 1988.
- (9) In this section—
- “insurance-related service” means any service which is related to, or connected with, insurance;
 - “tour operator” and “travel agent” have the same meaning as in paragraph 4 of Schedule 6A to this Act.]

Textual Amendments

- F7** s. 52A inserted (19.3.1997 with effect as mentioned in s. 25(2) of the amending Act) by 1997 c. 16, s. 25(1)

Administration

53 Registration of insurers. **U.K.**

- (1) A person who—
- (a) receives, as insurer, premiums in the course of a taxable business, and
 - (b) is not registered,
- is liable to be registered.
- (2) A person who—
- (a) at any time forms the intention of receiving, as insurer, premiums in the course of a taxable business, and
 - (b) is not already receiving, as insurer, premiums in the course of another taxable business,
- shall notify the Commissioners of those facts.
- (3) A person who at any time—
- (a) ceases to have the intention of receiving, as insurer, premiums in the course of a taxable business, and
 - (b) has no intention of receiving, as insurer, premiums in the course of another taxable business,
- shall notify the Commissioners of those facts.
- (4) Where a person is liable to be registered by virtue of subsection (1) above the Commissioners shall register him with effect from the time when he begins to receive premiums in the course of the business concerned; and it is immaterial whether or not he notifies the Commissioners under subsection (2) above.

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- (5) Where a person—
- (a) notifies the Commissioners under subsection (3) above,
 - (b) satisfies them of the facts there mentioned, and
 - (c) satisfies them that no tax is unpaid in respect of premiums received in the course of any taxable business concerned,
- the Commissioners shall cancel his registration with effect from the earliest practicable time after he ceases to receive, as insurer, premiums in the course of any taxable business.
- (6) For the purposes of this section regulations may make provision—
- (a) as to the time within which a notification is to be made;
 - (b) as to the circumstances in which premiums are to be taken to be received in the course of a taxable business;
 - (c) as to the form and manner in which any notification is to be made and as to the information to be contained in or provided with it;
 - (d) requiring a person who has made a notification to notify the Commissioners if any information contained in or provided in connection with it is or becomes inaccurate;
 - (e) as to the correction of entries in the register.
- (7) References in this section to receiving premiums are to receiving premiums on or after 1st October 1994.

VALID FROM 19/03/1997

[^{F8}53AA Registration of taxable intermediaries. U.K.]

- (1) A person who—
 - (a) is a taxable intermediary, and
 - (b) is not registered,
 is liable to be registered.
- (2) The register kept under this section may contain such information as the Commissioners think is required for the purposes of the care and management of the tax.
- (3) A person who—
 - (a) at any time forms the intention of charging taxable intermediary's fees, and
 - (b) is not already charging such fees in the course of another business,
 shall notify the Commissioners of those facts.
- (4) A person who at any time—
 - (a) ceases to have the intention of charging taxable intermediary's fees in the course of his business, and
 - (b) has no intention of charging such fees in the course of another business of his,
 shall notify the Commissioners of those facts.
- (5) Where a person is liable to be registered by virtue of subsection (1) above, the Commissioners shall register him with effect from the time when he begins to

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charge taxable intermediary's fees in the course of the business concerned; and it is immaterial whether or not he notifies the Commissioners under subsection (3) above.

- (6) Where a person—
- (a) notifies the Commissioners under subsection (4) above, and
 - (b) satisfies them of the facts there mentioned,
- the Commissioners shall cancel his registration with effect from the earliest practicable time after he ceases to charge taxable intermediary's fees in the course of any business of his.
- (7) In a case where—
- (a) the Commissioners are satisfied that a person has ceased to charge taxable intermediary's fees in the course of any business of his, but
 - (b) he has not notified them under subsection (4) above,
- they may cancel his registration with effect from the earliest practicable time after he so ceased.
- (8) For the purposes of this section regulations may make provision—
- (a) as to the time within which a notification is to be made;
 - (b) as to the form and manner in which any notification is to be made and as to the information to be contained in or provided with it;
 - (c) requiring a person who has made a notification to notify the Commissioners if any information contained in or provided in connection with it is or becomes inaccurate;
 - (d) as to the correction of entries in the register.
- (9) In this Part “taxable intermediary's fees” means fees which, to the extent of any payment in respect of them, are chargeable to tax by virtue of section 52A above.]

Textual Amendments

F8 S. 53AA inserted after s. 53 (19.3.1997) by 1997 c. 16, s. 26

VALID FROM 01/05/1995

[^{F9}53A Information required to keep register up to date. U.K.]

- (1) Regulations may make provision requiring a registrable person to notify the Commissioners of particulars which—
- (a) are of changes in circumstances relating to the registrable person or any business carried on by him,
 - (b) appear to the Commissioners to be required for the purpose of keeping the register kept under section 53 above up to date, and
 - (c) are of a prescribed description.
- (2) Regulations may make provision—
- (a) as to the time within which a notification is to be made;
 - (b) as to the form and manner in which a notification is to be made;

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- (c) requiring a person who has made a notification to notify the Commissioners if any information contained in it is inaccurate.]

Textual Amendments

F9 S. 53A inserted (1.5.1995) by 1995 c. 4, s. 34, Sch. 5 para. 4

54 Accounting for tax and time for payment. **U.K.**

Regulations may provide that a registrable person shall—

- (a) account for tax by reference to such periods (accounting periods) as may be determined by or under the regulations;
- (b) make, in relation to accounting periods, returns in such form as may be prescribed and at such times as may be so determined;
- (c) pay tax at such times and in such manner as may be so determined.

55 Credit. **U.K.**

- (1) Regulations may provide that where an insurer has paid tax and all or part of the premium is repaid, the insurer shall be entitled to credit of such an amount as is found in accordance with prescribed rules.
- (2) Regulations may provide that where—
 - (a) by virtue of regulations made under section 68 below tax is charged in relation to a premium which is shown in the accounts of an insurer as due to him,
 - (b) that tax is paid, and
 - (c) it is shown to the satisfaction of the Commissioners that the premium, or part of it, will never actually be received by or on behalf of the insurer,
 the insurer shall be entitled to credit of such an amount as is found in accordance with prescribed rules.
- (3) Regulations may make provision as to the manner in which an insurer is to benefit from credit, and in particular may make provision—
 - (a) that an insurer shall be entitled to credit by reference to accounting periods;
 - (b) that an insurer shall be entitled to deduct an amount equal to his total credit for an accounting period from the total amount of tax due from him for the period;
 - (c) that if no tax is due from an insurer for an accounting period but he is entitled to credit for the period, the amount of the credit shall be paid to him by the Commissioners;
 - (d) that if the amount of credit to which an insurer is entitled for an accounting period exceeds the amount of tax due from him for the period, an amount equal to the excess shall be paid to him by the Commissioners;
 - (e) for the whole or part of any credit to be held over to be credited for a subsequent accounting period;
 - (f) as to the manner in which a person who has ceased to be registrable is to benefit from credit.
- (4) Regulations under subsection (3)(c) or (d) above may provide that where at the end of an accounting period an amount is due to an insurer who has failed to submit returns for

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an earlier period as required by this Part, the Commissioners may withhold payment of the amount until he has complied with that requirement.

- (5) Regulations under subsection (3)(e) above may provide for credit to be held over either on the insurer's application or in accordance with general or special directions given by the Commissioners from time to time.
- (6) Regulations may provide that—
 - (a) no deduction or payment shall be made in respect of credit except on a claim made in such manner and at such time as may be determined by or under regulations;
 - (b) payment in respect of credit shall be made subject to such conditions (if any) as the Commissioners think fit to impose, including conditions as to repayment in specified circumstances;
 - (c) deduction in respect of credit shall be made subject to such conditions (if any) as the Commissioners think fit to impose, including conditions as to the payment to the Commissioners, in specified circumstances, of an amount representing the whole or part of the amount deducted.
- (7) Regulations may require a claim by an insurer to be made in a return required by provision made under section 54 above.
- (8) Regulations may provide that where—
 - (a) all or any of the tax payable in respect of a premium has not been paid, and
 - (b) the circumstances are such that a person would be entitled to credit if the tax had been paid,prescribed adjustments shall be made as regards any amount of tax due from any person.

56 Power to assess. **U.K.**

- (1) In a case where—
 - (a) a person has failed to make any returns required to be made under this Part,
 - (b) a person has failed to keep any documents necessary to verify returns required to be made under this Part,
 - (c) a person has failed to afford the facilities necessary to verify returns required to be made under this Part, or
 - (d) it appears to the Commissioners that returns required to be made by a person under this Part are incomplete or incorrect,the Commissioners may assess the amount of tax due from the person concerned to the best of their judgment and notify it to him.
- (2) Where a person has for an accounting period been paid an amount to which he purports to be entitled under regulations made under section 55 above, then, to the extent that the amount ought not to have been paid or would not have been paid had the facts been known or been as they later turn out to be, the Commissioners may assess the amount as being tax due from him for that period and notify it to him accordingly.
- (3) Where a person is assessed under subsections (1) and (2) above in respect of the same accounting period the assessments may be combined and notified to him as one assessment.

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- (4) Where the person failing to make a return, or making a return which appears to the Commissioners to be incomplete or incorrect, was required to make the return as a personal representative, trustee in bankruptcy, trustee in sequestration, receiver, liquidator or person otherwise acting in a representative capacity in relation to another person, subsection (1) above shall apply as if the reference to tax due from him included a reference to tax due from that other person.
- (5) An assessment under subsection (1) or (2) above of an amount of tax due for an accounting period shall not be made after the later of the following—
- (a) two years after the end of the accounting period;
 - (b) one year after evidence of facts, sufficient in the Commissioners' opinion to justify the making of the assessment, comes to their knowledge;
- but where further such evidence comes to their knowledge after the making of an assessment under subsection (1) or (2) above another assessment may be made under the subsection concerned in addition to any earlier assessment.
- (6) In a case where—
- (a) as a result of a person's failure to make a return for an accounting period the Commissioners have made an assessment under subsection (1) above for that period,
 - (b) the tax assessed has been paid but no proper return has been made for the period to which the assessment related, and
 - (c) as a result of a failure to make a return for a later accounting period, being a failure by the person referred to in paragraph (a) above or a person acting in a representative capacity in relation to him, as mentioned in subsection (4) above, the Commissioners find it necessary to make another assessment under subsection (1) above,
- then, if the Commissioners think fit, having regard to the failure referred to in paragraph (a) above, they may specify in the assessment referred to in paragraph (c) above an amount of tax greater than that which they would otherwise have considered to be appropriate.
- (7) Where an amount has been assessed and notified to any person under subsection (1) or (2) above it shall be deemed to be an amount of tax due from him and may be recovered accordingly unless, or except to the extent that, the assessment has subsequently been withdrawn or reduced.
- (8) For the purposes of this section notification to—
- (a) a personal representative, trustee in bankruptcy, trustee in sequestration, receiver or liquidator, or
 - (b) a person otherwise acting in a representative capacity in relation to another person,
- shall be treated as notification to the person in relation to whom the person mentioned in paragraph (a) above, or the first person mentioned in paragraph (b) above, acts.

Tax representatives

57 **Tax representatives.** **U.K.**

- (1) Where at any time (a relevant time) a person who is an insurer—
- (a) is registered, or liable to be registered, under section 53 above, and

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- (b) does not have any business establishment or other fixed establishment in the United Kingdom,
- this section shall have effect with a view to securing that another person is the insurer's tax representative at that time.
- (2) If, at the time the insurer first falls within subsection (1) above, the insurer has a representative fulfilling the requirements of section 10 of the ^{M39}Insurance Companies Act 1982—
- (a) the Commissioners shall be taken to approve that person at that time as the insurer's tax representative, and
- (b) that person shall be the insurer's tax representative at any relevant time falling after the time mentioned in paragraph (a) above and before the Commissioners' approval is withdrawn.
- (3) If, at the time the insurer first falls within subsection (1) above, the insurer does not have a representative fulfilling the requirements of section 10 of the Insurance Companies Act 1982, the insurer shall take action as mentioned in subsection (4) below.
- (4) The insurer takes action as mentioned in this subsection if—
- (a) he requests the Commissioners to approve a particular person as his tax representative, and
- (b) the request is made with a view to securing that a person approved by the Commissioners becomes the insurer's tax representative within the relevant period.
- (5) If the Commissioners approve a person as the insurer's tax representative in a case where action has been taken as mentioned in subsection (4) above, that person shall be the insurer's tax representative at any relevant time falling after the Commissioners' approval is given and before their approval is withdrawn.
- (6) Subsection (7) below applies where the Commissioners believe that the revenue would not be sufficiently protected if—
- (a) a person were to become the insurer's tax representative by virtue of subsection (2) above, or
- (b) a person who by virtue of any of the provisions of this section is the insurer's tax representative were to continue to be so.
- (7) If the Commissioners require the insurer to take action as mentioned in subsection (4) above the insurer shall comply with that requirement.
- (8) In a case where—
- (a) a person is the insurer's tax representative,
- (b) the insurer withdraws his agreement that that person should act as his tax representative, or that person withdraws his agreement to act as the insurer's tax representative, or the insurer and that person agree that that person should no longer be the insurer's tax representative, and
- (c) that person notifies the Commissioners accordingly,
- the Commissioners shall be taken to have withdrawn their approval of that person at the time they inform the insurer that they have received the notification, and that person shall cease at that time to be the insurer's tax representative.

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- (9) Where subsection (8) above applies the insurer shall take action as mentioned in subsection (4) above.
- (10) If at any time after the insurer first falls within subsection (1) above—
- (a) the insurer (otherwise than in pursuance of a duty under subsection (3), (7) or (9) above) requests the Commissioners to approve a particular person as his tax representative, and
 - (b) the Commissioners approve that person,
- that person shall be the insurer's tax representative at any relevant time falling after the Commissioners' approval is given and before their approval is withdrawn.
- (11) The Commissioners may at any time direct that a person who is an agent of the insurer and is specified in the direction shall be the insurer's tax representative; and—
- (a) the direction shall be taken to signify the Commissioners' approval of that person as the insurer's tax representative;
 - (b) that person shall be the insurer's tax representative at any relevant time falling after the Commissioners' direction is made and before their approval is withdrawn;
 - (c) the direction shall not prejudice any duty of the insurer under subsection (3), (7) or (9) above;
 - (d) subsection (8) above shall not apply in the case of the person specified in the direction.
- (12) Where the Commissioners approve a person under this section as the insurer's tax representative—
- (a) at the time the approval is given they shall be taken to withdraw their approval of any person who was the insurer's tax representative immediately before the approval was given, and
 - (b) that person shall cease at that time to be the insurer's tax representative.
- (13) The fact that a person ceases to be an insurer's tax representative shall not prevent his subsequent approval under this section.
- (14) The Commissioners may not withdraw their approval of a person as a tax representative except by virtue of subsection (8) or (12) above.
- (15) Regulations may make provision as to the time at which—
- (a) the Commissioners' approval is to be treated as given in a case where action has been taken as mentioned in subsection (4) above or a request has been made as mentioned in subsection (10) above;
 - (b) the Commissioners are to be taken to inform the insurer under subsection (8) above;
 - (c) a direction of the Commissioners is to be treated as made under subsection (11) above.
- (16) The relevant period for the purposes of subsection (4) above is—
- (a) where subsection (4) above applies by virtue of subsection (3) above, the period of 30 days beginning with the day on which the insurer first falls within subsection (1) above;
 - (b) where subsection (4) above applies by virtue of subsection (7) above, the period of 30 days beginning with the day on which the requirement mentioned in subsection (7) above is made;

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- (c) where subsection (4) above applies by virtue of subsection (9) above, the period of 30 days beginning with the day on which the person mentioned in subsection (8) above ceases to be the insurer's tax representative;
- but if in any case the Commissioners allow a longer period than that found under paragraphs (a) to (c) above, the relevant period is that longer period.

Marginal Citations

M39 1982 c. 50.

58 Rights and duties of tax representatives. **U.K.**

- (1) Where a person is an insurer's tax representative at any time, the tax representative—
- (a) shall be entitled to act on the insurer's behalf for the purposes of legislation relating to insurance premium tax,
 - (b) shall secure (where appropriate by acting on the insurer's behalf) the insurer's compliance with and discharge of the obligations and liabilities to which the insurer is subject by virtue of legislation relating to insurance premium tax (including obligations and liabilities arising before the person became the insurer's tax representative), and
 - (c) shall be personally liable in respect of any failure to secure the insurer's compliance with or discharge of any such obligation or liability, and in respect of anything done for purposes connected with acting on the insurer's behalf,
- as if the obligations and liabilities imposed on the insurer were imposed jointly and severally on the tax representative and the insurer.
- (2) A tax representative shall not be liable by virtue of subsection (1) above himself to be registered under this Part, but regulations may—
- (a) require the registration of the names of tax representatives against the names of the insurers in any register kept under this Part;
 - (b) make provision for the deletion of the names of persons who cease to be tax representatives.
- (3) A tax representative shall not by virtue of subsection (1) above be guilty of any offence except in so far as—
- (a) the tax representative has consented to, or connived in, the commission of the offence by the insurer,
 - (b) the commission of the offence by the insurer is attributable to any neglect on the part of the tax representative, or
 - (c) the offence consists in a contravention by the tax representative of an obligation which, by virtue of that subsection, is imposed both on the tax representative and on the insurer.
- (4) Subsection (1)(b) above shall have effect subject to such provisions as may be made by regulations.

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Review and appeal

VALID FROM 01/10/1994

59 **Review of Commissioners' decisions.** U.K.

- (1) This section applies to any decision of the Commissioners with respect to any of the following matters—
 - (a) the registration or cancellation of registration of any person under this Part;
 - (b) whether tax is chargeable in respect of a premium or how much tax is chargeable;
 - (c) whether a person is entitled to credit by virtue of regulations under section 55 above or how much credit a person is entitled to or the manner in which he is to benefit from credit;
 - (d) an assessment under section 56 above or the amount of such an assessment;
 - (e) any refusal of an application under section 63 below;
 - (f) whether a notice may be served on a person by virtue of regulations made under section 65 below;
 - (g) an assessment under regulations made under section 65 below or the amount of such an assessment;
 - (h) whether a scheme established by regulations under section 68 below applies to an insurer as regards an accounting period;
 - (i) the requirement of any security under paragraph 24 of Schedule 7 to this Act or its amount;
 - (j) any liability to a penalty under paragraphs 12 to 19 of Schedule 7 to this Act;
 - (k) the amount of any penalty or interest specified in an assessment under paragraph 25 of Schedule 7 to this Act;
 - (l) a claim for the repayment of an amount under paragraph 8 of Schedule 7 to this Act;
 - (m) any liability of the Commissioners to pay interest under paragraph 22 of Schedule 7 to this Act or the amount of the interest payable.
- (2) Any person who is or will be affected by any decision to which this section applies may by notice in writing to the Commissioners require them to review the decision.
- (3) The Commissioners shall not be required under this section to review any decision unless the notice requiring the review is given before the end of the period of 45 days beginning with the day on which written notification of the decision, or of the assessment containing the decision, was first given to the person requiring the review.
- (4) For the purposes of subsection (3) above it shall be the duty of the Commissioners to give written notification of any decision to which this section applies to any person who—
 - (a) requests such a notification,
 - (b) has not previously been given written notification of that decision, and
 - (c) if given such a notification, will be entitled to require a review of the decision under this section.
- (5) A person shall be entitled to give a notice under this section requiring a decision to be reviewed for a second or subsequent time only if—

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- (a) the grounds on which he requires the further review are that the Commissioners did not, on any previous review, have the opportunity to consider certain facts or other matters, and
 - (b) he does not, on the further review, require the Commissioners to consider any facts or matters which were considered on a previous review except in so far as they are relevant to any issue not previously considered.
- (6) Where the Commissioners are required in accordance with this section to review any decision, it shall be their duty to do so; and on the review they may withdraw, vary or confirm the decision.
- (7) In a case where—
 - (a) it is the duty under this section of the Commissioners to review any decision, and
 - (b) they do not, within the period of 45 days beginning with the day on which the review was required, give notice to the person requiring it of their determination on the review,they shall be assumed for the purposes of this Part to have confirmed the decision.
- (8) The Commissioners shall not by virtue of any requirement under this section to review a decision have any power, apart from their power in pursuance of paragraph 13 of Schedule 7 to this Act, to mitigate the amount of any penalty imposed under this Part.

Commencement Information

I14 S. 59 wholly in force at 1.10.1994 by S.I. 1994/1773, art. 2

VALID FROM 01/10/1994

60 Appeals. **U.K.**

- (1) Subject to the following provisions of this section, an appeal shall lie to an appeal tribunal with respect to any of the following decisions—
 - (a) any decision by the Commissioners on a review under section 59 above (including a deemed confirmation under subsection (7) of that section);
 - (b) any decision by the Commissioners on such review of a decision referred to in section 59(1) above as the Commissioners have agreed to undertake in consequence of a request made after the end of the period mentioned in section 59(3) above.
- (2) Without prejudice to paragraph 13 of Schedule 7 to this Act, nothing in subsection (1) above shall be taken to confer on a tribunal any power to vary an amount assessed by way of penalty or interest except in so far as it is necessary to reduce it to the amount which is appropriate under paragraphs 12 to 21 of that Schedule.
- (3) Where an appeal is made under this section by a person who is required to make returns by virtue of regulations under section 54 above, the appeal shall not be entertained unless the appellant—

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- (a) has made all the returns which he is required to make by virtue of those regulations, and
- (b) has paid the amounts shown in those returns as payable by him;
- but the restriction in paragraph (b) above shall not apply in the case of an appeal against a decision with respect to the matter mentioned in section 59(1)(i) above.
- (4) Where the appeal is against a decision with respect to any of the matters mentioned in paragraphs (b) and (d) of section 59(1) above it shall not be entertained unless—
- (a) the amount which the Commissioners have determined to be payable as tax has been paid or deposited with them, or
- (b) on being satisfied that the appellant would otherwise suffer hardship the Commissioners agree or the tribunal decides that it should be entertained notwithstanding that that amount has not been so paid or deposited.
- (5) Where on an appeal against a decision with respect to any of the matters mentioned in section 59(1)(d) above—
- (a) it is found that the amount specified in the assessment is less than it ought to have been, and
- (b) the tribunal gives a direction specifying the correct amount,
- the assessment shall have effect as an assessment of the amount specified in the direction and that amount shall be deemed to have been notified to the appellant.
- (6) Where on an appeal under this section it is found that the whole or part of any amount paid or deposited in pursuance of subsection (4) above is not due, so much of that amount as is found not to be due shall be repaid with interest at such rate as the tribunal may determine.
- (7) Where on an appeal under this section it is found that the whole or part of any amount due to the appellant by virtue of regulations under section 55(3)(c) or (d) or (f) above has not been paid, so much of that amount as is found not to have been paid shall be paid with interest at such rate as the tribunal may determine.
- (8) Where an appeal under this section has been entertained notwithstanding that an amount determined by the Commissioners to be payable as tax has not been paid or deposited and it is found on the appeal that that amount is due the tribunal may, if it thinks fit, direct that that amount shall be paid with interest at such rate as may be specified in the direction.
- (9) On an appeal against an assessment to a penalty under paragraph 12 of Schedule 7 to this Act, the burden of proof as to the matters specified in paragraphs (a) and (b) of sub-paragraph (1) of paragraph 12 shall lie upon the Commissioners.
- (10) Sections 25 and 29 of the ^{M40}Finance Act 1985 (settling of appeals by agreement and enforcement of certain decisions of tribunal) shall have effect as if—
- (a) the references to section 40 of the ^{M41}Value Added Tax Act 1983 included references to this section, and
- (b) the references to value added tax included references to insurance premium tax.

Modifications etc. (not altering text)

C9 S. 60 extended (19.3.1997) by 1997 c. 16, s. 50(1), Sch. 5 para. 19(2)

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Commencement Information

I15 S. 60 wholly in force at 1.10.1994 by [S.I. 1994/1773](#), [art. 2](#)

Marginal Citations

M40 1985 c. 54.

M41 1983 c. 55.

61 Review and appeal: commencement. **U.K.**

Sections 59 and 60 above shall come into force on such day as may be appointed by order.

Subordinate Legislation Made

P4 S. 61 power exercised: 1.10.1994 appointed by [S.I. 1994/1773](#), [art. 2](#)

Miscellaneous

62 Partnership, bankruptcy, transfer of business, etc. **U.K.**

- (1) Regulations may make provision for determining by what persons anything required by this Part to be done by an insurer is to be done where the business concerned is carried on in partnership or by another unincorporated body.
- (2) The registration under this Part of an unincorporated body other than a partnership may be in the name of the body concerned; and in determining whether premiums are received by such a body no account shall be taken of any change in its members.
- (3) Regulations may make provision for determining by what person anything required by this Part to be done by an insurer is to be done in a case where insurance business is carried on by persons who are underwriting members of Lloyd's and are members of a syndicate of such underwriting members.
- (4) Regulations may—
 - (a) make provision for the registration for the purposes of this Part of a syndicate of underwriting members of Lloyd's;
 - (b) provide that for purposes prescribed by the regulations no account shall be taken of any change in the members of such a syndicate;and regulations under paragraph (a) above may modify section 53 above.
- (5) As regards any case where a person carries on a business of an insurer who has died or become bankrupt or incapacitated or been sequestrated, or of an insurer which is in liquidation or receivership or in relation to which an administration order is in force, regulations may—
 - (a) require the person to inform the Commissioners of the fact that he is carrying on the business and of the event that has led to his carrying it on;
 - (b) make provision allowing the person to be treated for a limited time as if he were the insurer;
 - (c) make provision for securing continuity in the application of this Part where a person is so treated.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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- (6) Regulations may make provision for securing continuity in the application of this Part in cases where a business carried on by a person is transferred to another person as a going concern.
- (7) Regulations under subsection (6) above may in particular provide—
- (a) for liabilities and duties under this Part of the transferor to become, to such extent as may be provided by the regulations, liabilities and duties of the transferee;
 - (b) for any right of either of them to repayment or credit in respect of tax to be satisfied by making a repayment or allowing a credit to the other;
- but the regulations may provide that no such provision as is mentioned in paragraph (a) or (b) of this subsection shall have effect in relation to any transferor and transferee unless an application in that behalf has been made by them under the regulations.

63 **Groups of companies.** **U.K.**

- (1) Where under the following provisions of this section any bodies corporate are treated as members of a group, for the purposes of this Part—
- (a) any taxable business carried on by a member of the group shall be treated as carried on by the representative member,
 - (b) the representative member shall be taken to be the insurer in relation to any taxable insurance contract as regards which a member of the group is the actual insurer,
 - (c) any receipt by a member of the group of a premium under a taxable insurance contract shall be taken to be a receipt by the representative member, and
 - (d) all members of the group shall be jointly and severally liable for any tax due from the representative member.
- (2) Two or more bodies corporate are eligible to be treated as members of a group if each of them falls within subsection (3) below and—
- (a) one of them controls each of the others,
 - (b) one person (whether a body corporate or an individual) controls all of them, or
 - (c) two or more individuals carrying on a business in partnership control all of them.
- (3) A body falls within this subsection if it is resident in the United Kingdom or it has an established place of business in the United Kingdom.
- (4) Where an application to that effect is made to the Commissioners with respect to two or more bodies corporate eligible to be treated as members of a group, then—
- (a) from the beginning of an accounting period they shall be so treated, and
 - (b) one of them shall be the representative member,
- unless the Commissioners refuse the application; and the Commissioners shall not refuse the application unless it appears to them necessary to do so for the protection of the revenue.
- (5) Where any bodies corporate are treated as members of a group and an application to that effect is made to the Commissioners, then, from the beginning of an accounting period—
- (a) a further body eligible to be so treated shall be included among the bodies so treated,

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- (b) a body corporate shall be excluded from the bodies so treated,
 - (c) another member of the group shall be substituted as the representative member, or
 - (d) the bodies corporate shall no longer be treated as members of a group, unless the application is to the effect mentioned in paragraph (a) or (c) above and the Commissioners refuse the application.
- (6) The Commissioners may refuse an application under subsection (5)(a) or (c) above only if it appears to them necessary to do so for the protection of the revenue.
- (7) Where a body corporate is treated as a member of a group as being controlled by any person and it appears to the Commissioners that it has ceased to be so controlled, they shall, by notice given to that person, terminate that treatment from such date as may be specified in the notice.
- (8) An application under this section with respect to any bodies corporate must be made by one of those bodies or by the person controlling them and must be made not less than 90 days before the date from which it is to take effect, or at such later time as the Commissioners may allow.
- (9) For the purposes of this section a body corporate shall be taken to control another body corporate if it is empowered by statute to control that body's activities or if it is that body's holding company within the meaning of section 736 of the ^{M42}Companies Act 1985; and an individual or individuals shall be taken to control a body corporate if he or they, were he or they a company, would be that body's holding company within the meaning of that section.

Marginal Citations

M42 1985 c. 6.

64 Information, powers, penalties, etc. U.K.

Schedule 7 to this Act (which contains provisions relating to information, powers, penalties and other matters) shall have effect.

65 Liability of insured in certain cases. U.K.

- (1) Regulations may make provision under this section with regard to any case where at any time—
- (a) an insurer does not have any business establishment or other fixed establishment in the United Kingdom, and
 - (b) no person is the insurer's tax representative by virtue of section 57 above.
- (2) Regulations may make provision allowing notice to be served in accordance with the regulations on—
- (a) the person who is insured under a taxable insurance contract, if there is one insured person, or
 - (b) one or more of the persons who are insured under a taxable insurance contract, if there are two or more insured persons;
- and a notice so served is referred to in this section as a liability notice.

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- (3) Regulations may provide that if a liability notice has been served in accordance with the regulations—
- (a) the Commissioners may assess to the best of their judgment the amount of any tax due in respect of premiums received by the insurer under the contract concerned after the material date and before the date of the assessment, and
 - (b) that amount shall be deemed to be the amount of tax so due.
- (4) The material date is—
- (a) where there is one person on whom a liability notice has been served in respect of the contract, the date when the notice was served or such later date as may be specified in the notice;
 - (b) where there are two or more persons on whom liability notices have been served in respect of the contract, the date when the last of the notices was served or such later date as may be specified in the notices.
- (5) Regulations may provide that where—
- (a) an assessment is made in respect of a contract under provision included in the regulations by virtue of subsection (3) above, and
 - (b) the assessment is notified to the person, or each of the persons, on whom a liability notice in respect of the contract has been served,
- the persons mentioned in subsection (6) below shall be jointly and severally liable to pay the tax assessed, and that tax shall be recoverable accordingly.
- (6) The persons are—
- (a) the person or persons mentioned in subsection (5)(b) above, and
 - (b) the insurer.
- (7) Where regulations make provision under subsection (5) above they must also provide that any provision made under that subsection shall not apply if, or to the extent that, the assessment has subsequently been withdrawn or reduced.
- (8) Regulations may make provision as to the time within which, and the manner in which, tax which has been assessed is to be paid.
- (9) Where any amount is recovered from an insured person by virtue of regulations made under this section, the insurer shall be liable to pay to the insured person an amount equal to the amount recovered; and regulations may make provision requiring an insurer to pay interest where this subsection applies.
- (10) Regulations may make provision for adjustments to be made of a person's liability in any case where—
- (a) an assessment is made under section 56 above in relation to the insurer, and
 - (b) an assessment made by virtue of regulations under this section relates to premiums received (or assumed for the purposes of the assessment to be received) within a period which corresponds to any extent with the accounting period to which the assessment under section 56 relates.
- (11) Regulations may make provision as regards a case where—
- (a) an assessment made in respect of a contract by virtue of regulations under this section relates to premiums received (or assumed for the purposes of the assessment to be received) within a given period, and
 - (b) an amount of tax is paid by the insurer in respect of an accounting period which corresponds to any extent with that period;

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and the regulations may include provision for determining whether, or how much of, any of the tax paid as mentioned in paragraph (b) above is attributable to premiums received under the contract in the period mentioned in paragraph (a) above.

- (12) Regulations may—
- (a) make provision requiring the Commissioners, in prescribed circumstances, to furnish prescribed information to an insured person;
 - (b) make provision requiring any person on whom a liability notice has been served to keep records, to furnish information, or to produce documents for inspection or cause documents to be produced for inspection;
 - (c) make such provision as the Commissioners think is reasonable for the purpose of facilitating the recovery of tax from the persons having joint and several liability (rather than from the insurer alone);
 - (d) modify the effect of any provision of this Part.
- (13) Regulations may provide for an insured person to be liable to pay tax assessed by virtue of the regulations notwithstanding that he has already paid an amount representing tax as part of a premium.

66 Directions as to amounts of premiums. **U.K.**

- (1) This section applies where—
- (a) anything is received by way of premium under a taxable insurance contract, and
 - (b) the amount of the premium is less than it would be if it were received under the contract in open market conditions.
- (2) The Commissioners may direct that the amount of the premium shall be taken for the purposes of this Part to be such amount as it would be if it were received under the contract in open market conditions.
- (3) A direction under subsection (2) above shall be given by notice in writing to the insurer, and no direction may be given more than three years after the time of the receipt.
- (4) Where the Commissioners make a direction under subsection (2) above in the case of a contract they may also direct that if—
- (a) anything is received by way of premium under the contract after the giving of the notice or after such later date as may be specified in the notice, and
 - (b) the amount of the premium is less than it would be if it were received under the contract in open market conditions,
- the amount of the premium shall be taken for the purposes of this Part to be such amount as it would be if it were received under the contract in open market conditions.
- (5) For the purposes of this section a premium is received in open market conditions if it is received—
- (a) by an insurer standing in no such relationship with the insured person as would affect the premium, and
 - (b) in circumstances where there is no other contract or arrangement affecting the parties.
- (6) For the purposes of this section it is immaterial whether what is received by way of premium is money or something other than money or both.

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67 Deemed date of receipt of certain premiums. U.K.

- (1) In a case where—
- (a) a premium under a contract of insurance is received by the insurer after 30th November 1993 and before 1st October 1994, and
 - (b) the period of cover for the risk begins on or after 1st October 1994,
- for the purposes of this Part the premium shall be taken to be received on 1st October 1994.
- (2) Subsection (3) below applies where—
- (a) a premium under a contract of insurance is received by the insurer after 30th November 1993 and before 1st October 1994,
 - (b) the period of cover for the risk begins before 1st October 1994 and ends after 30th September 1995, and
 - (c) the premium, or any part of it, is attributable to such of the period of cover as falls after 30th September 1995.
- (3) For the purposes of this Part—
- (a) so much of the premium as is attributable to such of the period of cover as falls after 30th September 1995 shall be taken to be received on 1st October 1994;
 - (b) so much as is so attributable shall be taken to be a separate premium.
- (4) If a contract relates to more than one risk subsection (1) above shall have effect as if the reference in paragraph (b) to the risk were to any given risk.
- (5) If a contract relates to more than one risk, subsections (2) and (3) above shall apply as follows—
- (a) so much of the premium as is attributable to any given risk shall be deemed for the purposes of those subsections to be a separate premium relating to that risk;
 - (b) those subsections shall then apply separately in the case of each given risk and the separate premium relating to it;
- and any further attribution required by those subsections shall be made accordingly.
- (6) Subsections (1) and (4) above do not apply in relation to a contract if the contract belongs to a class of contract as regards which the normal practice is for a premium to be received by or on behalf of the insurer before the date when cover begins.
- (7) Subsections (2), (3) and (5) above do not apply in relation to a contract if the contract belongs to a class of contract as regards which the normal practice is for cover to be provided for a period exceeding twelve months.
- (8) Any attribution under this section shall be made on such basis as is just and reasonable.

VALID FROM 26/11/1996

[^{F10}67A Announced increase in rate of tax: certain premiums treated as received on date of increase. U.K.]

- (1) This section applies in any case where a proposed increase is announced by a Minister of the Crown in the rate at which tax is to be charged on a premium if it is received by the insurer on or after a date specified in the announcement (“the date of the change”).

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- (2) In a case where—
- (a) a premium under a contract of insurance is received by the insurer on or after the date of the announcement but before the date of the change, and
 - (b) the period of cover for the risk begins on or after the date of the change,
- for the purposes of this Part the premium shall be taken to be received on the date of the change.
- (3) Subsection (4) below applies where—
- (a) a premium under a contract of insurance is received by the insurer on or after the date of the announcement but before the date of the change;
 - (b) the period of cover for the risk begins before the date of the change and ends on or after the first anniversary of the date of the change; and
 - (c) the premium, or any part of it, is attributable to such of the period of cover as falls on or after the first anniversary of the date of the change.
- (4) For the purposes of this Part—
- (a) so much of the premium as is attributable to such of the period of cover as falls on or after the first anniversary of the date of the change shall be taken to be received on the date of the change; and
 - (b) so much as is so attributable shall be taken to be a separate premium.
- (5) In determining whether the condition in subsection (2)(a) or (3)(a) above is satisfied, the provisions of regulations made by virtue of subsection (3) or (7) of section 68 below apply as they would apart from this section; but, subject to that, where subsection (2) or (4) above applies—
- (a) that subsection shall have effect notwithstanding anything in section 68 below or regulations made under that section; and
 - (b) any regulations made under that section shall have effect as if the entry made in the accounts of the insurer showing the premium as due to him had been made as at the date of the change.
- (6) Any attribution under this section shall be made on such basis as is just and reasonable.
- (7) In this section—
- “increase”, in relation to the rate of tax, includes the imposition of a charge to tax by adding to the descriptions of contract which are taxable insurance contracts;
 - “Minister of the Crown” has the same meaning as in the Ministers of the Crown Act 1975.]

Textual Amendments

F10 Ss. 67A-67C inserted (with effect *retrospectively* to 26.11.1996) by 1997 c. 16, s. 29(1)(3)

Modifications etc. (not altering text)

C10 Ss. 67A-67C modified (19.3.1997) by 1997 c. 16, s. 29(2)
Ss. 67A-67C modified (31.7.1998) by 1998 c. 36, s. 146(5)
Ss. 67A-67C modified (27.7.1999) by 1999 c. 16, s. 125(5)

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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Marginal Citations

M43 1975 c. 26.

VALID FROM 26/11/1996

[^{F11}67B] **Announced increase in rate of tax: certain contracts treated as made on date of increase.** **U.K.**

- (1) This section applies in any case where—
 - (a) an announcement falling within section 67A(1) above is made; but
 - (b) a proposed exception from the increase in question is also announced by a Minister of the Crown; and
 - (c) the proposed exception is to apply in relation to a premium only if the conditions described in subsection (2) below are satisfied in respect of the premium.
- (2) Those conditions are—
 - (a) that the premium is in respect of a contract made before the date of the change;
 - (b) that the premium falls, by virtue of regulations under section 68 below, to be regarded for the purposes of this Part as received under the contract by the insurer before such date (“the concessionary date”) as is specified for the purpose in the announcement.
- (3) In a case where—
 - (a) a premium under a contract of insurance is received by the insurer on or after the date of the announcement but before the concessionary date, and
 - (b) the period of cover for the risk begins on or after the date of the change, the rate of tax applicable in relation to the premium shall be determined as if the contract had been made on the date of the change.
- (4) Subsection (5) below applies where—
 - (a) a premium under a contract of insurance is received by the insurer on or after the date of the announcement but before the concessionary date;
 - (b) the period of cover for the risk begins before the date of the change and ends on or after the first anniversary of the date of the change; and
 - (c) the premium, or any part of it, is attributable to such of the period of cover as falls on or after the first anniversary of the date of the change.
- (5) Where this subsection applies—
 - (a) the rate of tax applicable in relation to so much of the premium as is attributable to such of the period of cover as falls on or after the first anniversary of the date of the change shall be determined as if the contract had been made on the date of the change; and
 - (b) so much of the premium as is so attributable shall be taken to be a separate premium.
- (6) Any attribution under this section shall be made on such basis as is just and reasonable.

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(7) In this section—

“the date of the change” has the same meaning as in section 67A above;

“Minister of the Crown” has the same meaning as in section 67A above.]

Textual Amendments

F11 Ss. 67A-67C inserted (with effect *retrospectively* to 26.11.1996) by 1997 c. 16, s. 29(1)(3)

Modifications etc. (not altering text)

C11 Ss. 67A-67C modified (19.3.1997) by 1997 c. 16, s. 29(2)

Ss. 67A-67C modified (31.7.1998) by 1998 c. 36, s. 146(5)

Ss. 67A-67C modified (27.7.1999) by 1999 c. 16, s. 125(5)

VALID FROM 26/11/1996

[^{F12}67C Announced increase in rate of tax: exceptions and apportionments. U.K.]

- (1) Sections 67A(2) and 67B(3) above do not apply in relation to a premium if the risk to which that premium relates belongs to a class of risk as regards which the normal practice is for a premium to be received by or on behalf of the insurer before the date when cover begins.
- (2) Sections 67A(3) and (4) and 67B(4) and (5) above do not apply in relation to a premium if the risk to which that premium relates belongs to a class of risk as regards which the normal practice is for cover to be provided for a period exceeding twelve months.
- (3) If a contract relates to more than one risk, then, in the application of section 67A(2), 67A(3) and (4), 67B(3) or 67B(4) and (5) above—
 - (a) the reference in section 67A(2)(b) or (3)(b) or 67B(3)(b) or (4)(b), as the case may be, to the risk shall be taken as a reference to any given risk,
 - (b) so much of the premium as is attributable to any given risk shall be taken for the purposes of section 67A(2), 67A(3) and (4), 67B(3) or 67B(4) and (5) above, as the case may be, to be a separate premium relating to that risk,
 - (c) those provisions shall then apply separately in the case of each given risk and the separate premium relating to it, and
 - (d) any further attribution required by section 67A(3) and (4) or 67B(4) and (5) above shall be made accordingly,and subsections (1) and (2) above shall apply accordingly.
- (4) Any attribution under this section shall be made on such basis as is just and reasonable.]

Textual Amendments

F12 Ss. 67A-67C inserted (with effect *retrospectively* to 26.11.1996) by 1997 c. 16, s. 29(1)(3)

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Modifications etc. (not altering text)

- C12** Ss. 67A-67C modified (19.3.1997) by [1997 c. 16, s. 29\(2\)](#)
 Ss. 67A-67C modified (31.7.1998) by [1998 c. 36, s. 146\(5\)](#)
 Ss. 67A-67C modified (27.7.1999) by [1999 c. 16, s. 125\(5\)](#)

68 Special accounting schemes. U.K.

- (1) Regulations may make provision establishing a scheme in accordance with the following provisions of this section; and in this section “a relevant accounting period”, in relation to an insurer, means an accounting period as regards which the scheme applies to the insurer.
- (2) Regulations may provide that if an insurer notifies the Commissioners that the scheme should apply to him as regards accounting periods beginning on or after a date specified in the notification and prescribed conditions are fulfilled, then, subject to any provision made under subsection (9) below, the scheme shall apply to the insurer as regards accounting periods beginning on or after that date.
- (3) Regulations may provide that where—
 - (a) an entry is made in the accounts of an insurer showing a premium under a taxable insurance contract as due to him, and
 - (b) the entry is made as at a particular date which falls within a relevant accounting period,
 then (whether or not that date is one on which the premium is actually received by the insurer or on which the premium would otherwise be treated for the purposes of this Part as received by him) the premium shall for the purposes of this Part be taken to be received by the insurer on that date or, in prescribed circumstances, to be received by him on a different date determined in accordance with the regulations.
- (4) Where regulations make provision under subsection (3) above they may also provide that, for the purposes of this Part, the amount of the premium shall be taken to be the amount which the entry in the accounts treats as its amount.
- (5) Regulations may provide that provision made under subsections (3) and (4) above shall apply even if the premium, or part of it, is never actually received by the insurer or on his behalf; and the regulations may include provision that, where the premium is never actually received because the contract under which it would have been received is never entered into or is terminated, the premium is nonetheless to be taken for the purposes of this Part to be received under a taxable insurance contract.
- (6) Regulations may provide that any provision made under subsection (4) above shall be subject to any directions made under section 66 above.
- (7) Regulations may provide that where a premium is treated as received on a particular date by virtue of provision made under subsection (3) above and there is another date on which the premium—
 - (a) is actually received by the insurer, or
 - (b) would, apart from the regulations, be treated for the purposes of this Part as received by him,
 the premium shall be taken for the purposes of this Part not to be received by him on that other date.

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- (8) Regulations may provide that provision made under subsection (7) above shall apply only to the extent that there is no excess of the actual amount of the premium over the amount which, by virtue of regulations under this section or of a direction under section 66 above, is to be taken for the purposes of this Part to be its amount; and the regulations may include provision that where there is such an excess, the excess amount shall be taken for the purposes of this Part to be a separate premium and to be received by the insurer on a date determined in accordance with the regulations.
- (9) Regulations may provide that if a notification has been given in accordance with provision made under subsection (2) above and subsequently—
- (a) the insurer gives notice to the Commissioners that the scheme should not apply to him as regards accounting periods beginning on or after a date specified in the notice, or
 - (b) the Commissioners give notice to the insurer that the scheme is not to apply to him as regards accounting periods beginning on or after a date specified in the notice,
- then, if prescribed conditions are fulfilled, the scheme shall not apply to the insurer as regards an accounting period beginning on or after the date specified in the notice mentioned in paragraph (a) or (b) above unless the circumstances are such as may be prescribed.
- (10) Regulations may include provision—
- (a) enabling an insurer to whom the scheme applies as regards an accounting period to account for tax due in respect of that period on the assumption that the scheme will apply to him as regards subsequent accounting periods;
 - (b) designed to secure that, where the scheme ceases to apply to an insurer, any tax which by virtue of provision made under paragraph (a) above has not been accounted for is accounted for and paid.
- (11) Regulations may provide that where—
- (a) an entry in the accounts of an insurer shows a premium as due to him,
 - (b) the entry is made as at a date falling before 1st October 1994,
 - (c) tax in respect of the receipt of the premium would, apart from the regulations, be charged by reference to a date (whether or not the date on which the premium is actually received by the insurer) falling on or after 1st October 1994,
 - (d) the date by reference to which tax would be charged falls within a relevant accounting period, and
 - (e) prescribed conditions are fulfilled,
- the premium, or such part of it as may be found in accordance with prescribed rules, shall be taken for the purposes of this Part to have been received by the insurer before 1st October 1994.
- (12) Without prejudice to subsection (13) below, regulations may include provision modifying any provision made under this section so as to secure the effective operation of the provision in a case where a premium consists wholly or partly of anything other than money.
- (13) Regulations may modify the effect of any provision of this Part.

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- (14) The reference in subsection (3)(a) above to a premium under a taxable insurance contract includes a reference to anything that, although not actually received by or on behalf of the insurer, would be such a premium if it were so received.

69 Reduced chargeable amount. U.K.

- (1) Where a contract provides cover for one or more exempt matters and also provides cover for one or more non-exempt matters, for the purposes of this Part the chargeable amount is such amount as, with the addition of the tax chargeable, is equal to the difference between—
- (a) the amount of the premium, and
 - (b) such part of the premium as is attributable to the exempt matter or matters.
- (2) In applying subsection (1) above, any amount that is included in the premium as being referable to tax (whether or not the amount corresponds to the actual amount of tax payable in respect of the premium) shall be taken to be wholly attributable to the non-exempt matter or matters; and, subject to that, any attribution under subsection (1) above shall be made on such basis as is just and reasonable.
- (3) For the purposes of this section an exempt matter is any matter such that, if it were the only matter for which the contract provided cover, the contract would not be a taxable insurance contract.
- (4) For the purposes of this section a non-exempt matter is a matter which is not an exempt matter.
- (5) If the contract relates to a lifeboat and lifeboat equipment, the lifeboat and the equipment shall be taken together in applying this section.
- (6) If a matter for which the contract provides cover is loss of or damage to goods in foreign or international transit, the matter is not an exempt matter for the purposes of this section unless the insured enters into the contract in the course of a business carried on by him.

Supplementary

70 Interpretation: taxable insurance contracts. U.K.

- (1) Subject to the following provisions of this section, any contract of insurance is a taxable insurance contract.
- (2) A contract is not a taxable insurance contract if it fulfils one or more of the following conditions—
- (a) the contract is a contract of reinsurance;
 - (b) the contract is one whose effecting and carrying out constitutes business of one or more of the classes specified in Schedule 1 to the ^{M44}Insurance Companies Act 1982 (long term business) and constitutes only such business;
 - (c) the contract relates only to a motor vehicle where the conditions mentioned in subsection (3) below are satisfied;
 - (d) the contract relates only to a commercial ship and is a contract whose effecting and carrying out constitutes business of one or more of the relevant classes and constitutes only such business;

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- (e) the contract relates only to a lifeboat and is a contract whose effecting and carrying out constitutes business of one or more of the relevant classes and constitutes only such business;
 - (f) the contract relates only to a lifeboat and lifeboat equipment and is such that, if it related only to a lifeboat, it would fall within paragraph (e) above;
 - (g) the contract relates only to a commercial aircraft and is a contract whose effecting and carrying out constitutes business of one or more of the relevant classes and constitutes only such business;
 - (h) the contract relates to one risk which is situated outside the United Kingdom;
 - (i) the contract relates to two or more risks each of which is situated outside the United Kingdom;
 - (j) the contract relates only to loss of or damage to foreign or international railway rolling stock;
 - (k) the contract relates only to loss of or damage to goods in foreign or international transit and the insured enters into the contract in the course of a business carried on by him;
 - (l) the contract relates only to credit granted in relation to relevant supplies falling within section 1(1) of the ^{M45}Export and Investment Guarantees Act 1991.
- (3) The conditions referred to in subsection (2)(c) above are that—
- (a) the vehicle is used, or intended for use, by a handicapped person in receipt of a disability living allowance by virtue of entitlement to the mobility component or of a mobility supplement,
 - (b) the insured lets such vehicles on hire to such persons in the course of a business consisting predominantly of the provision of motor vehicles to such persons, and
 - (c) the insured does not in the course of the business let such vehicles on hire to such persons on terms other than qualifying terms.
- (4) For the purposes of subsection (3)(c) above a vehicle is let on qualifying terms to a person (the lessee) if the consideration for the letting consists wholly or partly of sums paid to the insured by—
- (a) the Department of Social Security,
 - (b) the Department of Health and Social Services for Northern Ireland, or
 - (c) the Ministry of Defence,
- on behalf of the lessee in respect of the disability living allowance or mobility supplement to which the lessee is entitled.
- (5) For the purposes of subsection (2)(d) and (e) above the relevant classes are classes 1, 6 and 12 of the classes specified in Part I of Schedule 2 to the ^{M46}Insurance Companies Act 1982 (ships, accident, third-party etc.).
- (6) For the purposes of subsection (2)(g) above the relevant classes are classes 1, 5 and 11 of the classes specified in Part I of Schedule 2 to the Insurance Companies Act 1982 (aircraft, accident, third-party etc.).
- (7) In deciding whether a contract relates to lifeboat equipment the nature of the risks concerned is immaterial, and they may (for example) be risks of dying or sustaining injury or of loss or damage.
- (8) For the purposes of subsection (2)(l) above relevant supplies are—

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- (a) any supply of goods where the supply is to be made outside the United Kingdom or where the goods are to be exported from the United Kingdom;
 - (b) any supply of services where the services are to be performed outside the United Kingdom.
- (9) Regulations may make provision for determining for the purposes of subsection (8) above—
- (a) the place where a supply of goods is to be regarded as made;
 - (b) the place where services are to be regarded as performed.
- (10) For the purposes of this section—
- (a) “handicapped” means chronically sick or disabled;
 - (b) “disability living allowance” means a disability living allowance within the meaning of section 71 of the ^{M47}Social Security Contributions and Benefits Act 1992 or section 71 of the ^{M48}Social Security Contributions and Benefits (Northern Ireland) Act 1992;
 - (c) “mobility supplement” means a mobility supplement within the meaning of article 26A of the ^{M49}Naval, Military and Air Forces etc. (Disablement and Death) Service Pensions Order 1983, article 25A of the ^{M50}Personal Injuries (Civilians) Scheme 1983, article 3 of the ^{M51}Motor Vehicles (Exemption from Vehicles Excise Duty) Order 1985 or article 3 of the ^{M52}Motor Vehicles (Exemption from Vehicles Excise Duty) (Northern Ireland) Order 1985.
- (11) This section has effect subject to section 71 below.
- (12) This section and section 71 below have effect for the purposes of this Part.

Marginal Citations

- M44** 1982 c. 50.
- M45** 1991 c. 67.
- M46** 1982 c. 50.
- M47** 1992 c. 4.
- M48** 1992 c. 7.
- M49** S.I. 1983/883.
- M50** S.I. 1983/686.
- M51** S.I. 1985/722.
- M52** S.I. 1985/723.

71 Taxable insurance contracts: power to change definition. U.K.

- (1) Provision may be made by order that—
- (a) a contract of insurance that would otherwise not be a taxable insurance contract shall be a taxable insurance contract if it falls within a particular description;
 - (b) a contract of insurance that would otherwise be a taxable insurance contract shall not be a taxable insurance contract if it falls within a particular description.
- (2) A description referred to in subsection (1) above may be by reference to the nature of the insured or by reference to such other factors as the Treasury think fit.

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- (3) Provision under this section may be made in such way as the Treasury think fit, and in particular may be made by amending this Part.
- (4) An order under this section may amend or modify the effect of section 69 above in such way as the Treasury think fit.

72 Interpretation: premium. **U.K.**

- (1) In relation to a taxable insurance contract, a premium is any payment received under the contract by the insurer, and in particular includes any payment wholly or partly referable to—
 - (a) any risk,
 - (b) costs of administration,
 - (c) commission,
 - (d) any facility for paying in instalments or making deferred payment (whether or not payment for the facility is called interest), or
 - (e) tax.
- (2) A premium may consist wholly or partly of anything other than money, and references to payment in subsection (1) above shall be construed accordingly.
- (3) Where a premium is to any extent received in a form other than money, its amount shall be taken to be—
 - (a) an amount equal to the value of whatever is received in a form other than money, or
 - (b) if money is also received, the aggregate of the amount found under paragraph (a) above and the amount received in the form of money.
- (4) The value to be taken for the purposes of subsection (3) above is open market value at the time of the receipt by the insurer.
- (5) The open market value of anything at any time shall be taken to be an amount equal to such consideration in money as would be payable on a sale of it at that time to a person standing in no such relationship with any person as would affect that consideration.
- (6) Where (apart from this subsection) anything received under a contract by the insurer would be taken to be an instalment of a premium, it shall be taken to be a separate premium.
- (7) Where anything is received by any person on behalf of the insurer—
 - (a) it shall be treated as received by the insurer when it is received by the other person, and
 - (b) the later receipt of the whole or any part of it by the insurer shall be disregarded.
- (8) In a case where—
 - (a) a payment under a taxable insurance contract is made to a person (the intermediary) by or on behalf of the insured, and
 - (b) the whole or part of the payment is referable to commission to which the intermediary is entitled,

in determining for the purposes of subsection (7) above whether, or how much of, the payment is received by the intermediary on behalf of the insurer any of the payment

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that is referable to that commission shall be regarded as received by the intermediary on behalf of the insurer notwithstanding the intermediary's entitlement.

- (9) References in subsection (8) above to a payment include references to a payment in a form other than money.
- (10) This section has effect for the purposes of this Part.

73 Interpretation: other provisions. **U.K.**

- (1) Unless the context otherwise requires—
- “accounting period” shall be construed in accordance with section 54 above;
 - “appeal tribunal” means a VAT and duties tribunal;
 - “authorised person” means any person acting under the authority of the Commissioners;
 - “the Commissioners” means the Commissioners of Customs and Excise;
 - “conduct” includes any act, omission or statement;
 - “insurer” means a person or body of persons (whether incorporated or not) carrying on insurance business;
 - “legislation relating to insurance premium tax” means this Part (as defined by subsection (9) below), any other enactment (whenever passed) relating to insurance premium tax, and any subordinate legislation made under any such enactment;
 - “prescribed” means prescribed by an order or regulations under this Part;
 - “tax” means insurance premium tax;
 - “tax representative” shall be construed in accordance with section 57 above;
 - “taxable business” means a business which consists of or includes the provision of insurance under taxable insurance contracts;
 - “taxable insurance contract” shall be construed in accordance with section 70 above.
- (2) A risk is situated in the United Kingdom if, by virtue of section 96A(3) of the ^{M53}Insurance Companies Act 1982, it is situated in the United Kingdom for the purposes of that Act.
- (3) A registrable person is a person who—
- (a) is registered under section 53 above, or
 - (b) is liable to be registered under that section.
- (4) A commercial ship is a ship which is—
- (a) of a gross tonnage of 15 tons or more, and
 - (b) not designed or adapted for use for recreation or pleasure.
- (5) A commercial aircraft is an aircraft which is—
- (a) of a weight of 8,000 kilogrammes or more, and
 - (b) not designed or adapted for use for recreation or pleasure.
- (6) A lifeboat is a vessel used or to be used solely for rescue or assistance at sea; and lifeboat equipment is anything used or to be used solely in connection with a lifeboat.

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- (7) Foreign or international railway rolling stock is railway rolling stock used principally for journeys taking place wholly or partly outside the United Kingdom.
- (8) Goods in foreign or international transit are goods in transit where their carriage—
 - (a) begins and ends outside the United Kingdom,
 - (b) begins outside but ends in the United Kingdom, or
 - (c) ends outside but begins in the United Kingdom.
- (9) A reference to this Part includes a reference to any order or regulations made under it and a reference to a provision of this Part includes a reference to any order or regulations made under the provision, unless otherwise required by the context or any order or regulations.
- (10) This section has effect for the purposes of this Part.

Marginal Citations

M53 1982 c. 50.

74 Orders and regulations. U.K.

- (1) The power to make an order under section 61 above shall be exercisable by the Commissioners, and the power to make an order under any other provision of this Part shall be exercisable by the Treasury.
- (2) Any power to make regulations under this Part shall be exercisable by the Commissioners.
- (3) Any power to make an order or regulations under this Part shall be exercisable by statutory instrument.
- (4) An order under section 71 above shall be laid before the House of Commons; and unless it is approved by that House before the expiration of a period of 28 days beginning with the date on which it was made it shall cease to have effect on the expiration of that period, but without prejudice to anything previously done under the order or to the making of a new order.
- (5) In reckoning any such period as is mentioned in subsection (4) above no account shall be taken of any time during which Parliament is dissolved or prorogued or during which the House of Commons is adjourned for more than four days.
- (6) A statutory instrument containing an order or regulations under this Part (other than an order under section 71 above) shall be subject to annulment in pursuance of a resolution of the House of Commons.
- (7) Any power to make an order or regulations under this Part—
 - (a) may be exercised as regards prescribed cases or descriptions of case;
 - (b) may be exercised differently in relation to different cases or descriptions of case.
- (8) An order or regulations under this Part may include such supplementary, incidental, consequential or transitional provisions as appear to the Treasury or the Commissioners (as the case may be) to be necessary or expedient.

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- (9) No specific provision of this Part about an order or regulations shall prejudice the generality of subsections (7) and (8) above.

PART IV U.K.

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I U.K.

GENERAL

Income tax: charge, rates and reliefs

75 **Charge and rates of income tax for 1994-95.** U.K.

- (1) Income tax shall be charged for the year 1994-95, 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 1994-95 section 1(2) of the Taxes Act 1988 shall apply as if—
- (a) the amount specified in paragraph (aa) were £3,000 (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 1994-95.

76 **Personal allowance.** U.K.

Section 257 of the Taxes Act 1988 (personal allowance) shall apply for the year 1994-95 as if the amounts specified in it were the same as the amounts specified in it as it applies for the year 1993-94, and accordingly section 257C(1) of that Act (indexation) so far as relating to section 257 shall not apply for the year 1994-95.

77 **Rate of relief to married couples etc.** U.K.

- (1) The provisions of section 256 of the Taxes Act 1988 (general provision as to personal reliefs) shall become subsection (1) of that section and after that subsection there shall be inserted the following subsections—
- “(2) Where under any provision of this Chapter the relief to which a person is entitled for any year of assessment consists in an income tax reduction calculated by reference to a specified amount, the effect of that relief shall be that the amount of that person’s liability for that year to income tax on his total income shall be the amount to which he would have been liable apart from that provision less whichever is the smaller of—
- (a) the amount equal to 20 per cent. of the specified amount; and
 - (b) the amount which reduces his liability to nil.

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- (3) In determining for the purposes of subsection (2) above the amount of income tax to which a person would be liable apart from any provision providing for an income tax reduction, no account shall be taken—
- (a) where that provision is section 259 or 261A, of any income tax reduction under any of the other provisions of this Chapter;
 - (b) where that provision is section 262(1), of any income tax reduction under any of the other provisions of this Chapter except section 259 or 261A; or
 - (c) whatever that provision—
 - (i) of any relief by way of a reduction of liability to tax which is given in accordance with any arrangements having effect by virtue of section 788 or by way of a credit under section 790(1); or
 - (ii) of any tax at the basic rate on so much of that person's income as is income the income tax on which he is entitled to charge against any other person or to deduct, retain or satisfy out of any payment;
- but paragraph (a) above, so far as it relates to any income tax reduction under section 261A, is without prejudice to the provisions of subsection (2) of that section.”
- (2) In section 257A of that Act (married couple's allowance)—
- (a) in subsection (1), for the words from “to a deduction” onwards there shall be substituted “ for that year to an income tax reduction calculated by reference to £1,720 ”;
 - (b) in subsection (2), for the words from “to a deduction” to “the deduction” there shall be substituted “ for that year to an income tax reduction calculated by reference to £2,665 (instead of to the reduction ”; and
 - (c) in subsection (3), for the words from “to a deduction” to “the deduction” there shall be substituted “ for that year to an income tax reduction calculated by reference to £2,705 (instead of to the reduction ”.
- (3) In section 259(2) of that Act (additional personal allowance), for “to a deduction from his total income of” there shall be substituted “ for that year to an income tax reduction calculated by reference to ”.
- (4) In section 261A(1) of that Act (additional personal allowance for a year in which spouses separate), for “to a deduction from his total income of” there shall be substituted “ for that year to an income tax reduction calculated by reference to ”.
- (5) In subsection (1) of section 262 of that Act (widow's bereavement allowance)—
- (a) in paragraph (a), for “to a deduction from her total income of” there shall be substituted “ to an income tax reduction calculated by reference to ”; and
 - (b) in paragraph (b), for “to a deduction of” there shall be substituted “ to an income tax reduction calculated by reference to ”.
- (6) The Taxes Act 1988 and the ^{M54}Taxes Management Act 1970 shall have effect with the amendments specified in Schedule 8 to this Act (which supplements the provisions of this section).
- (7) This section and Schedule 8 to this Act shall have effect for the year 1994-95 and, subject to the following provisions of this section, for subsequent years of assessment.

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- (8) For the year 1995-96 and subsequent years of assessment section 256(2)(a) of the Taxes Act 1988 shall have effect with the substitution of “ 15 per cent ” for the words “20 per cent.”
- (9) For the year 1995-96, section 257A of the Taxes Act 1988 shall have effect—
- (a) as if the same amount (namely £1,720) were specified in subsection (1) as is specified in that subsection as it applies for the year 1994-95;
 - (b) as if the amount specified in subsection (2) were “£2,995”; and
 - (c) as if the amount specified in subsection (3) were “£3,035”.
- (10) Section 257C(1) of the Taxes Act 1988 (indexation), so far as relating to section 257A (1) to (3) of that Act, shall not apply for the year 1994-95 or for the year 1995-96 but shall not be prevented by anything in this section from applying for the year 1996-97 or any subsequent year of assessment.

Marginal Citations

M54 1970 c. 9.

78 Amount by reference to which MCA is reduced. **U.K.**

Section 257A(5) of the Taxes Act 1988 (reduction of married couple’s allowance if claimant’s total income exceeds a certain amount) shall apply for the year 1994-95 as if the amount specified in it were the same as the amount specified in it as it applies for the year 1993-94, and accordingly section 257C(1) of that Act (indexation) so far as relating to section 257A(5) shall not apply for the year 1994-95.

79 Relief for maintenance payments. **U.K.**

- (1) Sections 347A and 347B of the ^{M55}Taxes Act 1988 and section 38 of the Finance Act 1988 (which contain provision with respect to the deductions from income allowed on account of maintenance payments) shall have effect in relation to payments becoming due on or after 6th April 1994 with the following modifications.
- (2) Section 347A (which restricts the making of deductions) shall apply to any payment made—
- (a) in pursuance of any obligation which falls within paragraphs (a) to (c) of subsection (4) of section 36 of the Finance Act 1988 (existing obligations) and is an obligation under an order made by a court, a written or oral agreement or a deed executed for giving effect to an agreement, and
 - (b) for the benefit, maintenance or education of a person (whether or not the person to whom the payment is made) who attained the age of 21 on or before the day on which the payment became due but after 5th April 1994,
- as if that obligation were not an existing obligation within the definition contained in that subsection.
- (3) In subsection (2) of section 347B (relief for qualifying maintenance payments)—
- (a) the words “Notwithstanding section 347A(1)(a) but” shall be omitted; and
 - (b) for the words from “in computing” to “to deduct” there shall be substituted “for a year of assessment to an income tax reduction calculated by reference to ”.

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- (4) In subsection (3) of section 347B (restriction of relief to amount of married couple's allowance), for the words from the beginning to "exceed" there shall be substituted "The amount by reference to which any income tax reduction is to be calculated under this section shall be limited to".
- (5) In subsection (5) of section 347B (other payments attracting relief), for "otherwise than under this section" there shall be substituted "by virtue of section 36(3) of the Finance Act 1988 but otherwise than in accordance with section 38(2)(a) of that Act".
- (6) After subsection (5) of section 347B there shall be inserted the following subsections—
- “(5A) Where any person is entitled under this section for any year of assessment to an income tax reduction calculated by reference to the amount determined in accordance with subsections (2) to (5) above (“the relevant amount”), the amount of that person's liability for that year to income tax on his total income shall be the amount to which he would have been liable apart from this section less whichever is the smaller of—
- (a) the amount equal to the appropriate percentage of the relevant amount; and
 - (b) the amount which reduces his liability to nil;
- and in this subsection “the appropriate percentage” means 20 per cent. for the year 1994-95 and 15 per cent. for the year 1995-96 and subsequent years of assessment.
- (5B) In determining for the purposes of subsection (5A) above the amount of income tax to which a person would be liable apart from any income tax reduction under this section, no account shall be taken of—
- (a) any income tax reduction under Chapter I of Part VII;
 - (b) any relief by way of a reduction of liability to tax which is given in accordance with any arrangements having effect by virtue of section 788 or by way of a credit under section 790(1); or
 - (c) any tax at the basic rate on so much of that person's income as is income the income tax on which he is entitled to charge against any other person or to deduct, retain or satisfy out of any payment.”

(7) In subsection (3) of section 38 (amount of relief in transitional cases for persons making payments), for the words from the word “aggregate”, in the first place where it occurs, to “exceed” there shall be substituted “amount (if any) by which the relevant aggregate exceeds the amount specified in section 257A(1) of the Taxes Act 1988 for the year; and in this subsection and subsection (3A) below “the relevant aggregate” means whichever is the smaller of the following, that is to say, the aggregate amount of the payments made by him which fall due in that year and to which this section applies and”.

(8) After subsection (3) of section 38 there shall be inserted the following subsection—

“(3A) Sections 347A and 347B of the Taxes Act 1988 (except, in the case of section 347A, so far as it restricts the extent to which any payment is to be treated as forming part of the income of the person to whom it is made or any other person) shall have effect as if so much of the relevant aggregate for any year of assessment as does not exceed the amount specified for that year

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in section 257A(1) of that Act were a qualifying maintenance payment made otherwise than in pursuance of an existing obligation.”

Marginal Citations

M55 1988 c. 39.

80 Limit on relief for interest. U.K.

For each of the years 1994-95 and 1995-96 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.

81 Mortgage interest relief etc. U.K.

(1) For subsection (1) of section 353 of the Taxes Act 1988 (general provision for relief for interest payments) there shall be substituted the following subsection—

“(1) Where a person pays interest in any year of assessment, that person, if he makes a claim to the relief, shall for that year of assessment be entitled (subject to sections 354 to 368) to relief in accordance with this section in respect of so much (if any) of the amount of that interest as is eligible for relief under this section by virtue of sections 354 to 365.”

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

“(1A) Where a person is entitled for any year of assessment to relief under this section in respect of any amount of interest which—

- (a) is eligible for that relief by virtue of section 354 or 365, and
- (b) so far as eligible by virtue of section 354, is so eligible in a case which falls, or is treated as falling, within section 355(1)(a), 356 or 358,

that relief shall consist in an income tax reduction for that year calculated by reference to that amount.

(1B) Where a person is entitled for any year of assessment to relief under this section in respect of any amount of interest which—

- (a) is eligible for that relief otherwise than by virtue of section 354 or 365, or
- (b) is eligible for that relief by virtue of section 354 in a case falling within section 355(1)(b),

that relief shall consist (subject to sections 237(5)(b) and 355(4)) in a deduction or set-off of that amount from or against that person’s income for that year.

(1C) Without prejudice to subsection (1E) below, where the whole or any part of an amount of interest is eligible for relief under this section by virtue of section 354 in a case which (apart from this subsection) would fall, or be treated as falling, within both section 355(1)(a) or 356 and section 355(1)(b), then that case shall be treated for the purposes of this section and the following provisions of this Act—

- (a) except in relation to payments to which an election made for the purposes of this subsection by the person entitled to the relief applies,

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- as falling within section 355(1)(b) and not within section 355(1)(a) or 356; and
- (b) in relation to payments to which such an election does apply, as falling within section 355(1)(a) or, as the case may be, 356, and not within section 355(1)(b).
- (1D) An election for the purposes of subsection (1C)—
- (a) shall be made, and may be withdrawn, by the giving of written notice to an officer of the Board;
- (b) shall apply to every payment of interest which—
- (i) is made after the time specified in the notice of that election as the time as from which it takes effect; and
- (ii) is not made after a time specified in a notice of the withdrawal of that election as the time as from which that election is withdrawn;
- (c) shall not be made so as to take effect as from any time except the beginning of a year of assessment or a time as from which the conditions for the case to fall, or be treated as falling, within both section 355(1)(a) or 356 and section 355(1)(b) have begun to be satisfied in relation to payments of interest on the loan in question;
- (d) shall not be withdrawn except as from the beginning of a year of assessment; and
- (e) shall not be made so as to take effect, and shall not be withdrawn, as from any time before the beginning of the year of assessment immediately before that in which the notice of the election or, as the case may be, of the withdrawal is given to an officer of the Board.
- (1E) Where any person is entitled for any year of assessment to relief under this section in respect of any amount of interest as is eligible for that relief partly as mentioned in subsection (1A) above and partly as mentioned in subsection (1B) above, that amount of interest shall be apportioned between the cases to which each of those subsections applies without regard to what parts of the total amount borrowed remain outstanding but according to the following factors, that is to say—
- (a) the proportions of the total amount borrowed which were applied for different purposes; and
- (b) in the case of so much of any amount of interest which is, or in pursuance of an apportionment under paragraph (a) above is treated as, eligible for relief by virtue of section 354, the different uses to which the land or other property in question is put from time to time;
- and subsection (1A) or (1B) above shall apply accordingly in relation to the interest apportioned to the case to which that subsection applies.
- (1F) Where any person is entitled under this section for any year of assessment to an income tax reduction calculated by reference to an amount of interest, the amount of that person's liability for that year to income tax on his total income shall be the amount to which he would have been liable apart from this section less whichever is the smaller of—
- (a) the amount equal to the applicable percentage of that amount of interest; and
- (b) the amount which reduces his liability to nil.

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(1G) In subsection (1F) above “the applicable percentage”—

- (a) in relation to so much of any interest as is eligible for relief under this section by virtue of section 354, means 20 per cent.; and
- (b) in relation to so much of any interest as is eligible for relief under this section by virtue of section 365, means the percentage which is the basic rate for the year of assessment in question;

but, in relation to any payment of interest which (whenever falling due) is made in the year 1995-96 or any subsequent year of assessment, paragraph (a) above shall have effect with the substitution of “15 per cent.” for “20 per cent.”

(1H) In determining for the purposes of subsection (1F) above the amount of income tax to which a person would be liable apart from any income tax reduction under this section, no account shall be taken of—

- (a) any income tax reduction under Chapter I of Part VII or section 347B;
- (b) any relief by way of a reduction of liability to tax which is given in accordance with any arrangements having effect by virtue of section 788 or by way of a credit under section 790(1); or
- (c) any tax at the basic rate on so much of that person’s income as is income the income tax on which he is entitled to charge against any other person or to deduct, retain or satisfy out of any payment.”

(3) In subsection (1) of section 369 of that Act (deduction at source of mortgage interest relief), for the words from “income tax” onwards there shall be substituted “ the applicable percentage thereof. ” and after that subsection there shall be inserted the following subsection—

“(1A) In subsection (1) above “the applicable percentage”—

- (a) in relation to so much of any payment of relevant loan interest as is not a payment in relation to which paragraph (b) below has effect, means 20 per cent.; and
- (b) in relation to so much of any payment as—
 - (i) has become due before 6th April 1994; or
 - (ii) being a payment becoming due on or after 6th April 1994, would, apart from section 353(2), be eligible for relief under section 353 by virtue of section 365,

means the percentage which is the basic rate for the year of assessment in which the payment has become or becomes due;

but, in relation to any payment of interest which becomes due in the year 1995-96 or any subsequent year of assessment, paragraph (a) above shall have effect with the substitution of “15 per cent.” for “20 per cent.””

(4) For subsections (3) to (5B) of section 369 of that Act (provisions balancing deduction of relevant loan interest from income against charge to tax) there shall be substituted the following subsection—

“(3) The following payments, that is to say—

- (a) payments of relevant loan interest to which this section applies, and
- (b) payments which would be such payments but for section 373(5),

shall not be allowable as deductions for any purpose of the Income Tax Acts except in so far as they fall to be treated as such payments by virtue only of section 375(2) and would be allowable apart from this subsection.”

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- (5) Schedule 9 to this Act (which for the purposes of or in connection with the provisions of this section makes further modifications of certain enactments in relation to tax relief on interest payments) shall have effect.
- (6) The preceding provisions of this section and that Schedule—
- (a) shall have effect in relation to payments of interest made on or after 6th April 1994 (whenever falling due); and
 - (b) shall also have effect, so far as they relate to relevant loan interest, in relation to any payments of interest becoming due on or after 6th April 1994 which have been made at any time before that date but on or after 30th November 1993.
- (7) Any provision made before the passing of this Act by reference to the basic rate of income tax and contained in any instrument or agreement under or in accordance with which payments of relevant loan interest have been or are to be made shall be taken, in relation to any such payment as is mentioned in subsection (6)(a) or (b) above, to have been made, instead, by reference to a rate which, in the case of that payment, is the applicable percentage for the purposes of subsection (1) of section 369 of the Taxes Act 1988.
- (8) Section 377 of the Taxes Act 1988 (variation of terms of repayment of certain loans) shall have effect—
- (a) as if the references in subsections (3), (4) and (7) of that section to a change in the basic rate of income tax included references to the amendments having effect by virtue of this section and to any change in the applicable percentage for the time being specified in section 369(1A) of that Act; and
 - (b) in relation to any notice under section 377(2)(a) of that Act the effective date of which is on or after 6th April 1994, as if the reference to tax at the basic rate for the year of assessment in which that date falls, were a reference to tax at a rate equal to the percentage which is the applicable percentage for the purposes of section 369(1) of that Act in relation to payments becoming due in that year of assessment.
- (9) In this section “relevant loan interest” has the same meaning as in Part IX of the Taxes Act 1988.

82 Relief for blind persons. U.K.

- (1) In section 265(1) of the Taxes Act 1988 (blind person’s allowance) for “£1,080” there shall be substituted “ £1,200 ”.
- (2) This section shall apply for the year 1994-95 and subsequent years of assessment.

83 Medical insurance. U.K.

Schedule 10 to this Act (which contains provisions about medical insurance) shall have effect.

84 Relief for vocational training. U.K.

- (1) In subsection (1) of section 32 of the ^{M56}Finance Act 1991 (relief for vocational training), after paragraph (c) there shall be inserted the following paragraphs—

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- “(ca) the individual has attained school-leaving age and, if under the age of nineteen, is not a person who is being provided with full-time education at a school,
 - (cb) the individual undertakes the course neither wholly nor mainly for recreational purposes or as a leisure activity.”
- (2) In subsection (10) of that section, the words after paragraph (b) (which exclude from the qualifying courses those programmes of activity capable of counting towards a qualification at the highest defined level) shall be omitted.
- (3) After subsection (10) of that section there shall be inserted the following subsection—
- “(11) In this section—
- “school” means any institution at which full-time education is provided to persons at least some of whom are under school-leaving age; and
- “school-leaving age” means the age of sixteen.”
- (4) This section has effect in relation to payments made on or after 1st January 1994.

Marginal Citations

M56 1991 c. 31.

Corporation tax charge and rate

85 Charge and rate of corporation tax for 1994. U.K.

Corporation tax shall be charged for the financial year 1994 at the rate of 33 per cent.

86 Small companies. U.K.

- (1) For the financial year 1994—
- (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.
- (2) In section 13(3) of that Act (limits of marginal relief) in paragraphs (a) and (b)—
- (a) for “£250,000” there shall be substituted “ £300,000 ”, and
 - (b) for “£1,250,000” there shall be substituted “ £1,500,000 ”.
- (3) Subsection (2) above shall have effect for the financial year 1994 and subsequent financial years; and where by virtue of that subsection section 13 of the Taxes Act 1988 has effect with different relevant maximum amounts in relation to different parts of a company’s accounting period, then for the purposes of that section those parts shall be treated as if they were separate accounting periods and the profits and basic profits of the company for that period shall be apportioned between those parts.

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Benefits in kind

87 Car fuel. U.K.

(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

<i>Cylinder capacity of car in cubic centimetres</i>	<i>Cash equivalent</i>
1,400 or less	£640
More than 1,400 but not more than 2,000	£810
More than 2,000	£1,200

TABLE AB

<i>Cylinder capacity of car in cubic centimetres</i>	<i>Cash equivalent</i>
2,000 or less	£580
More than 2,000	£750

TABLE B

<i>Description of car</i>	<i>Cash equivalent</i>
Any car	£1,200”

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

88 Beneficial loan arrangements. U.K.

(1) In section 160(1) of the Taxes Act 1988 (charge to tax of benefit of loan obtained by reason of employment) for the words following paragraph (b) there shall be substituted—

“an amount equal to whatever is the cash equivalent of the benefit of the loan for that year shall, subject to the provisions of this Chapter, be treated as emoluments of the employment, and accordingly chargeable to tax under Schedule E; and where that amount is so treated, the employee is to be treated as having paid interest on the loan in that year of the same amount.

(1A) Interest treated as paid by virtue of subsection (1) above—

- (a) shall be treated as paid for all the purposes of the Tax Acts (other than this Chapter, including Schedule 7), but shall not be treated for any purpose as income of the person making the loan or be treated as relevant loan interest to which section 369 applies, and
- (b) shall be treated as accruing during, and paid by the employee at the end of, the year or, if different, the period in the year during which he is employed in employment to which this Chapter applies and the loan is outstanding.

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(1B) All the loans between the same lender and borrower which—

- (a) are outstanding at any time, as to any amount, in any year,
- (b) are not qualifying loans, and
- (c) are made in the same currency,

are, if a cash equivalent for them falls to be ascertained, to be treated for the purposes of subsections (1) and (1A) above and Part II of Schedule 7 as a single loan.

(1C) In this section and section 161 “qualifying loan” means any loan made to any person where, assuming interest is being paid on the loan (whether or not it is in fact being paid), the whole or any part of the interest—

- (a) is eligible for relief under section 353 or would be so eligible but for subsection (2) of that section or section 357(1)(b), or
- (b) is deductible in computing the amount of the profits or gains to be charged under Case I or II of Schedule D in respect of a trade, profession or vocation carried on by him.”

(2) At the end of section 160(5) of that Act (interpretation, including “official rate of interest”) there shall be added—

“and, without prejudice to the generality of section 178 of the Finance Act 1989, regulations under that section may make different provision in relation to a loan outstanding for the whole or part of a year if—

- (i) it was made in the currency of a country or territory outside the United Kingdom,
- (ii) the benefit of the loan is obtained by reason of the employment of a person who normally lives in that country or territory, and
- (iii) that person has lived in that country or territory at some time in the period of six years ending with that year”.

(3) For section 161(1) of that Act (exemption for loans the cash equivalent of which does not exceed £300) there shall be substituted—

“(1) The cash equivalent of the benefit of any such loan as is referred to in section 160(1) is not to be treated as emoluments of the employment if—

- (a) at no time in the year does the amount outstanding on the loan (or, if two or more such loans as are referred to in section 160(1) are outstanding in the year, the aggregate of the amounts outstanding on them) exceed £5000, or
- (b) where paragraph (a) above does not apply, the loan is not a qualifying loan and at no time in the year does the amount outstanding on the loan (or, if two or more such loans as are referred to in section 160(1) and are not qualifying loans are outstanding in the year, the aggregate of the amounts outstanding on them) exceed £5000.

(1A) Section 160(1) does not in any year apply to a loan made at any time in that or an earlier year by a person in the ordinary course of a business carried on by him which includes the lending of money if—

- (a) comparable loans were available, at the time the loan in question was made, to all those who might be expected to avail themselves of the services which he provides in the course of that business,

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- (b) of the total number of the loan in question and comparable loans made by him at or about the time the loan in question was made, a substantial proportion were made to members of the public at large with whom he was dealing at arm's length, and
 - (c) the loan in question, and comparable loans in general made by him at or about that time to members of the public at large with whom he was dealing at arm's length, are held on the same terms and, if those terms differ from the terms applicable immediately after the loan was first made, they were imposed in the ordinary course of his business.
- (1B) For the purposes of subsection (1A) above, a loan is comparable to the loan in question if it is made for the same or similar purposes, and on the same terms and conditions, as that loan.”
- (4) In Schedule 7 to that Act (beneficial loan arrangements)—
- (a) in paragraph 1(5) for “Sub-paragraph (2) above does” there shall be substituted “ Sub-paragraphs (2) and (4) above do ” and the words “his employer, being” shall cease to have effect, and
 - (b) Parts III to V shall cease to have effect.
- (5) In determining for the purposes of section 161(1A) and (1B) of that Act (inserted by this section) whether any loans made by any person before 1st June 1994 are made or held on the same terms or conditions, there shall be left out of account any amounts, by way of fees, commission or other incidental expenses, incurred for the purpose of obtaining any of those loans by the persons to whom they are made.
- (6) This section shall have effect for the year 1994-95 and subsequent years of assessment.

89 Vouchers and credit-tokens. **U.K.**

- (1) Section 141 of the Taxes Act 1988 (non-cash vouchers) shall be amended as follows.
- (2) In subsection (1)—
- (a) in paragraph (a), for the words from “the expense incurred” to “exchanged;” there shall be substituted “the expense incurred (“the chargeable expense”)—
 - (i) by the person at whose cost the voucher and the money, goods or services for which it is capable of being exchanged are provided,
 - (ii) in or in connection with that provision;” and
 - (b) the words following paragraph (b) shall be omitted.
- (3) In subsection (6B), in paragraph (a) for the words “the person providing the non-cash voucher” there shall be substituted “ the person at whose cost the voucher and the entertainment are provided ”.
- (4) Section 142 of the Taxes Act 1988 (credit-tokens) shall be amended as follows.
- (5) In subsection (1)(a), for the words from “the expense incurred” to “obtained;” there shall be substituted “the expense incurred—
 - (i) by the person at whose cost the money, goods or services are provided,
 - (ii) in or in connection with that provision;”.

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- (6) In subsection (3) for the words “providing the credit-token as mentioned in subsection (1)(a) above” there shall be substituted “ mentioned in subsection (1)(a) (i) above ”.
- (7) In subsection (3B), in paragraph (a) for the words “providing the credit-token” there shall be substituted “ mentioned in subsection (1)(a)(i) above ”.
- (8) Section 143 of the Taxes Act 1988 (cash vouchers) shall be amended as follows.
- (9) In subsection (1) for the words from “(and in particular section 203)” to “paid by his employer” there shall be substituted “—
 (a) he shall be treated as having received”.
- (10) In subsection (3) for the words “in providing the voucher by the person who provides it” there shall be substituted “ by the person at whose cost the voucher is provided ”.
- (11) In subsection (4)—
 (a) in paragraph (a) for the words “in providing the voucher by the person who provides it” there shall be substituted “ by the person at whose cost the voucher, stamp or similar document is provided ”; and
 (b) in the words following paragraph (b) for the words from “the expense incurred” to the end there shall be substituted “ the expense incurred by the person mentioned in paragraph (a) above shall be treated as reduced by the difference or part of the difference mentioned in paragraph (b) above. ”
- (12) Section 144 of the Taxes Act 1988 (supplementary provisions relating to sections 141 to 143) shall be amended as follows.
- (13) In subsection (1)—
 (a) for the words “or credit-tokens” there shall be substituted “ , credit-tokens or cash vouchers ”; and
 (b) for the words “141 or 142” there shall be substituted “ 141, 142 or 143 ”.
- (14) In subsection (3)—
 (a) for the words “141 and 142” there shall be substituted “ 141, 142 and 143 ”; and
 (b) for the words “by him of non-cash” there shall be substituted “ of ”.

Chargeable gains

90 Annual exempt amount for 1994-95. **U.K.**

For the year 1994-95 section 3 of the ^{M57}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.

Marginal Citations

M57 1992 c. 12.

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91 Relief on re-investment. **U.K.**

- (1) Schedule 11 to this Act (which extends the relief on re-investment for individuals and trustees provided by Chapter IA of Part V of the Taxation of Chargeable Gains Act 1992) shall have effect.
- (2) That Schedule shall have effect in relation to disposals made on or after 30th November 1993.
- (3) In section 164H(1) of that Act—
 - (a) for “is greater than” there shall be substituted “exceeds”, and
 - (b) at the end there shall be added “or half the value of the company’s assets as a whole (whichever is the greater); and section 294(3) and (4) of the Taxes Act (meaning of value of company’s assets as a whole) applies for the purposes of this subsection as it applies for the purposes of section 294 of that Act”.
- (4) Subsection (3) above shall apply to determine whether a company is a qualifying company on or after 30th November 1993.

92 Relief on retirement. **U.K.**

- (1) In paragraph 13(1) of Schedule 6 to the Taxation of Chargeable Gains Act 1992 (amount available for relief on retirement)—
 - (a) in paragraph (a) (gains not exceeding appropriate percentage of £150,000) for “£150,000” there shall be substituted “£250,000”, and
 - (b) in paragraph (b) (half gains not exceeding that percentage of £150,000 to £600,000) for “£150,000” and “£600,000” there shall be substituted respectively “£250,000” and “£1 million”.
- (2) This section shall have effect in relation to disposals made on or after 30th November 1993.

93 Indexation losses. **U.K.**

- (1) In section 53 of the Taxation of Chargeable Gains Act 1992 (indexation allowance), in subsection (1), for the words following “contrary” to the end of paragraph (c) there shall be substituted “if on the disposal of an asset there is an unindexed gain, an allowance (“the indexation allowance”) shall be allowed against the unindexed gain—
 - (a) so as to give the gain for the purposes of this Act, or
 - (b) if the indexation allowance equals or exceeds the unindexed gain, so as to extinguish it (in which case the disposal shall be one on which, after taking account of the indexation allowance, neither a gain nor a loss accrues)”.
- (2) In subsection (2) of that section—
 - (a) for “subsection (1) above” there shall be substituted “this Chapter”,
 - (b) for paragraph (a) there shall be substituted—
 - (a) “unindexed gain” means the amount of the gain on the disposal computed in accordance with this Part”, and
 - (c) in paragraph (b), for “gain or loss” there shall be substituted “gain”.
- (3) After that subsection there shall be inserted—

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“(2A) Notwithstanding anything in section 16 of this Act, this section shall not apply to a disposal on which a loss accrues.”

(4) In section 55 of that Act (assets acquired on a no gain/no loss disposal), after subsection (6) there shall be inserted—

“(7) The rules in subsection (8) below apply (after the application of section 53 but before the application of section 35(3) or (4)) to give the gain or loss for the purposes of this Act where—

- (a) subsection (6) above applies to the disposal (the “disposal in question”) of an asset by any person (the “transferor”), and
- (b) but for paragraph (b) of that subsection, the consideration the transferor would be treated as having given for the asset would include an amount or amounts of indexation allowance brought into account by virtue of section 56(2) on any disposal made before 30th November 1993.

(8) The rules are as follows—

- (a) where (apart from this subsection) there would be a loss, an amount equal to the rolled-up indexation shall be added to it so as to increase it,
- (b) where (apart from this subsection) the unindexed gain or loss would be nil, there shall be a loss of an amount equal to the rolled-up indexation, and
- (c) where (apart from this subsection)—
 - (i) there would be an unindexed gain, and
 - (ii) the gain or loss would be nil but the amount of the indexation allowance used to extinguish the gain would be less than the rolled-up indexation,
 the difference shall constitute a loss.

(9) In this section the “rolled-up indexation” means, subject to subsections (10) and (11) below, the amount or, as the case may be, the aggregate of the amounts referred to in subsection (7)(b) above; and subsections (10) and (11) below shall, as well as applying on the disposal in question, be treated as having applied on any previous part disposal by the transferor.

(10) Where, for the purposes of any disposal of the asset by the transferor, any amount falling within any, or any combination of, paragraphs (a) to (c) of section 38(1) is required by any enactment to be excluded, reduced or written down, the amount or aggregate referred to in subsection (9) above (or so much of it as remains after the application of this subsection and subsection (11) below on a previous part disposal) shall be reduced in proportion to any reduction made in the amount falling within the paragraph, or the combination of paragraphs, in question.

(11) Where the transferor makes a part disposal of the asset at any time, then, for the purposes of that and any subsequent disposal, the amount or aggregate referred to in subsection (9) above (or so much of it as remains after the application of this subsection and subsection (10) above on a previous part disposal by him or after the application of subsection (10) above on the part disposal) shall be apportioned between the property disposed of and the

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property which remains in the same proportions as the sums falling within section 38(1)(a) and (b).”

- (5) In section 56 of that Act (amount of consideration on no gain/no loss disposals)—
- (a) in subsection (2) for the words preceding paragraph (a) there shall be substituted “ On a no gain/no loss disposal by any person (“the transferor”)”, and
 - (b) after that subsection there shall be added—
 - “(3) Where apart from this subsection—
 - (a) a loss would accrue on the disposal of an asset, and
 - (b) the sums allowable as a deduction in computing that loss would include an amount attributable to the application of the assumption in subsection (2) above on any no gain/no loss disposal made on or after 30th November 1993,those sums shall be determined as if that subsection had not applied on any such disposal made on or after that date and the loss shall be reduced accordingly or, if those sums are then equal to or less than the consideration for the disposal, the disposal shall be one on which neither a gain nor a loss accrues.
 - (4) For the purposes of this section a no gain/no loss disposal is one which, by virtue of any enactment other than section 35(4), 53(1) or this section, is treated as a disposal on which neither a gain nor a loss accrues to the person making the disposal.”
- (6) In section 110 of that Act (indexation allowance for share pools), after subsection (6) there shall be inserted—
- “(6A) Where a disposal to a person acquiring or adding to a new holding is treated by virtue of any enactment as one on which neither a gain nor a loss accrues to the person making the disposal—
 - (a) section 56(2) shall not apply to the disposal (and, accordingly, the amount of the consideration shall not be calculated on the assumption that a gain of an amount equal to the indexation allowance accrues to the person making the disposal), but
 - (b) an amount equal to the indexation allowance on the disposal shall be added to the indexed pool of expenditure for the holding acquired or, as the case may be, held by the person to whom the disposal is made (and, where it is added to the indexed pool of expenditure for a holding so held, it shall be added after any increase required by subsection (8)(a) below).”
- (7) Sections 103 (collective investment schemes, etc.), 111 (building society etc. shares), 182 to 184 (groups and associated companies) and 200 (oil industry assets) of that Act (all of which relate to indexation allowance) shall cease to have effect.
- (8) In Schedule 7A to that Act (restriction on set-off of pre-entry losses), in paragraph 2—
- (a) in sub-paragraph (2), for the definitions of “B” and “C” there shall be substituted—

“B is the amount of the item of relevant allowable expenditure for which an amount falls to be determined under this paragraph;

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- C is the total amount of all the relevant allowable expenditure”,
- (b) in sub-paragraph (4), “except in relation to the calculation of any indexed rise” shall cease to have effect,
- (c) after sub-paragraph (8) there shall be inserted—
- “(8A) Where by virtue of section 55(8) the allowable loss accruing on the disposal of a pre-entry asset, or any part of the loss, is attributable to an amount (“the rolled-up amount”) of rolled-up indexation (as defined in section 55(9) to (11)), then, for the purposes of this paragraph—
- (a) the total amount of all the relevant allowable expenditure shall be treated as increased by the rolled-up amount, and
- (b) the amount of each item of relevant allowable expenditure shall be treated as increased by so much (if any) of the rolled-up amount as is attributable to that item.
- (8B) Where—
- (a) section 56(3) applies on the disposal of a pre-entry asset on which an allowable loss accrues, and
- (b) in accordance with that subsection, the total amount of all the relevant allowable expenditure is reduced by any amount (“the global reduction”),
- the amount of each item of relevant allowable expenditure shall be treated for the purposes of this paragraph as reduced by so much (if any) of the global reduction as is attributable to that item”, and
- (d) in sub-paragraph (9), the definition of “indexed rise” shall cease to have effect.
- (9) In paragraph 4 of that Schedule—
- (a) in sub-paragraph (12) the words from “together” to the end, and
- (b) sub-paragraph (13),
- shall cease to have effect.
- (10) In paragraph 5 of that Schedule, after sub-paragraph (2) there shall be inserted—
- “(2A) In determining for the purposes of sub-paragraph (2)(a) above the amount of any loss which would have accrued if the asset had been disposed of at the relevant time at its market value at that time—
- (a) it shall be assumed that the amendments of this Act made by section 93(1) to (5) of the Finance Act 1994 (indexation losses) had effect in relation to that disposal and, accordingly,
- (b) references in those amendments and in subsection (11) of that section to 30th November 1993 shall be read as references to the day on which the relevant time falls.”
- (11) This section shall have effect in relation to disposals made on or after 30th November 1993 and Schedule 12 to this Act (which gives transitional relief) shall have effect for the years 1993–94 and 1994–95.

94 Set-off of pre-entry losses. U.K.

- (1) Schedule 7A to the ^{M58}Taxation of Chargeable Gains Act 1992 (set off of pre-entry losses) shall be amended as follows.

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- (2) In sub-paragraph (3)(a) of paragraph 2 (calculation of pre-entry proportion of loss), for “assumption applying by virtue of sub-paragraphs (4) and (5)” there shall be substituted “ assumptions applying by virtue of sub-paragraphs (4) to (6B) ”, and for sub-paragraph (7) of that paragraph there shall be substituted the following sub-paragraphs—

“(6A) Notwithstanding anything in section 56(2), where in the case of the disposal of any pre-entry asset—

- (a) any company has at any time between the relevant time and the time of the disposal acquired that asset or the equivalent asset, and
- (b) the acquisition was either an acquisition in pursuance of a disposal on which there is treated by virtue of section 171 as having been neither a gain nor a loss accruing or an acquisition by virtue of which an asset is treated as the equivalent asset,

the items of relevant allowable expenditure and the times when those items shall be treated as having been incurred shall be determined for the purposes of this paragraph on the assumptions specified in sub-paragraph (6B) below.

(6B) Those assumptions are that—

- (a) the company by reference to which the asset in question is a pre-entry asset, and
- (b) the company mentioned in sub-paragraph (6A) above and every other company which has made an acquisition which, in relation to the disposal of that asset, falls within that sub-paragraph,

were the same person and, accordingly, that the pre-entry asset had been acquired by the company disposing of it at the time when it or the equivalent asset would have been treated for the purposes of this paragraph as acquired by the company mentioned in paragraph (a) above.

- (7) In sub-paragraphs (5) to (6B) above the references to the equivalent asset, in relation to another asset acquired or disposed of by any company, are references to any asset which falls in relation to that company to be treated (whether by virtue of paragraph 1(8) above or otherwise) as the same as the other asset or which would fall to be so treated after applying, as respects other assets, the assumptions for which those sub-paragraphs provide.”

- (3) In paragraph 9(2)(c) (cases where a group is relevant if a company was a member of it in the accounting period in which it joined another relevant group), after “paragraph (a)” there shall be inserted “ or (b) ”.

- (4) This section shall apply in relation to the making in respect of any loss of any deduction from a chargeable gain where either the gain or the loss is one accruing on or after 11th March 1994.

Marginal Citations

M58 1992 c. 12.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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95 Commodity and financial futures. **U.K.**

- (1) In section 143 of the ^{M59}Taxation of Chargeable Gains Act 1992 (commodity and financial futures and qualifying options), subsection (4) shall cease to have effect and for subsection (6) there shall be substituted the following subsections—

“(6) In any case where, in the course of dealing in commodity or financial futures, a person has entered into a futures contract and—

- (a) he has not closed out the contract (as mentioned in subsection (5) above), and
- (b) he becomes entitled to receive or liable to make a payment, whether under the contract or otherwise, in full or partial settlement of any obligations under the contract,

then, for the purposes of this Act, he shall be treated as having disposed of an asset (namely, that entitlement or liability) and the payment received or made by him shall be treated as consideration for the disposal or, as the case may be, as incidental costs to him of making the disposal.

- (7) Section 46 shall not apply to obligations under—

- (a) a commodity or financial futures contract which is entered into by a person in the course of dealing in such futures on a recognised futures exchange; or
- (b) a commodity or financial futures contract to which an authorised person or listed institution is a party.

- (8) In this section—

“authorised person” has the same meaning as in the Financial Services Act 1986, and

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

- (2) This section shall apply in relation to contracts entered into on or after 30th November 1993.

Marginal Citations

M59 1992 c.12.

96 Cash-settled options. **U.K.**

- (1) After section 144 of the ^{M60}Taxation of Chargeable Gains Act 1992 (options and forfeited deposits) there shall be inserted the following section—

“144A Cash-settled options.

- (1) In any case where—

- (a) an option is exercised; and
- (b) the nature of the option (or its exercise) is such that the grantor of the option is liable to make, and the person exercising it is entitled to receive, a payment in full settlement of all obligations under the option,

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subsections (2) and (3) below shall apply in place of subsections (2) and (3) of section 144.

- (2) As regards the grantor of the option—
- (a) he shall be treated as having disposed of an asset (namely, his liability to make the payment) and the payment made by him shall be treated as incidental costs to him of making the disposal; and
 - (b) the grant of the option and the disposal shall be treated as a single transaction and the consideration for the option shall be treated as the consideration for the disposal.
- (3) As regards the person exercising the option—
- (a) he shall be treated as having disposed of an asset (namely, his entitlement to receive the payment) and the payment received by him shall be treated as the consideration for the disposal;
 - (b) the acquisition of the option (whether directly from the grantor or not) and the disposal shall be treated as a single transaction and the cost of acquiring the option shall be treated as expenditure allowable as a deduction under section 38(1)(a) from the consideration for the disposal; and
 - (c) for the purpose of computing the indexation allowance (if any) on the disposal, the cost of the option shall be treated (notwithstanding paragraph (b) above) as incurred when the option was acquired.
- (4) In any case where subsections (2) and (3) above would apply as mentioned in subsection (1) above if the reference in that subsection to full settlement included a reference to partial settlement, those subsections and subsections (2) and (3) of section 144 shall both apply but with the following modifications—
- (a) for any reference to the grant or acquisition of the option there shall be substituted a reference to the grant or acquisition of so much of the option as relates to the making and receipt of the payment or, as the case may be, the sale or purchase by the grantor; and
 - (b) for any reference to the consideration for, or the cost of or of acquiring, the option there shall be substituted a reference to the appropriate proportion of that consideration or cost.
- (5) In this section “appropriate proportion” means such proportion as may be just and reasonable in all the circumstances.”

(2) This section shall apply in relation to options granted on or after 30th November 1993.

Marginal Citations

M60 1992 c.12.

97 Settlements with foreign element: information. U.K.

- (1) The ^{M61}Taxation of Chargeable Gains Act 1992 shall be amended as mentioned in subsections (2) to (4) below.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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- (2) In Chapter II of Part III (settlements) the following section shall be inserted after section 98—

“98A Settlements with foreign element: information.

Schedule 5A to this Act (which contains general provisions about information relating to settlements with a foreign element) shall have effect.”

- (3) The following Schedule shall be inserted after Schedule 5—

“SCHEDULE
5A U.K.

Section 98A.

SETTLEMENTS WITH FOREIGN ELEMENT: INFORMATION

- 1 In this Schedule “the commencement day” means the day on which the Finance Act 1994 was passed.
- 2 (1) This paragraph applies if—
 - (a) a settlement was created before 19th March 1991,
 - (b) on or after the commencement day a person transfers property to the trustees otherwise than under a transaction entered into at arm’s length and otherwise than in pursuance of a liability incurred by any person before that day,
 - (c) the trustees are not resident or ordinarily resident in the United Kingdom at the time the property is transferred, and
 - (d) the transferor knows, or has reason to believe, that the trustees are not so resident or ordinarily resident.

(2) Before the expiry of the period of twelve months beginning with the relevant day, the transferor shall deliver to the Board a return which—

 - (a) identifies the settlement, and
 - (b) specifies the property transferred, the day on which the transfer was made, and the consideration (if any) for the transfer.

(3) For the purposes of sub-paragraph (2) above the relevant day is the day on which the transfer is made.
- 3 (1) This paragraph applies if a settlement is created on or after the commencement day, and at the time it is created—
 - (a) the trustees are not resident or ordinarily resident in the United Kingdom, or
 - (b) the trustees are resident or ordinarily resident in the United Kingdom but fall to be regarded for the purposes of any double taxation relief arrangements as resident in a territory outside the United Kingdom.

(2) Any person who—

 - (a) is a settlor in relation to the settlement at the time it is created, and
 - (b) at that time fulfils the condition mentioned in sub-paragraph (3) below,

shall, before the expiry of the period of three months beginning with the relevant day, deliver to the Board a return specifying the particulars mentioned in sub-paragraph (4) below.

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- (3) The condition is that the person concerned is domiciled in the United Kingdom and is either resident or ordinarily resident in the United Kingdom.
 - (4) The particulars are—
 - (a) the day on which the settlement was created;
 - (b) the name and address of the person delivering the return;
 - (c) the names and addresses of the persons who are the trustees immediately before the delivery of the return.
 - (5) For the purposes of sub-paragraph (2) above the relevant day is the day on which the settlement is created.
- 4 (1) This paragraph applies if a settlement is created on or after 19th March 1991, and at the time it is created—
- (a) the trustees are not resident or ordinarily resident in the United Kingdom, or
 - (b) the trustees are resident or ordinarily resident in the United Kingdom but fall to be regarded for the purposes of any double taxation relief arrangements as resident in a territory outside the United Kingdom.
- (2) Any person who—
- (a) is a settlor in relation to the settlement at the time it is created,
 - (b) at that time does not fulfil the condition mentioned in sub-paragraph (3) below, and
 - (c) first fulfils that condition at a time falling on or after the commencement day,
- shall, before the expiry of the period of twelve months beginning with the relevant day, deliver to the Board a return specifying the particulars mentioned in sub-paragraph (4) below.
- (3) The condition is that the person concerned is domiciled in the United Kingdom and is either resident or ordinarily resident in the United Kingdom.
 - (4) The particulars are—
 - (a) the day on which the settlement was created;
 - (b) the name and address of the person delivering the return;
 - (c) the names and addresses of the persons who are the trustees immediately before the delivery of the return.
 - (5) For the purposes of sub-paragraph (2) above the relevant day is the day on which the person first fulfils the condition as mentioned in paragraph (c) of that sub-paragraph.
- 5 (1) This paragraph applies if—
- (a) the trustees of a settlement become at any time (the relevant time) on or after the commencement day neither resident nor ordinarily resident in the United Kingdom, or
 - (b) the trustees of a settlement, while continuing to be resident and ordinarily resident in the United Kingdom, become at any time (the relevant time) on or after the commencement day trustees who fall to be regarded for the purposes of any double taxation relief arrangements as resident in a territory outside the United Kingdom.

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- (2) Any person who was a trustee of the settlement immediately before the relevant time shall, before the expiry of the period of twelve months beginning with the relevant day, deliver to the Board a return specifying—
- (a) the day on which the settlement was created,
 - (b) the name and address of each person who is a settlor in relation to the settlement immediately before the delivery of the return, and
 - (c) the names and addresses of the persons who are the trustees immediately before the delivery of the return.
- (3) For the purposes of sub-paragraph (2) above the relevant day is the day when the relevant time falls.
- 6 (1) Nothing in paragraph 2, 3, 4 or 5 above shall require information to be contained in the return concerned to the extent that—
- (a) before the expiry of the period concerned the information has been provided to the Board by any person in pursuance of the paragraph concerned or of any other provision, or
 - (b) after the expiry of the period concerned the information falls to be provided to the Board by any person in pursuance of any provision other than the paragraph concerned.
- (2) Nothing in paragraph 2, 3, 4 or 5 above shall require a return to be delivered if—
- (a) before the expiry of the period concerned all the information concerned has been provided to the Board by any person in pursuance of the paragraph concerned or of any other provision, or
 - (b) after the expiry of the period concerned all the information concerned falls to be provided to the Board by any person in pursuance of any provision other than the paragraph concerned.”
- (4) In Schedule 5, paragraphs 11 to 14 (information) shall be omitted.
- (5) Subsection (4) above shall have effect where the relevant day falls on or after the day on which this Act is passed.
- (6) In the Table in section 98 of the ^{M62}Taxes Management Act 1970 (penalties) at the end of the second column there shall be inserted—
- “ Paragraphs 2 to 6 of Schedule 5A to the 1992 Act. ”

Marginal Citations

M61 1992 c. 12.

M62 1970 c. 9.

Profit-related pay

98 The distributable pool. **U.K.**

- (1) Schedule 8 to the Taxes Act 1988 (profit-related pay schemes: conditions for registration) shall be amended as follows.

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(2) After paragraph 13 (determination of distributable pool by method A) there shall be inserted—

“13A

(1) Where a scheme includes provision by virtue of paragraph 13(4) or (5) above the scheme must be so framed that in arriving at the profits for the base year or for the previous profit period any profit-related pay and any secondary Class I contributions in respect of it are accorded the same accountancy treatment as is accorded to any profit-related pay and any secondary Class I contributions in respect of it in arriving at the profits in the profit period.

(2) In sub-paragraph (1) above—

- (a) “profit-related pay” means profit-related pay under whatever scheme;
- (b) “secondary Class I contributions” means secondary Class I contributions under Part I of the Social Security Act 1975 or Part I of the Social Security (Northern Ireland) Act 1975 or Part I of the Social Security Contributions and Benefits Act 1992 or Part I of the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

(3) Sub-paragraph (1) above shall apply notwithstanding anything in paragraph 19 below.

(4) Where a scheme includes provision by virtue of paragraph 13(4) above the scheme must also include provision that if the pay for the profit period is less than the pay for the base year or for the previous profit period (as the case may be) the percentage to be applied for the purposes of the provision included by virtue of paragraph 13(4) above shall be the increased percentage (instead of any other percentage).

(5) The increased percentage must be one arrived at by—

- (a) taking the percentage that would be applied for the purposes of the provision included by virtue of paragraph 13(4) above apart from the provision included by virtue of sub-paragraph (4) above, and
- (b) adding the percentage found by expressing the difference in pay as a percentage of the profits for the base year or for the previous profit period (as the case may be).

(6) For the purposes of this paragraph—

- (a) the pay for the profit period or for the previous profit period or for the base year is the pay paid to employees in respect of employment in the period or year concerned in the employment unit concerned;
- (b) the difference in pay is the difference between the pay for the profit period and the pay for the previous profit period or for the base year (as the case may be);

and any profit-related pay shall be ignored in applying paragraph (a) above.”

(3) After paragraph 14 (determination of distributable pool by method B) there shall be inserted—

“14A

(1) Where a scheme includes provision to give effect to paragraph 14(3) above or provision by virtue of paragraph 14(4) above the scheme must be so framed that in arriving at the profits in the preceding period of 12 months any

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profit-related pay and any secondary Class I contributions in respect of it are accorded the same accountancy treatment as is accorded to any profit-related pay and any secondary Class I contributions in respect of it in arriving at the profits in the profit period.

- (2) Where a scheme includes provision by virtue of paragraph 14(5) above the scheme must be so framed that in arriving at the profits in the relevant period of 12 months any profit-related pay and any secondary Class I contributions in respect of it are accorded the same accountancy treatment as is accorded to any profit-related pay and any secondary Class I contributions in respect of it in arriving at the profits in the profit period; and for this purpose the relevant period of 12 months is the period of 12 months immediately preceding the first or only profit period to which the scheme relates.
- (3) In sub-paragraphs (1) and (2) above—
 - (a) “profit-related pay” means profit-related pay under whatever scheme;
 - (b) “secondary Class I contributions” means secondary Class I contributions under Part I of the Social Security Contributions and Benefits Act 1992 or Part I of the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- (4) Sub-paragraphs (1) and (2) above shall apply notwithstanding anything in paragraph 19 below.
- (5) Where a scheme includes provision by virtue of paragraph 14(4) above the scheme must also include provision that if the pay for the profit period is less than the pay for the preceding period of 12 months the percentage to be applied for the purposes of the provision included by virtue of paragraph 14(4) above shall be the increased percentage (instead of any other percentage).
- (6) The increased percentage must be one arrived at by—
 - (a) taking the percentage that would be applied for the purposes of the provision included by virtue of paragraph 14(4) above apart from the provision included by virtue of sub-paragraph (5) above, and
 - (b) adding the percentage found by expressing the difference in pay as a percentage of the profits in the preceding period of 12 months.
- (7) For the purposes of this paragraph—
 - (a) the pay for the profit period or for the preceding period of 12 months is the pay paid to employees in respect of employment in the period concerned in the employment unit concerned;
 - (b) the difference in pay is the difference between the pay for the profit period and the pay for the preceding period of 12 months;
 and any profit-related pay shall be ignored in applying paragraph (a) above.”

- (4) This section shall have effect in relation to any scheme not registered before 1st December 1993.

99 **Parts of undertakings.** **U.K.**

- (1) Schedule 8 to the Taxes Act 1988 shall also be amended by inserting the following paragraphs after paragraph 22 (which, with paragraph 21, applies to schemes relating to parts of undertakings)—

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- “23
- (1) In a case where—
- (a) paragraph 21 above applies to a scheme, and
 - (b) method A (specified in paragraph 13 above) is employed for the purposes of the scheme,
- the scheme must contain provisions which comply with this paragraph and which apply as regards each profit period to which the scheme relates.
- (2) The scheme must ensure that no payments are made under it by reference to a given profit period if the percentage mentioned in paragraph 13(1) above exceeds the permitted percentage.
- (3) The scheme must ensure that the permitted percentage is a percentage found by—
- (a) taking the pay paid to employees in respect of employment in the relevant year in the employment unit to which the other scheme mentioned in paragraph 22(1)(a) above relates or (if there are two or more other schemes) the aggregate of the pay paid to employees in respect of employment in the relevant year in the employment units to which the other schemes relate;
 - (b) taking the profit-related pay paid to employees in respect of employment in the relevant year in the employment unit to which the other scheme mentioned in paragraph 22(1)(a) above relates or (if there are two or more other schemes) the aggregate of the profit-related pay paid to employees in respect of employment in the relevant year in the employment units to which the other schemes relate;
 - (c) taking the pay paid to employees in respect of employment in the relevant year in the employment unit to which the scheme mentioned in paragraph 21 above relates;
 - (d) taking the fraction whose denominator is equal to the number of whole pounds found under paragraph (a) above and whose numerator is equal to the number of whole pounds found under paragraph (b) above;
 - (e) multiplying the amount found under paragraph (c) above by the fraction found under paragraph (d) above;
 - (f) taking the profits for the relevant year of the undertaking mentioned in paragraph 21 above;
 - (g) expressing the amount found under paragraph (e) above as a percentage of the amount found under paragraph (f) above;
 - (h) taking the percentage found under paragraph (g) above as the permitted percentage.
- (4) The scheme must ensure that the relevant year is a period of 12 months identified in the scheme and ending at a time within the period of two years immediately preceding the given profit period.

- 24
- (1) In a case where—
- (a) paragraph 21 above applies to a scheme, and

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- (b) method B (specified in paragraph 14 above) is employed for the purposes of the scheme,
the scheme must contain provisions which comply with this paragraph and which apply as regards each profit period to which the scheme relates.
- (2) The scheme must ensure that no payments are made under it by reference to the first or only profit period to which the scheme relates if the notional pool mentioned in paragraph 14(1)(a) above exceeds the permitted limit.
- (3) The scheme must also ensure that no payments are made under it by reference to a given profit period other than the first if the distributable pool for the previous profit period (mentioned in paragraph 14(1)(b) above) exceeds the permitted limit.
- (4) The scheme must ensure that the permitted limit is a limit found by—
- (a) taking the pay paid to employees in respect of employment in the relevant year in the employment unit to which the other scheme mentioned in paragraph 22(1)(a) above relates or (if there are two or more other schemes) the aggregate of the pay paid to employees in respect of employment in the relevant year in the employment units to which the other schemes relate;
 - (b) taking the profit-related pay paid to employees in respect of employment in the relevant year in the employment unit to which the other scheme mentioned in paragraph 22(1)(a) above relates or (if there are two or more other schemes) the aggregate of the profit-related pay paid to employees in respect of employment in the relevant year in the employment units to which the other schemes relate;
 - (c) taking the pay paid to employees in respect of employment in the relevant year in the employment unit to which the scheme mentioned in paragraph 21 above relates;
 - (d) taking the fraction whose denominator is equal to the number of whole pounds found under paragraph (a) above and whose numerator is equal to the number of whole pounds found under paragraph (b) above;
 - (e) multiplying the amount found under paragraph (c) above by the fraction found under paragraph (d) above;
 - (f) taking the amount found under paragraph (e) above as the permitted limit.
- (5) The scheme must ensure that the relevant year is—
- (a) a period of 12 months identified in the scheme and ending at a time within the period of two years immediately preceding the first or only profit period to which the scheme relates (in the case of provisions contained in the scheme by virtue of sub-paragraph (2) above);
 - (b) a period of 12 months identified in the scheme and ending at a time within the period of two years immediately preceding the given profit period (in the case of provisions contained in the scheme by virtue of sub-paragraph (3) above).”
- (2) This section shall have effect in relation to any scheme not registered before 1st December 1993.

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Profit sharing schemes

100 Relevant age for purpose of appropriate percentage. U.K.

- (1) Schedule 10 to the Taxes Act 1988 (profit sharing schemes) shall be amended as follows.
- (2) In paragraph 3 (the appropriate percentage for purposes of tax charge) the words from “In this paragraph” to the end of the paragraph shall be omitted.
- (3) The following paragraph shall be inserted after paragraph 3—

- “3A
- (1) In paragraph 3 above the reference to the relevant age shall be construed as follows.
 - (2) Where the scheme is approved before 25th July 1991 and the event occurs before 30th November 1993, the relevant age is pensionable age.
 - (3) Where—
 - (a) the scheme is approved before 25th July 1991,
 - (b) the event occurs on or after 30th November 1993,
 - (c) the scheme defines the period of retention by reference to the age of 60 for both men and women, and
 - (d) the reference to that age is incorporated in the definition by virtue of an alteration approved by the Board under paragraph 4 of Schedule 9 before the event occurs,the relevant age is 60.
 - (4) Where—
 - (a) the scheme is approved before 25th July 1991,
 - (b) the event occurs on or after 30th November 1993, and
 - (c) sub-paragraph (3) above does not apply,the relevant age is pensionable age.
 - (5) Where the scheme is approved on or after 25th July 1991, the relevant age is the specified age.”

101 Acceptance of qualifying corporate bonds for shares. U.K.

- (1) Schedule 10 to the Taxes Act 1988 (profit sharing schemes) shall be amended as mentioned in subsections (2) to (4) below.
- (2) In paragraph 1 (limitations on contractual obligations of participants) in sub-paragraph (1) the following paragraph shall be inserted after paragraph (c)—
 - “(cc) directing the trustees to accept an offer of a qualifying corporate bond, whether alone or with cash or other assets or both, for his shares if the offer forms part of a general offer which is made as mentioned in paragraph (c) above; or”.
- (3) In paragraph 1 the following sub-paragraph shall be inserted after sub-paragraph (3)—

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“(4) In sub-paragraph (1)(cc) above “qualifying corporate bond” shall be construed in accordance with section 117 of the 1992 Act.”

(4) The following paragraph shall be inserted after paragraph 5 (company reconstructions)

“5A (1) Paragraph 5(2) to (6) above apply where there occurs in relation to any of a participant’s shares (“the original holding”) a relevant transaction which would result in a new holding being equated with the original holding for the purposes of capital gains tax, were it not for the fact that what would be the new holding consists of or includes a qualifying corporate bond; and “relevant transaction” here means a transaction mentioned in Chapter II of Part IV of the 1992 Act.

(2) In paragraph 5(2) to (6) above as applied by this paragraph—

- (a) references to a company reconstruction are to the transaction referred to in sub-paragraph (1) above;
- (b) references to the new holding are to what would be the new holding were it not for the fact mentioned in sub-paragraph (1) above;
- (c) references to the original holding shall be construed in accordance with sub-paragraph (1) above (and not paragraph 5(1));
- (d) references to shares, in the context of the new holding, include securities and rights of any description which form part of the new holding.

(3) In sub-paragraph (1) above “qualifying corporate bond” shall be construed in accordance with section 117 of the 1992 Act.”

(5) In paragraph 32(1) of Schedule 9 to the Taxes Act 1988 (requirements applicable to profit sharing schemes) for “or (c)” there shall be substituted “, (c) or (cc)”.

(6) In paragraph 33(a) of Schedule 9 to the Taxes Act 1988 (which provides that the trust instrument must contain certain provision by reference to new shares within the meaning of paragraph 5 of Schedule 10) the reference to paragraph 5 of Schedule 10 shall be construed as including a reference to that paragraph as applied by paragraph 5A.

(7) Subsections (2) and (3) above shall have effect where a direction is made on or after the day on which this Act is passed.

(8) Subsection (4) above shall have effect where what would be the new holding comes into being on or after the day on which this Act is passed; but this is subject to subsection (13) below.

(9) Subsection (5) above shall have effect in relation to any scheme not approved before the day on which this Act is passed.

(10) In a case where—

- (a) a scheme is approved before the day on which this Act is passed, and
- (b) on or after that day the trust instrument is altered in such a way that paragraph 32(1) of Schedule 9 to the Taxes Act 1988 would be fulfilled if subsection (5) above applied in relation to the scheme,

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subsection (5) above shall apply in relation to the scheme with effect from the time the alteration is made.

(11) Subsection (6) above shall have effect in relation to any scheme not approved before the day on which this Act is passed.

(12) In a case where—

- (a) a scheme is approved before the day on which this Act is passed, and
- (b) on or after that day the trust instrument is altered in such a way that paragraph 33(a) of Schedule 9 to the Taxes Act 1988 would be fulfilled if subsection (6) above applied in relation to the scheme,

subsection (6) above shall apply in relation to the scheme with effect from the time the alteration is made.

(13) In a case where—

- (a) a scheme is approved before the day on which this Act is passed,
- (b) subsection (4) above would apply in relation to the scheme by virtue of subsection (8) above and apart from this subsection, and
- (c) the trust instrument is not altered as mentioned in subsection (12)(b) above before what would be the new holding comes into being,

subsection (4) above shall not apply in relation to the scheme.

(14) Subsection (6) above shall not imply a contrary intention for the purposes of section 20(2) of the ^{M63}Interpretation Act 1978 in its application to other references to paragraph 5 of Schedule 10 to the Taxes Act 1988.

Marginal Citations

M63 1978 c.30.

Employee share ownership trusts

102 Employee share ownership trusts. U.K.

Schedule 13 to this Act (which contains provisions about employee share ownership trusts) shall have effect.

Retirement benefits schemes

103 The administrator. U.K.

(1) The following section shall be inserted after section 611 of the Taxes Act 1988—

“611AA Definition of the administrator.

(1) In this Chapter references to the administrator, in relation to a retirement benefits scheme, are to the person who is, or the persons who are, for the time being the administrator of the scheme by virtue of the following provisions of this section.

(2) Subject to subsection (7) below, where—

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- (a) the scheme is a trust scheme, and
 - (b) at any time the trustee, or any of the trustees, is or are resident in the United Kingdom,

the administrator of the scheme at that time shall be the trustee or trustees of the scheme.
- (3) Subject to subsection (7) below, where—
 - (a) the scheme is a non-trust scheme, and
 - (b) at any time the scheme sponsor, or any of the scheme sponsors, is or are resident in the United Kingdom,

the administrator of the scheme at that time shall be the scheme sponsor or scheme sponsors.
- (4) At any time when the trustee of a trust scheme is not resident in the United Kingdom or (if there is more than one trustee) none of the trustees is so resident, the trustee or trustees shall ensure that there is a person, or there are persons—
 - (a) resident in the United Kingdom, and
 - (b) appointed by the trustee or trustees to be responsible for the discharge of all duties relating to the scheme which are imposed on the administrator under this Chapter.
- (5) At any time when the scheme sponsor of a non-trust scheme is not resident in the United Kingdom or (if there is more than one scheme sponsor) none of the scheme sponsors is so resident, the scheme sponsor or scheme sponsors shall ensure that there is a person, or there are persons—
 - (a) resident in the United Kingdom, and
 - (b) appointed by the scheme sponsor or scheme sponsors to be responsible for the discharge of all duties relating to the scheme which are imposed on the administrator under this Chapter.
- (6) Without prejudice to subsections (4) and (5) above—
 - (a) the trustee or trustees of a trust scheme, or
 - (b) the scheme sponsor or scheme sponsors of a non-trust scheme,

may at any time appoint a person who is, or persons who are, resident in the United Kingdom to be responsible for the discharge of all duties relating to the scheme which are imposed on the administrator under this Chapter.
- (7) Where at any time there is or are a person or persons—
 - (a) for the time being appointed under subsection (4), (5) or (6) above as regards a scheme, and
 - (b) resident in the United Kingdom,

the administrator of the scheme at that time shall be that person or those persons (and no other person).
- (8) Any appointment under subsection (4), (5) or (6) above—
 - (a) must be in writing, and
 - (b) if made after the time when the scheme is established, shall constitute an alteration of the scheme for the purposes of section 591B(2).
- (9) In this section—

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- (a) references to a trust scheme are to a retirement benefits scheme established under a trust or trusts;
 - (b) references to the trustee or trustees, in relation to a trust scheme and to a particular time, are to the person who is the trustee, or the persons who are the trustees, of the scheme at that time;
 - (c) references to a non-trust scheme are to a retirement benefits scheme not established under a trust or trusts, and
 - (d) references to the scheme sponsor or scheme sponsors, in relation to a retirement benefits scheme and to a particular time, are references to any person who established the scheme and is in existence at that time or, if more than one, all such persons.”
- (2) In consequence of subsection (1) above, in section 612(1) of the Taxes Act 1988 (interpretation of Chapter I of Part XIV) the definition of “administrator” shall cease to have effect.
- (3) This section—
- (a) so far as it relates to section 591B(1) of the Taxes Act 1988, shall apply in relation to notices given on or after the day on which this Act is passed;
 - (b) so far as it relates to section 593(3) of that Act, shall apply in relation to contributions paid on or after that day;
 - (c) so far as it relates to section 596A(3) of that Act, shall apply in relation to benefits received on or after that day;
 - (d) so far as it relates to sections 598(2) and (4), 599(3) and 599A(2) of that Act, shall apply in relation to payments made on or after that day;
 - (e) so far as it relates to section 602(1) and (2) of that Act and regulations made under section 602, shall apply in relation to amounts becoming recoverable on or after that day;
 - (f) so far as it relates to section 604(1) of that Act, shall apply in relation to applications made on or after that day;
 - (g) so far as it relates to section 605(1) and (4) of that Act, shall apply in relation to notices given on or after that day.

104 Default of administrator etc. **U.K.**

- (1) The following section shall be substituted for section 606 of the Taxes Act 1988—

“606 Default of administrator etc.

- (1) This section applies in relation to a retirement benefits scheme if at any time—
- (a) there is no administrator of the scheme, or
 - (b) the person who is, or all of the persons who are, the administrator of the scheme cannot be traced, or
 - (c) the person who is, or all of the persons who are, the administrator of the scheme is or are in default for the purposes of this section.
- (2) If the scheme is a trust scheme, then—
- (a) if subsection (1)(b) or (c) above applies and at the time in question the condition mentioned in subsection (3) below is fulfilled, the trustee or trustees shall at that time be responsible for the discharge of all duties imposed on the administrator under this Chapter (whenever arising)

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and liable for any tax due from the administrator in the administrator's capacity as such (whenever falling due);

- (b) if subsection (1)(a) above applies, or subsection (1)(b) or (c) above applies and at the time in question the condition mentioned in subsection (3) below is not fulfilled, the employer shall at that time be so responsible and liable;

and paragraph (b) above shall apply to a person in his capacity as the employer even if he is also the administrator, or a trustee, of the scheme.

- (3) The condition is that there is at least one trustee of the scheme who—

- (a) can be traced,
- (b) is resident in the United Kingdom, and
- (c) is not in default for the purposes of this section.

- (4) If the scheme is a non-trust scheme, then—

- (a) if subsection (1)(b) or (c) above applies and at the time in question the condition mentioned in subsection (5) below is fulfilled, the scheme sponsor or scheme sponsors shall at that time be responsible for the discharge of all duties imposed on the administrator under this Chapter (whenever arising) and liable for any tax due from the administrator in the administrator's capacity as such (whenever falling due);
- (b) if subsection (1)(a) above applies, or subsection (1)(b) or (c) above applies and at the time in question the condition mentioned in subsection (5) below is not fulfilled, the employer shall at that time be so responsible and liable;

and paragraph (b) above shall apply to a person in his capacity as the employer even if he is also the administrator of the scheme, or a scheme sponsor.

- (5) The condition is that there is at least one scheme sponsor who—

- (a) can be traced,
- (b) is resident in the United Kingdom, and
- (c) is not in default for the purposes of this section.

- (6) Where at any time—

- (a) paragraph (b) or (c) of subsection (1) above applies in relation to a scheme, and
- (b) a person is by virtue of this section responsible for the discharge of any duties, or liable for any tax, in relation to the scheme,

then at that time the person or persons mentioned in paragraph (b) or (as the case may be) paragraph (c) of subsection (1) above shall not, by reason only of being the administrator of the scheme, be responsible for the discharge of those duties or liable for that tax.

- (7) Where the scheme is a trust scheme and the employer is not a contributor to the scheme, subsection (2) above shall have effect as if—

- (a) for “the employer”, in the first place where those words occur, there were substituted “the scheme sponsor or scheme sponsors”, and
- (b) for “the employer”, in the second place where those words occur, there were substituted “scheme sponsor”.

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- (8) Where the scheme is a non-trust scheme and the employer is not a contributor to the scheme, subsection (4) above shall have effect as if paragraph (b) and the words after that paragraph were omitted.
 - (9) No liability incurred under this Chapter—
 - (a) by the administrator of a scheme, or
 - (b) by a person by virtue of this section,shall be affected by the termination of a scheme or by its ceasing to be an approved scheme or to be an exempt approved scheme.
 - (10) Where by virtue of this section a person becomes responsible for the discharge of any duties, or liable for any tax, the Board shall, as soon as is reasonably practicable, notify him of that fact; but any failure to give such notification shall not affect that person's being responsible or liable by virtue of this section.
 - (11) A person is in default for the purposes of this section if—
 - (a) he has failed to discharge any duty imposed on him under this Chapter, or
 - (b) he has failed to pay any tax due from him by virtue of this Chapter, and (in either case) the Board consider the failure to be of a serious nature.
 - (12) References in this section to a trust scheme, a non-trust scheme, trustees and scheme sponsors shall be construed in accordance with section 611AA.
 - (13) References in this section to the employer include, where the employer is resident outside the United Kingdom, references to any branch or agent of the employer in the United Kingdom, and in this subsection "branch or agent" has the meaning given by section 118(1) of the Management Act.
 - (14) This section does not apply for the purposes of sections 602 and 603 and Schedule 22."
- (2) In consequence of subsection (1) above, in section 607(3)(b)(iii) of the Taxes Act 1988 for the words "section 606(1) and (3)" there shall be substituted " section 606(2)(b), (4)(b), (7), (8) and (13) ".
 - (3) This section shall apply where the time in question falls on or after the day on which this Act is passed.

105 Information. U.K.

- (1) The Taxes Act 1988 shall be amended in accordance with subsections (2) and (3) below.
- (2) In section 605 (information) at the beginning there shall be inserted the following subsections—
 - "(1A) The Board may by regulations make any of the following provisions—
 - (a) provision requiring prescribed persons to furnish to the Board at prescribed times information relating to any of the matters mentioned in subsection (1B) below;

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- (b) provision enabling the Board to serve a notice requiring prescribed persons to furnish to the Board, within a prescribed time, particulars relating to any of those matters;
 - (c) provision enabling the Board to serve a notice requiring prescribed persons to produce to the Board, within a prescribed time, documents relating to any of those matters;
 - (d) provision enabling the Board to serve a notice requiring prescribed persons to make available for inspection on behalf of the Board books, documents and other records, being books, documents and records which relate to any of those matters;
 - (e) provision requiring prescribed persons to preserve for a prescribed time books, documents and other records, being books, documents and records which relate to any of those matters.
- (1B) The matters referred to in subsection (1A) above are—
- (a) an approved scheme;
 - (b) a relevant statutory scheme;
 - (c) an annuity contract by means of which benefits provided under an approved scheme or a relevant statutory scheme have been secured;
 - (d) a retirement benefits scheme which is not an approved scheme but in relation to which an application for approval for the purposes of this Chapter has been made.
- (1C) A person who fails to comply with regulations made under subsection (1A) (e) above shall be liable to a penalty not exceeding £3,000.
- (1D) Regulations under subsection (1A) above may make different provision for different descriptions of case.
- (1E) In subsection (1A) above “prescribed” means prescribed by regulations made under that subsection.”
- (3) Subsections (1) and (2) of section 605 shall cease to have effect.
- (4) In section 98 of the ^{M64}Taxes Management Act 1970 (penalties for failure to provide information etc.)—
- (a) in the first column of the Table after the entry “regulations under section 602;” there shall be inserted the entry “ regulations under section 605(1A)(b) to (d); ”;
 - (b) in the first column of the Table for the entry “section 605(1), (2), (3)(b) and (4);” there shall be substituted the entry “ section 605(3)(b) and (4); ”;
 - (c) in the second column of the Table after the entry “regulations under section 602;” there shall be inserted the entry “ regulations under section 605(1A)(a); ”.
- (5) Subsections (3) and (4)(b) above shall come into force on such day as the Treasury may by order appoint.

Subordinate Legislation Made

P5 S. 105(5) power exercised: 1.1.1996 appointed by S.I. 1995/3125, art. 2

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Commencement Information

I16 S 105 wholly in force at 1.1.1996; s. 105 in force at Royal Assent except for s. 105(3)(4)(b) see s. 105(5); s. 105(3)(4)(b) in force at 1.1.1996 by S.I. 1995/3125, art. 2

Marginal Citations

M64 1970 c. 9.

106 False statements etc. **U.K.**

(1) The following section shall be inserted after section 605 of the Taxes Act 1988—

“605A False statements etc.

(1) A person who fraudulently or negligently makes a false statement or false representation on making an application for the approval for the purposes of this Chapter of—

- (a) a retirement benefits scheme, or
- (b) an alteration in such a scheme,

shall be liable to a penalty not exceeding £3,000.

(2) In a case where—

- (a) a person fraudulently or negligently makes a false statement or false representation, and
- (b) in consequence that person, or any other person, obtains relief from or repayment of tax under this Chapter,

the person mentioned in paragraph (a) above shall be liable to a penalty not exceeding £3,000.”

(2) This section shall apply in relation to things done or omitted after the day on which this Act is passed.

107 Discretionary approval. **U.K.**

(1) Section 591 of the Taxes Act 1988 (discretionary approval of retirement benefits schemes) shall be amended as follows.

(2) In subsection (2)(g) (annuity contracts)—

- (a) after “relevant benefits” there shall be inserted “ falling within subsection (2A) below ”;
- (b) the words “approved by the Board and” shall be omitted.

(3) The following subsection shall be inserted after subsection (2)—

“(2A) Relevant benefits fall within this subsection if they correspond with benefits that could be provided by an approved scheme, and for this purpose—

- (a) a hypothetical scheme (rather than any particular scheme) is to be taken, and
- (b) benefits provided by a scheme directly (rather than by means of an annuity contract) are to be taken.”

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- (4) This section shall apply in relation to a scheme not approved by virtue of section 591 of the Taxes Act 1988 before 1st July 1994.

108 Taxation of benefits of non-approved schemes. **U.K.**

- (1) Section 596A of the Taxes Act 1988 (taxation of benefits under non-approved schemes) shall be amended as follows.

- (2) In subsection (4), at the beginning there shall be inserted “ Subject to subsection (9) below ”.

- (3) For subsection (6) there shall be substituted—

“(6) Tax shall not be charged under this section in the case of—

- (a) any pension or annuity which is chargeable to tax under Schedule E by virtue of section 19(1); or
- (b) any pension or other benefit chargeable to tax under section 58.”

- (4) In subsection (7)—

- (a) for the words “by virtue of section 19(1)1”, in the first place where they occur, there shall be substituted “ as mentioned in subsection (6)(a) above ”;
- (b) in paragraph (a), for the words “subsection (6) above” there shall be substituted “ subsection (6)(a) above ”; and
- (c) in paragraph (b) for the words “section 19(1)1” there shall be substituted “ section 19(1) ”.

- (5) For subsections (8) and (9) there shall be substituted—

“(8) Subject to subsection (9) below, tax shall not be charged under this section (or section 19(1) or 148) in the case of a lump sum where—

- (a) the employer has paid any sum or sums with a view to the provision of any relevant benefits under a retirement benefits scheme;
- (b) an employee has been assessed to tax in respect of the sum or sums by virtue of section 595(1); and
- (c) the lump sum is provided under the scheme to the employee, any person falling within section 595(5) in relation to the employee or any other individual designated by the employee.

- (9) Where any of the income or gains accruing to the scheme under which the lump sum is provided is not brought into charge to tax, tax shall be charged under this section on the amount of the lump sum received less any deduction applicable under subsection (10) or (11) below.

- (10) Subject to subsection (11) below, the deduction applicable is the aggregate of—

- (a) any sum or sums in respect of which the employee has been assessed as mentioned in subsection (8)(b) above, and
- (b) any sum or sums paid by the employee,

which in either case were paid by way of contribution to the provision of the lump sum.

- (11) Where—

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- (a) the lump sum is provided under the scheme on the disposal of a part of any asset or the surrender of any part of or share in any rights in any asset, and
- (b) the employee, any person falling within section 595(5) in relation to the employee or any person connected with the employee has any right to receive or any expectation of receiving a further lump sum (or further lump sums) under the scheme on a further disposal of any part of the asset or a further surrender of any part of or share in any rights in the asset,

the deduction applicable shall be determined in accordance with the formula in subsection (12) below.

(12) The formula is—

$$D = S \times \frac{A}{B}$$

(13) For the purposes of the formula in subsection (12) above—

D is the deduction applicable;

S is the aggregate amount of any sum or sums of a description mentioned in paragraphs (a) and (b) of subsection (10) above;

A is the amount of the lump sum received in relation to which the deduction applicable falls to be determined;

B is the market value of the asset in relation to which the disposal or surrender occurred, on the assumption that the valuation is made immediately before the disposal or surrender.

(14) An individual may not claim that a deduction is applicable in relation to a lump sum more than once.

(15) For the purposes of subsections (8) and (9) above, it shall be assumed unless the contrary is shown—

- (a) that no sums have been paid, and the employee has not been assessed in respect of any sums paid, with a view to the provision of relevant benefits;
- (b) that the income or gains accruing to a scheme under which the benefit is provided are not brought into charge to tax; and
- (c) that no deduction is applicable under subsection (10) or (11) above.

(16) Section 839 shall apply for the purposes of subsection (11) above.

(17) In subsection (13) above “market value” shall be construed in accordance with section 272 of the 1992 Act.”

(6) The amendments of section 596A made by this section shall have effect in relation to retirement benefit schemes—

- (a) entered into on or after 1st December 1993, or
- (b) entered into before that day if the scheme is varied on or after that day with a view to the provision of the benefit.

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- (7) Subject to subsection (8) below, in the Taxes Act 1988—
- (a) in section 188(1), paragraph (c), and
 - (b) in section 189, paragraph (b),
- (exemption from tax where recipient of benefit or lump sum chargeable to tax in respect of sums paid or treated as paid with a view to the provision of the benefit or lump sum) shall cease to have effect in relation to any benefit provided or lump sum paid on or after 1st December 1993.
- (8) The repeals made by subsection (7) above shall not have effect in relation to any benefit provided or lump sum paid on or after 1st December 1993 in pursuance of a scheme or arrangement entered into before that day unless the scheme or arrangement is varied on or after that day with a view to the provision of the benefit or lump sum.

Annuities

109 **Annuities derived from personal pension schemes.** U.K.

- (1) In Chapter IV of Part XIV of the Taxes Act 1988 (personal pension schemes) the following shall be inserted after section 648—

“Annuities: charge to tax

648A Annuities: charge under Schedule E.

- (1) Subject to subsection (2) below, where funds held for the purposes of an approved personal pension scheme are used to acquire an annuity—
 - (a) the annuity shall be charged to tax under Schedule E and section 203 shall apply accordingly;
 - (b) the annuity shall not be charged to tax under Case III of Schedule D.
- (2) As respects any approved personal pension scheme the Board may direct that, until such date as the Board may specify, annuities acquired with funds held for the purposes of the scheme shall be charged to tax as annual payments under Case III of Schedule D, and tax shall be deductible under sections 348 and 349 accordingly.”
- (2) This section shall apply in relation to payments which are made under annuities on or after 6th April 1995.

110 **Annuities derived from retirement benefits schemes.** U.K.

- (1) In section 597 of the Taxes Act 1988 (pensions paid under retirement benefits schemes generally charged under Schedule E) the following subsection shall be inserted after subsection (2)—

“(3) Without prejudice to subsection (1) above, where funds held for the purposes of any scheme which is approved or is being considered for approval under this Chapter are used to acquire an annuity—

- (a) the annuity shall be charged to tax under Schedule E and section 203 shall apply accordingly;
- (b) the annuity shall not be charged to tax under Case III of Schedule D.”

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- (2) This section shall apply in relation to payments which are made under annuities on or after the day on which this Act is passed.

Authorised unit trusts

111 Rate of corporation tax. U.K.

- (1) In section 468E of the Taxes Act 1988 (authorised unit trusts: corporation tax), for subsection (2) (deemed rate of corporation tax) there shall be substituted—

“(2) The rate of corporation tax—

- (a) for the financial year 1993, shall be deemed to be 22.5 per cent; and
- (b) subject to subsection (3) below and section 468EE, for any other financial year shall be deemed to be the rate at which income tax at the basic rate is charged for the year of assessment which begins on 6th April in the financial year concerned.”

- (2) After that section there shall be inserted—

“468EE Corporation tax: cases where lower rate applies.

- (1) Where this subsection applies, the rate of corporation tax for the financial year shall be deemed to be the rate at which income tax at the lower rate is charged for the year of assessment which begins on 6th April in that financial year.
- (2) Subsection (1) above only applies—
 - (a) for the financial year 1994 and subsequent financial years; and
 - (b) where, on a claim made within the period of twelve months from the end of the accounting period which or part of which falls in the financial year concerned, it is shown to the satisfaction of the inspector that throughout that accounting period the condition in subsection (3) below is fulfilled by the investments subject to the trusts of the authorised unit trust.
- (3) The condition in this subsection is fulfilled by the investments if the market value of such of those investments as are qualifying investments does not exceed 60 per cent. of the market value of all those investments.
- (4) For the purposes of subsection (3) above “qualifying investments” means any of the following investments—
 - (a) any money placed at interest;
 - (b) any security—
 - (i) including any loan stock or similar security whether of the Government of the United Kingdom or of any other government or of any public or local authority in the United Kingdom or elsewhere, or of any company, and whether secured or unsecured, but
 - (ii) excluding shares in a company;
 - (c) any shares in a building society; and
 - (d) an entitlement to a share in the investments subject to the trusts of another authorised unit trust, unless, throughout the relevant period,

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the condition in subsection (5) below is fulfilled by the investments subject to the trusts of that other authorised unit trust.

- (5) The condition in this subsection is fulfilled by the investments if the market value of such of the investments as fall within paragraphs (a) to (c) of subsection (4) above does not exceed 60 per cent. of the market value of all those investments.
- (6) In subsection (4)(d) above “the relevant period” means the accounting period in relation to which by virtue of subsection (2)(b) above the question whether the entitlement is a “qualifying investment” falls to be determined.
- (7) For the purposes of this section “investment” does not include cash awaiting investment.
- (8) The Treasury may by order amend this section so as to extend or restrict the meaning of qualifying investments for the purposes of subsection (3) above.
- (9) An order under subsection (8) above may contain such transitional provision as the Treasury think necessary or expedient.”

112 Distributions of authorised unit trusts. U.K.

Schedule 14 to this Act (distributions of authorised unit trusts) shall have effect.

113 Umbrella schemes. U.K.

- (1) In section 468 of the Taxes Act 1988 (authorised unit trusts), in subsection (6) (definitions) at the beginning there shall be inserted “ Subject to subsections (7) to (9) below ”.
- (2) After that subsection there shall be added—
 - “(7) Each of the parts of an umbrella scheme shall be regarded for the purposes of this Chapter as an authorised unit trust and the scheme as a whole shall not be so regarded.
 - (8) In this section, “umbrella scheme” means a unit trust scheme—
 - (a) which provides arrangements for separate pooling of the contributions of the participants and the profits or income out of which payments are to be made to them;
 - (b) under which the participants are entitled to exchange rights in one pool for rights in another; and
 - (c) in the case of which an order under section 78 of the Financial Services Act 1986 is in force;
 and any reference to a part of an umbrella scheme is a reference to such of the arrangements as relate to a separate pool.
 - (9) In relation to a part of an umbrella scheme, any reference—
 - (a) to investments subject to the trusts of an authorised unit trust, shall have effect as a reference to such of the investments as under the arrangements form part of the separate pool to which the part of the umbrella scheme relates; and

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- (b) to a unit holder, shall have effect as a reference to a person for the time being having rights in that separate pool.”
- (3) In section 469 of the Taxes Act 1988 (other unit trusts)—
 - (a) in subsection (1)(a) (application of section) for the words “that is not an authorised unit trust” there shall be substituted “ that is neither an authorised unit trust nor an umbrella scheme ”; and
 - (b) after subsection (6) there shall be inserted—
 - “(6A) In this section “umbrella scheme” has the same meaning as in section 468.”
- (4) Subject to what follows, the amendments made by subsections (1) to (3) above shall have effect on and after 1st April 1994 in relation to unit trust schemes and their participants.
- (5) Nothing in those amendments shall have effect before the relevant date in relation to a unit trust scheme which immediately before 1st April 1994 falls within the definition of an umbrella scheme contained in those amendments.
- (6) In this section “the relevant date”, means, in relation to a unit trust scheme, the day after the end of the last distribution period of the scheme which commences before 1st April 1994.
- (7) On and after the relevant date, the amendments made by subsections (1) to (3) above shall have effect in relation to a scheme—
 - (a) to which subsection (5) above applies, and
 - (b) which immediately before the relevant date falls within the definition of an umbrella scheme contained in those amendments,subject to subsections (8) to (10) below.
- (8) The amendments made by subsections (1) to (3) above shall not prevent the trustees of the scheme on and after the relevant date—
 - (a) making a claim under section 239(3) of the Taxes Act 1988 (carry back of surplus advance corporation tax) in respect of accounting periods of the scheme ending before the relevant date; or
 - (b) continuing anything which immediately before that date was in the process of being done for the purposes of tax in relation to such accounting periods.
- (9) Where immediately before the relevant date the trustees of the scheme are entitled to carry forward an excess under—
 - (a) section 75(3) of the Taxes Act 1988 (carry forward of management expenses and sums treated as management expenses), or
 - (b) section 241 of that Act (carry forward of franked investment income),then, on the relevant date, that right shall be translated into a right in each successor company to carry forward a proportionate part of that excess.
- (10) Where immediately before the relevant date the trustees of the scheme have an amount of surplus advance corporation tax which—
 - (a) has not been dealt with under subsection (3) of section 239 of the Taxes Act 1988, and
 - (b) is due to be treated under subsection (4) of that section as if it were advance corporation tax paid by them in their next accounting period,

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then, on and after the relevant date, a proportionate part of that amount shall be treated as paid under subsection (4) of that section by each successor company in its first accounting period.

- (11) In subsections (9) and (10) above “successor company” means, in relation to a scheme, each part of the scheme which on the relevant date becomes an authorised unit trust.

Exchange gains and losses

114 Assets and liabilities. **U.K.**

- (1) In section 154 of the ^{M65}Finance Act 1993 (definitions connected with assets) the following subsections shall be inserted after subsection (5)—

“(5A) The question whether a company becomes unconditionally entitled at a particular time to an asset falling within section 153(1)(a) above shall be determined without reference to the fact that there is or is not a later time when, or before which, the whole or any part of the debt is required to be paid.

(5B) Where an asset falling within section 153(1)(a) above consists of a right to interest—

- (a) a company becomes unconditionally entitled to the asset at the time when or (as the case may be) before which the interest is required to be paid to the company, and
- (b) subsection (5A) above shall not apply.”

- (2) In that section the following subsections shall be inserted after subsection (13)—

“(13A) In a case where—

- (a) a company would (apart from this subsection) become entitled to an asset at a particular time (the earlier time) by virtue of subsections (1) to (11) above,
- (b) the asset falls within section 153(1)(a) above and the debt concerned is a debt on a security, or the asset is a share,
- (c) the time at which the company, in drawing up its accounts, regards itself as becoming entitled to the asset is a time (the later time) later than the earlier time, and
- (d) the accounts are drawn up in accordance with normal accountancy practice,

the company shall be taken to become entitled to the asset at the later time and not at the earlier time.

(13B) In a case where—

- (a) a company would (apart from this subsection) cease to be entitled to an asset at a particular time (the earlier time) by virtue of subsections (1) to (11) above,
- (b) the asset falls within section 153(1)(a) above and the debt concerned is a debt on a security, or the asset is a share,
- (c) the time at which the company, in drawing up its accounts, regards itself as ceasing to be entitled to the asset is a time (the later time) later than the earlier time, and

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- (d) the accounts are drawn up in accordance with normal accountancy practice,
the company shall be taken to cease to be entitled to the asset at the later time and not at the earlier time.”
- (3) In section 155 of that Act (definitions connected with liabilities) the following subsections shall be inserted after subsection (4)—
- “(4A) The question whether a company becomes unconditionally subject at a particular time to a liability falling within section 153(2)(a) above shall be determined without reference to the fact that there is or is not a later time when, or before which, the whole or any part of the debt is required to be paid.
- (4B) Where a liability falling within section 153(2)(a) above consists of a duty to pay interest—
- (a) a company becomes unconditionally subject to the liability at the time when or (as the case may be) before which the company is required to pay the interest, and
- (b) subsection (4A) above shall not apply.”

Marginal Citations

M65 1993 c. 34.

115 Currency contracts: net payments. U.K.

- (1) In section 126 of the ^{M66}Finance Act 1993 (accrual on currency contracts) the following subsection shall be inserted after subsection (1)—
- “(1A) In deciding whether a contract falls within subsection (1) above it is immaterial that the rights and duties there mentioned may be exercised and discharged by a payment made to or, as the case may require, by the qualifying company of an amount (in whatever currency) designed to represent any difference in value at the specified time between the two payments referred to in that subsection.”
- (2) In section 146 of that Act (early termination of currency contract) the following subsection shall be inserted after subsection (1)—
- “(1A) This section also applies where—
- (a) a qualifying company ceases to be entitled to rights and subject to duties under a currency contract, and
- (b) it so ceases by virtue of the making of a payment to or by the company of an amount (in whatever currency) designed to represent any difference in value at the specified time between the two payments referred to in section 126(1) above.”
- (3) In section 164(2) of that Act (definition of currency contract for purposes of the Chapter) after “(1)” there shall be inserted “ and (1A) ”.

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Marginal Citations

M66 1993 c. 34.

116 Currency contracts: matching. **U.K.**

- (1) Schedule 15 to the ^{M67}Finance Act 1993 (alternative calculation) shall be amended as follows.
- (2) The following shall be inserted after paragraph 4—

“4A Currency contracts: matching

- (1) Regulations may provide that where—
 - (a) as regards a contract an initial exchange gain or initial exchange loss accrues to a company for an accrual period under section 126(5) of this Act or would so accrue apart from regulations under this Schedule,
 - (b) the relevant duty is eligible to be matched on any day in the accrual period with an asset held by the company, and such other conditions as may be prescribed are fulfilled, and
 - (c) an election is made in accordance with the regulations to match the duty with the asset on any such day and the election has effect by virtue of the regulations,

the amount of the gain or loss shall be found in accordance with the alternative method of calculation.

- (2) Regulations may also provide that as regards any day in respect of which an election has effect the accrued amount shall be ascertained in accordance with prescribed rules.
- (3) The reference in sub-paragraph (1) above to the relevant duty is to the duty to which, under the contract, the company becomes subject as regards the second currency (within the meaning given by section 126 of this Act).
- (4) Where regulations are made under this paragraph, sub-paragraphs (3) to (12) of paragraph 4 above shall apply as they apply where regulations are made under that paragraph; but in the application of those sub-paragraphs by virtue of this sub-paragraph—
 - (a) the references to a liability in sub-paragraphs (3), (4), (9) and (11) shall be construed as references to a duty,
 - (b) the references to liabilities in sub-paragraphs (3) and (4) shall be construed as references to duties, and
 - (c) the reference in sub-paragraph (11)(a) to sub-paragraph (1) of paragraph 4 shall be construed as a reference to sub-paragraph (1) above.”
- (3) The following paragraph shall be inserted after paragraph 5—

- “5A
- (1) This paragraph applies where regulations under both paragraph 2 and paragraph 4A above apply—

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- (a) as regards the same contract, and
 - (b) for the same accrual period.
- (2) Regulations may provide that, as regards any day falling within the period and identified in accordance with prescribed rules, the accrued amount shall be ascertained in accordance with rules prescribed under this paragraph (rather than provisions made under either of those paragraphs).”
- (4) In paragraph 6—
- (a) for “paragraphs 2 to 5 above” there shall be substituted “ the relevant paragraphs ”;
 - (b) at the end there shall be inserted “ ; and the relevant paragraphs are paragraphs 2, 3, 4 and 5 above. ”
- (5) In paragraph 7 for “5” there shall be substituted “ 5A ”.

Marginal Citations

M67 1993 c. 34.

Capital allowances

117 Expenditure on machinery or plant. U.K.

- (1) At the end of section 83 of the ^{M68}Capital Allowances Act 1990 (interpretation of Part II, which relates to machinery and plant) there shall be added—

“(7) Schedule AA1 (which excludes certain expenditure from the expression “expenditure on the provision of machinery or plant”) shall have effect.”and before Schedule A1 to that Act there shall be inserted—

“SCHEDULE
AA1 U.K.

EXCLUSIONS FROM EXPENDITURE ON MACHINERY OR PLANT

Buildings

- 1 (1) For the purposes of this Act expenditure on the provision of machinery or plant does not include any expenditure on the provision of a building.
- (2) For the purposes of this Schedule “building” includes any asset in the building—
- (a) which is incorporated into the building, or
 - (b) which, by reason of being moveable or otherwise, is not so incorporated, but is of a kind normally incorporated into buildings;
- and in particular includes any asset in or in connection with the building included in any of the items in column 1 or column 2 of the following Table (“Table 1”).
- (3) Sub-paragraph (1) above does not affect the question whether expenditure on the provision of—

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- (a) any asset falling within column 2 of Table 1,
- (b) any cold store,
- (c) any caravan provided mainly for holiday lettings,
- (d) any building provided for testing aircraft engines run within the building, or
- (e) any moveable building intended to be moved in the course of the trade,

is for the purposes of this Act expenditure on the provision of machinery or plant.

(4) Table 1 is to be read subject to the notes following it.

Table 1

A. Walls, floors, ceilings, doors, gates, shutters, windows and stairs.	1. Electrical, cold water, gas and sewerage systems—(a) provided mainly to meet the particular requirements of the trade, or (b) provided mainly to serve particular machinery or plant used for the purposes of the trade.
	2. Space or water heating systems; powered systems of ventilation, air cooling or air purification; and any ceiling or floor comprised in such systems.
B. Mains services, and systems, of water, electricity and gas.	3. Manufacturing or processing equipment; storage equipment, including cold rooms; display equipment; and counters, checkouts and similar equipment.
	4. Cookers, washing machines, dishwashers, refrigerators and similar equipment; washbasins, sinks, baths, showers, sanitary ware and similar equipment; and furniture and furnishings.
C. Waste disposal systems.	5. Lifts, hoists, escalators and moving walkways.
	6. Sound insulation provided mainly to meet the particular requirements of the trade.
D. Sewerage and drainage systems.	7. Computer, telecommunication and surveillance systems (including their wiring or other links).
	8. Refrigeration or cooling equipment.
E. Shafts or other structures in which lifts, hoists, escalators and moving walkways are installed.	9. Sprinkler equipment and other equipment for extinguishing or containing fire; fire alarm systems.
	10. Burglar alarm systems.

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	11. Any machinery (including devices for providing motive power) not within any other item in this column.
F. Fire safety systems.	12. Strong rooms in bank or building society premises; safes.
	13. Partition walls, where moveable and intended to be moved in the course of the trade.
	14. Decorative assets provided for the enjoyment of the public in the hotel, restaurant or similar trades.
	15. Advertising hoardings; and signs, displays and similar assets.
	16. Swimming pools (including diving boards, slides and structures on which such boards or slides are mounted).

Notes:

1. An asset does not fall within column 2 if its principal purpose is to insulate or enclose the interior of the building or provide an interior wall, a floor or a ceiling which (in each case) is intended to remain permanently in place.

2. “Electrical systems” include lighting systems.

Structures, assets and works

- 2 (1) For the purposes of this Act expenditure on the provision of machinery or plant does not include any expenditure on—
- (a) the provision of structures or other assets to which this paragraph applies, or
 - (b) any works involving the alteration of land.
- (2) This paragraph applies to any structure or other asset which falls within column 1 of the following Table (“Table 2”).
- (3) Sub-paragraph (1) above does not affect the question whether—
- (a) any expenditure falling within column 2 of Table 2, or
 - (b) any expenditure on the provision of any asset of a description within any of the items in column 2 of Table 1,
- is for the purposes of this Act expenditure on the provision of machinery or plant.
- (4) Table 2 is to be read subject to the notes following it.

Table 2

A. Any tunnel, bridge, viaduct, aqueduct, embankment or cutting.	1. Expenditure on the alteration of land for the purpose only of installing machinery or plant.
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- | | |
|--|---|
| <p>B. Any way or hard standing, such as a pavement, road, railway or tramway, a park for vehicles or containers, or an airstrip or runway.</p> | <p>2. Expenditure on the provision of dry docks.</p> |
| <p>C. Any inland navigation, including a canal or basin or a navigable river.</p> | <p>3. Expenditure on the provision of any jetty or similar structure provided mainly to carry machinery or plant.</p> <p>4. Expenditure on the provision of pipelines, or underground ducts or tunnels with a primary purpose of carrying utility conduits.</p> <p>5. Expenditure on the provision of towers provided to support floodlights.</p> |
| <p>D. Any dam, reservoir or barrage (including any sluices, gates, generators and other equipment associated with it).</p> | <p>6. Expenditure on the provision of any reservoir incorporated into a water treatment works or on the provision of any service reservoir of treated water for supply within any housing estate or other particular locality.</p> |
| <p>E. Any dock.</p> | <p>7. Expenditure on the provision of silos provided for temporary storage or on the provision of storage tanks.</p> <p>8. Expenditure on the provision of slurry pits or silage clamps.</p> |
| <p>F. Any dike, sea wall, weir or drainage ditch.</p> | <p>9. Expenditure on the provision of fish tanks or fish ponds.</p> |
| <p>G. Any structure not within any other item in this column.</p> | <p>10. Expenditure on the provision of rails, sleepers and ballast for a railway or tramway.</p> <p>11. Expenditure on the provision of structures and other assets for providing the setting for any ride at an amusement park or exhibition.</p> <p>12. Expenditure on the provision of fixed zoo cages.</p> |

Notes:

- 1 “Dock” includes—
 - (a) any harbour, wharf, pier, marina or jetty, and
 - (b) any other structure in or at which vessels may be kept or merchandise or passengers may be shipped or unshipped.
- 2 An industrial structure, that is, anything (other than a building) which is or is to be an industrial building or structure as defined in section 18, is not within item G in column 1; and that section, as it applies for the purposes of this note, shall have effect as if—
 - (a) in subsection (1)(b), after “electricity” there were inserted “gas”,

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- (b) after that paragraph there were inserted—
- (”) for the purposes of a trade which consists in the provision of telecommunication, television or radio services; or”, and
- (c) in subsection (9), after the definition of “foreign plantation”, there were inserted—

” “gas undertaking” means an undertaking for the extraction, production, processing or distribution of gas.”

Land

- 3 (1) For the purposes of this Act expenditure on the provision of machinery or plant does not include expenditure on the acquisition of any interest in land.
- (2) This paragraph does not apply for the purposes of Part II to any asset which is so installed or otherwise fixed in or to any description of land as to become, in law, part of that land.

General exemptions

- 4 Paragraphs 1(1) and 2(1) above do not apply to any expenditure to which section 67, 67A, 68, 69, 70 or 71 applies.

Interpretation

- 5 (1) In this Schedule—
 - (a) “structure” means a fixed structure of any kind, other than a building, and
 - (b) references to the provision of any building, structure or other asset include references to its construction or acquisition.
 - (2) Nothing in this Schedule affects the question whether expenditure on the provision of any glasshouse which is constructed so that the required environment (that is, air, heat, light, irrigation and temperature) for growing plants is provided automatically by means of devices which are an integral part of its structure is, for the purposes of this Act, expenditure on the provision of machinery or plant.
 - (3) The definition of “land” in Schedule 1 to the Interpretation Act 1978, in its application for the purposes of this Schedule, shall have effect with the omission of the words “buildings and other structures”; and, subject to that, “interest in land” in paragraph 3 above has the same meaning as in Chapter VI of Part II.”
- (2) This section shall have effect in relation to expenditure incurred on or after 30th November 1993 unless—
 - (a) it is incurred before 6th April 1996 in pursuance of a contract entered into before 30th November 1993, or
 - (b) it is incurred before 6th April 1996 in pursuance of a contract entered into, for the purpose of securing that the obligations under a contract entered into before 30th November 1993 are complied with, on or after 30th November 1993.

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Marginal Citations

M68 1990 c. 1.

118 Expenditure on machinery or plant: notification. **U.K.**

- (1) A first year allowance shall not be made under—
- (a) section 22 of the ^{M69}Capital Allowances Act 1990 (first-year allowances in respect of expenditure on machinery or plant), or
 - (b) section 41 of the ^{M70}Finance Act 1971 (provision corresponding to section 22 applicable to earlier chargeable periods),
- for any chargeable period (whenever ending) unless the relevant condition is fulfilled with respect to that period.
- (2) For the purposes of—
- (a) section 25(1) of the 1990 Act (meaning of qualifying expenditure for the purposes of writing-down allowances for expenditure on machinery or plant), and
 - (b) section 44(4) of the 1971 Act (provision corresponding to section 25(1) applicable to earlier chargeable periods),
- no expenditure may form part of a person's qualifying expenditure for any chargeable period (whenever ending) unless the relevant condition is fulfilled with respect to that period.
- (3) The relevant condition is fulfilled with respect to a chargeable period ending on or after 30th November 1993 if notice of the expenditure is given to the inspector, in such form as the Board may require, not later than two years after the end of that period.
- (4) The relevant condition is fulfilled with respect to a chargeable period ending before 30th November 1993 if—
- (a) the expenditure was included in a computation which—
 - (i) was required to be made for any tax purpose,
 - (ii) was given before that date to an inspector, and
 - (iii) was not contained in a document prepared primarily for a purpose which was not a tax purpose; or
 - (b) notice of the expenditure is given to the inspector, in such form as the Board may require, not later than three years after the end of that period; or
 - (c) if the chargeable period ends on or after 1st December 1990, notice of the expenditure is so given before the passing of this Act.
- (5) If in a particular case it appears to the Board appropriate to do so, having regard to all the circumstances of the case (including in particular any unforeseeable circumstances which have delayed the giving of any notice or computation), they may extend the period within which for the purposes of subsection (3) or (4) above any notice or computation is to be given to the inspector.
- (6) For the purposes of the provisions mentioned in subsection (2) above expenditure which has not formed part of a person's qualifying expenditure for a previous chargeable period may not form part of his qualifying expenditure for a subsequent chargeable period unless the machinery or plant on which the expenditure was incurred belongs to that person at some time in that subsequent period ^{F13} . . .

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- (7) No relief shall be given under section 33 or 42 of the ^{M71}Taxes Management Act 1970 in respect of a claim of error or mistake to the extent that the error or mistake consists of or arises from a failure to fulfil the relevant condition in relation to a chargeable period.
- (8) In this section “the 1990 Act” means the ^{M72}Capital Allowances Act 1990 and “the 1971 Act” means the ^{M73}Finance Act 1971; and expressions used in subsections (1) to (6) above have the same meaning as in the 1990 Act or (as the case may be) the 1971 Act.
- (9) Any such adjustment as is appropriate in consequence of this section may be made (whether by way of discharge or repayment of tax, the making of an assessment or otherwise).

Textual Amendments

F13 Words in s. 118(6) repealed (3.5.1994 with effect as mentioned in ss. 211(2), 218(1)(b) of the repealing Act) by 1994 c. 9, s. 258, **Sch. 26 Pt. V(24)**, Note 5

Marginal Citations

M69 1990 c. 1.
M70 1971 c. 68.
M71 1970 c. 9.
M72 1990 c. 1.
M73 1971 c. 68.

119 Transactions between connected persons. **U.K.**

- (1) Section 158(2) of the ^{M74}Capital Allowances Act 1990 (election exercisable in the case of transactions between connected persons, etc.) shall be assumed always to have had effect subject to the amendments made by section 117(2) and (3) of the ^{M75}Finance Act 1993 (transactions between connected persons: qualifying hotels, commercial buildings and scientific research expenditure).
- (2) Paragraph 4(2) of Schedule 7 to the ^{M76}Capital Allowances Act 1968 (provision corresponding to section 158(2)) shall be assumed always to have had effect subject to amendments corresponding to those made to section 158(2) of the 1990 Act by section 117(2) and (3) of the Finance Act 1993.

Marginal Citations

M74 1990 c. 1.
M75 1993 c. 34.
M76 1968 c. 3.

120 Balancing charge on realisation of capital value. **U.K.**

- (1) The Capital Allowances Act 1990 shall be amended as follows:
- (2) In section 4 (balancing adjustments)—

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- (a) in subsection (1) (events giving rise to an adjustment), after “or” at the end of paragraph (d) there is inserted—
 - “(dd) any capital value is realised (within the meaning of section 4A), or”, and for “subsection (2)” there is substituted “subsections (2) and (9A)”, and
 - (b) after subsection (9) there is inserted—
 - “(9A) No balancing allowance shall be made by reason of any event falling within subsection (1)(dd) above; and (subject to that) in relation to such an event—
 - (a) this Part and (so far as relating to it) Part VIII shall have effect as if references to sale, insurance, salvage or compensation moneys were references to the capital value realised, and
 - (b) subsections (5) to (7) and (9) above shall have effect as if immediately after the event the capital expenditure were reduced by the amount of the capital value realised”.
- (3) After that section there is inserted—

“4A Realisation of capital value.

- (1) Where any capital expenditure has been incurred on the construction of a building or structure and, while the building or structure is an industrial building or structure or after it has ceased to be one—
 - (a) an amount of capital value is paid which is attributable to an interest in land (the “subordinate interest”) to which the relevant interest in the building or structure is or will be subject, and
 - (b) the payment is made not more than seven years after the agreement relating to the capital expenditure was entered into or (if the agreement was conditional) the time when the agreement became unconditional,

capital value of that amount is realised for the purposes of this Part on making the payment.
- (2) For the purposes of this section, capital value is attributable to the subordinate interest if—
 - (a) it is paid in consideration of the grant of the subordinate interest,
 - (b) it is paid in lieu of any rent payable by the person entitled to the subordinate interest or paid in consideration of the assignment of such rent, or
 - (c) it is paid in consideration of the surrender of the subordinate interest or the variation or waiver of any of the terms on which it was granted.
- (3) For the purposes of this section, “capital value”—
 - (a) means any capital sum and includes what would have been a capital sum if it had taken the form of a money payment, and “payment” and “paid” shall be interpreted accordingly, but
 - (b) does not include so much of any sum as corresponds to any amount of rent or profits falling to be computed by reference to that sum under section 34 of the principal Act (premium, etc. treated as rent or Schedule D profits).

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- (4) Where—
- (a) no premium is given in consideration of the grant of the subordinate interest or any premium given is less than the amount which would have been given by way of premium if the transaction had been at arm's length, and
 - (b) no commercial rent is payable in respect of the subordinate interest, subsection (2) above shall have effect as if the amount referred to in paragraph (a) above (and not any premium actually given) were paid on and in consideration of the grant of the interest.
- (5) Where—
- (a) any rent payable in respect of the subordinate interest is assigned, the subordinate interest is surrendered or any of the terms on which the subordinate interest was granted are varied or waived, but
 - (b) no value is given in consideration of the event concerned, or any value given in consideration of the event concerned is less than the amount that would have been given if the transaction had been at arm's length, subsection (2) above shall have effect as if that amount (and not any value actually given) were paid on and in consideration of the event concerned.
- (6) Where any value given in lieu of any rent payable by the person entitled to the subordinate interest is less than the amount that would have been given if the transaction had been at arm's length, subsection (2) above shall have effect as if that amount (and not any value actually given) had been paid.
- (7) This section shall apply with the omission of subsection (1)(b) above in any case where—
- (a) arrangements under which the person entitled to the relevant interest acquired it include provision in respect of the subsequent sale of the relevant interest, the subsequent grant out of the relevant interest of an interest in land or any other event on which capital value attributable to the subordinate interest would be, or be treated as, paid, and
 - (b) either the provision concerned requires such a sale, grant or other event to occur or such a sale, grant or other event is substantially more likely to occur than if the provision had not been made;
- and the reference to arrangements in paragraph (a) above includes any arrangements made in connection with the acquisition of the relevant interest.
- (8) This section does not apply to the grant of any interest in land to which an election under section 11 applies.
- (9) In this section “interest in land” means—
- (a) a leasehold estate in the land (whether in the nature of a head-lease, sub-lease or under-lease),
 - (b) an easement or servitude, and
 - (c) a licence to occupy land;
- and references to granting an interest in land include agreeing to grant any interest falling within paragraphs (a) to (c) above.
- (10) In this section “commercial rent” means such rent as may reasonably be expected to have been required in respect of the subordinate interest (having

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regard to any premium given in consideration of the grant of the interest) if the transaction had been at arm's length.

(11) For the purposes of this section, where—

- (a) an agreement is made to pay in respect of any event an amount of capital value which would be attributable to the subordinate interest, and
- (b) the agreement is made or (if the agreement is conditional) becomes unconditional before the expiry of the period of seven years referred to in subsection (1)(b) above, but the event occurs, or any payment in consideration of the event is made, afterwards,

the event or payment shall be treated as occurring or made before the expiry of the period.

(12) For the purposes of this section, an agreement relates to any capital expenditure referred to in subsection (1) above if—

- (a) it is the agreement under which the expenditure was incurred, or
- (b) where the expenditure is deemed for the purposes of sections 1 to 8 to have been incurred by a person who acquired the relevant interest, it is the agreement under which he acquired the relevant interest.

(13) In the application of this section to Scotland—

- (a) references to assignment shall be read as references to assignation, and
- (b) references to a leasehold estate in land shall be read as references to a lease of land.”

(4) In section 5 (restriction of balancing allowance where interest has been sold subject to subordinate interest), after subsection (2) there is inserted—

“(2A) Where the net proceeds to the relevant person of the sale fall to be increased or determined under subsection (2) above, those proceeds as so increased or determined shall be taken to be reduced by the amount of any capital value realised before the sale”.

(5) In section 6 (buildings, etc. in enterprise zones), in subsection (4), after “4(1)” there is inserted “ 4A(1) ”.

(6) In section 8 (writing off expenditure)—

(a) after subsection (12A) there is inserted—

“(12B) Where any event occurs to which section 4(1)(dd) applies, there shall be treated as written off as at the time of the event an amount equal to the capital value realised”, and

(b) in subsection (13), for “(12A)” there is substituted “ (12B) ”.

(7) Subject to subsection (8) below, this section applies—

- (a) where capital expenditure has been incurred under a relevant contract, or
- (b) where capital expenditure is deemed for the purposes of sections 1 to 8 to have been incurred by a person who under a relevant contract acquires the relevant interest;

and “relevant contract” means a contract entered into on or after 13th January 1994 or a conditional contract entered into before that date which becomes unconditional after 25th February 1994.

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- (8) This section applies to capital expenditure on the construction of a building or structure only if the expenditure, or, in the case of expenditure falling within subsection (7)(b) above, the actual expenditure on the construction of the building or structure to which the expenditure so falling relates, is incurred, or is incurred under a contract entered into, at a time when the site of the building or structure is wholly or mainly in an enterprise zone, being a time not more than 10 years after the site was first included in the zone.

121 Used buildings etc. in enterprise zones. **U.K.**

(1) Where—

- (a) the relevant interest in a building or structure is sold on a date falling after the expiry of the period of two years beginning with the date on which the building or structure was first used, and
- (b) that period ends, and the date on which the relevant interest is sold falls, within the period beginning with 13th January 1994 and ending with 31st August 1994,

paragraphs (c) and (d) of section 10B(1) of the ^{M77}Capital Allowances Act 1990 (purchaser of building etc. in enterprise zone within two years of first use eligible for allowances) shall have effect as if the period there referred to were the period beginning with the date on which the building or structure was first used and ending with 31st August 1994.

(2) Expressions used in this section and in Part I of the Capital Allowances Act 1990 have the same meaning as in that Part.

Marginal Citations

M77 1990 c. 1.

Securities

122 Sale and repurchase of securities: deemed manufactured payments. **U.K.**

After section 737 of the Taxes Act 1988 there shall be inserted the following sections—

“737A Sale and repurchase of securities: deemed manufactured payments.

- (1) This section applies where on or after the appointed day a person (the transferor) agrees to sell any securities, and under the same or any related agreement the transferor or another person connected with him—
- (a) is required to buy back the securities, or
- (b) acquires an option, which he subsequently exercises, to buy back the securities;
- but this section does not apply unless the conditions set out in subsection (2) below are fulfilled.
- (2) The conditions are that—

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- (a) as a result of the transaction, a dividend which becomes payable in respect of the securities is receivable otherwise than by the transferor,
 - (b) the dividend is not, by virtue of any other provision of the Tax Acts, treated as income of the transferor,
 - (c) there is no requirement under any agreement mentioned in subsection (1) above for a person to pay to the transferor on or before the relevant date an amount representative of the dividend, and
 - (d) it is reasonable to assume that, in arriving at the repurchase price of the securities, account was taken of the fact that the dividend is receivable otherwise than by the transferor.
- (3) For the purposes of subsection (2) above the relevant date is the date when the repurchase price of the securities becomes due.
- (4) Where it is a person connected with the transferor who is required to buy back the securities, or who acquires the option to buy them back, references in the following provisions of this section to the transferor shall be construed as references to the connected person.
- (5) Where this section applies, section 737 and Schedule 23A and dividend manufacturing regulations shall apply as if—
- (a) the relevant person were required, under the arrangements for the transfer of the securities, to pay to the transferor an amount representative of the dividend mentioned in subsection (2)(a) above,
 - (b) a payment were made by that person to the transferor in discharge of that requirement, and
 - (c) the payment were made on the date when the repurchase price of the securities becomes due.
- (6) In subsection (5) above “the relevant person” means—
- (a) where subsection (1)(a) above applies, the person from whom the transferor is required to buy back the securities;
 - (b) where subsection (1)(b) above applies, the person from whom the transferor has the right to buy back the securities;
- and in that subsection “dividend manufacturing regulations” means regulations under Schedule 23A (whenever made).

737B Interpretation of section 737A.

- (1) In section 737A and this section “securities” means United Kingdom equities, United Kingdom securities or overseas securities; and—
- (a) where the securities mentioned in section 737A(1) are United Kingdom securities, references in section 737A to a dividend shall be construed as references to a periodical payment of interest;
 - (b) where the securities mentioned in section 737A(1) are overseas securities, references in section 737A to a dividend shall be construed as references to an overseas dividend.
- (2) In this section “United Kingdom equities”, “United Kingdom securities”, “overseas securities” and “overseas dividend” have the meanings given by paragraph 1(1) of Schedule 23A.

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- (3) For the purposes of section 737A agreements are related if each is entered into in pursuance of the same arrangement (regardless of the date on which either agreement is entered into).
- (4) In section 737A “the repurchase price of the securities” means—
 - (a) where subsection (1)(a) of that section applies, the amount which, under any agreement mentioned in section 737A(1), the transferor or connected person is required to pay for the securities bought back, or
 - (b) where subsection (1)(b) of that section applies, the amount which under any such agreement the transferor or connected person is required, if he exercises the option, to pay for the securities bought back.
- (5) In section 737A and subsection (4) above references to buying back securities include references to buying similar securities.
- (6) For the purposes of subsection (5) above securities are similar if they entitle their holders to the same rights against the same persons as to capital and interest and the same remedies for the enforcement of those rights, notwithstanding any difference in the total nominal amounts of the respective securities or in the form in which they are held or the manner in which they can be transferred; and “interest” here includes dividends.
- (7) For the purposes of section 737A and subsection (4) above—
 - (a) a person who is connected with the transferor and is required to buy securities sold by the transferor shall be treated as being required to buy the securities back notwithstanding that it was not he who sold them, and
 - (b) a person who is connected with the transferor and acquires an option to buy securities sold by the transferor shall be treated as acquiring an option to buy the securities back notwithstanding that it was not he who sold them.
- (8) Section 839 shall apply for the purposes of section 737A and this section.
- (9) In section 737A “the appointed day” means such day as the Treasury may by order appoint, and different days may be appointed in relation to—
 - (a) United Kingdom equities,
 - (b) United Kingdom securities, and
 - (c) overseas securities.

737C Deemed manufactured payments: further provisions.

- (1) This section applies where section 737A applies.
- (2) Subsection (3) below applies where—
 - (a) the dividend mentioned in section 737A(2)(a) is a dividend on United Kingdom equities, and
 - (b) by virtue of section 737A(5), section 737 and paragraph 2 of Schedule 23A apply, or paragraph 2 of Schedule 23A applies, in relation to the payment which is treated under section 737A(5) as having been made;

and in subsection (3) below “the deemed manufactured dividend” means that payment.

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- (3) Where this subsection applies—
- (a) the amount of the deemed manufactured dividend shall be taken to be an amount equal to the amount of the dividend mentioned in section 737A(2)(a);
 - (b) the repurchase price of the securities shall be treated, for the purposes of the Tax Acts other than section 737A and of the 1992 Act, as increased by an amount equal to the gross amount of the deemed manufactured dividend.
- (4) In subsection (3) above the reference to the gross amount of the deemed manufactured dividend is to the aggregate of—
- (a) the amount of the deemed manufactured dividend, and
 - (b) the amount of the tax credit that would have been issued in respect of the deemed manufactured dividend had the deemed manufactured dividend in fact been a dividend on the United Kingdom equities.
- (5) Subsection (6) below applies where—
- (a) the dividend mentioned in section 737A(2)(a) is a periodical payment of interest on United Kingdom securities, and
 - (b) by virtue of section 737A(5), section 737 applies in relation to the payment which is treated under section 737A(5) as having been made;
- and in subsection (6) below “the deemed manufactured interest” means the payment referred to in paragraph (b) above.
- (6) Where this subsection applies, the amount of the deemed manufactured interest shall be taken to be an amount equal to the gross amount of the periodical payment referred to in subsection (5)(a) above reduced by an amount equal to income tax thereon at the basic rate for the year of assessment in which that periodical payment is made.
- (7) Subsection (8) below applies where—
- (a) the dividend mentioned in section 737A(2)(a) is a periodical payment of interest on United Kingdom securities, and
 - (b) by virtue of section 737A(5), paragraph 3 of Schedule 23A applies in relation to the payment which is treated under section 737A(5) as having been made (whether or not section 737 also applies in relation to that payment);
- and in subsection (8) below “the deemed manufactured interest” means the payment referred to in paragraph (b) above.
- (8) Where this subsection applies—
- (a) the gross amount of the deemed manufactured interest shall be taken to be the amount found under paragraph 3(4) of Schedule 23A;
 - (b) any deduction which, by v 3 of Schedule 23A, is required to be made out of the gross amount of the deemed manufactured interest shall be deemed to have been made.
- (9) Where subsections (6) and (8) above apply, or where subsection (8) above applies, the repurchase price of the securities shall be treated, for the purposes of the Tax Acts other than section 737A and of the 1992 Act, as increased by the gross amount of the deemed manufactured interest.

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- (10) Subsection (11) below applies where—
- (a) the dividend mentioned in section 737A(2)(a) is an overseas dividend, and
 - (b) by virtue of section 737A(5), paragraph 4 of Schedule 23A applies in relation to the payment which is treated under section 737A(5) as having been made;
- and in subsection (11) below “the deemed manufactured overseas dividend” means that payment.
- (11) Where this subsection applies—
- (a) the gross amount of the deemed manufactured overseas dividend shall be taken to be the amount found under paragraph 4(5)(b) and (c) of Schedule 23A;
 - (b) any deduction which, by virtue of paragraph 4 of Schedule 23A, is required to be made out of the gross amount of the deemed manufactured overseas dividend shall be deemed to have been made;
 - (c) the repurchase price of the securities shall be treated, for the purposes of the Tax Acts other than section 737A and of the 1992 Act, as increased by the gross amount of the deemed manufactured overseas dividend.
- (12) In this section—
- (a) “United Kingdom equities”, “United Kingdom securities” and “overseas dividend” have the meanings given by paragraph 1(1) of Schedule 23A;
 - (b) “the repurchase price of the securities” shall be construed in accordance with section 737B(4).”

123 **Manufactured payments.** **U.K.**

- (1) In section 715 of the Taxes Act 1988 (exceptions from provisions about deemed sums and reliefs under the accrued income scheme) in subsection (6) (exceptions in certain cases where section 737 has effect) after “section 737” there shall be inserted “ or paragraph 3 or 4 of Schedule 23A ”.
- (2) In Schedule 23A to the Taxes Act 1988 (manufactured dividends and interest) paragraph 5 (dividends and interest passing through the market) shall be amended as mentioned in subsections (3) to (5) below.
- (3) In sub-paragraph (2) (dividend which manufactured payment represents not to be treated as income of the payment manufacturer) the word “and” at the end of paragraph (b) shall be omitted and at the end of paragraph (c) there shall be inserted “and
- (d) relief shall not be given under any provision of the Tax Acts to the payment manufacturer in respect of the manufactured payment.”
- (4) In sub-paragraph (4) (dividend which subsequent manufactured payment represents not to be treated as income of the subsequent manufacturer) the word “and” at the end of paragraph (b) shall be omitted and at the end of paragraph (c) there shall be inserted “and
- (d) relief shall not be given under any provision of the Tax Acts to the payment manufacturer or any subsequent manufacturer in

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respect of the manufactured payment or any subsequent manufactured payment.”

(5) After sub-paragraph (6) there shall be inserted—

“(7) In this paragraph “relief” means relief by way of—

- (a) deduction in computing profits or gains; or
- (b) deduction or set off against income or total profits.”

(6) Subsection (1) above shall apply where any of the contracts mentioned in section 715(6) of the Taxes Act 1988 is made on or after 30th November 1993.

(7) Subsections (2) to (5) above shall apply in relation to payments made on or after 30th November 1993.

124 Overseas dividend manufacturers: limitation of double taxation relief. **U.K.**

The following sub-paragraph shall be inserted after sub-paragraph (7) of paragraph 4 of Schedule 23A to the Taxes Act 1988—

“(7A) Dividend manufacturing regulations may provide that where a person who is an overseas dividend manufacturer is entitled to relief under Part XVIII (or would be apart from provision made under this sub-paragraph) and the circumstances are such as may be prescribed—

- (a) his entitlement shall be extinguished, or
- (b) if the regulations so provide, the amount of the relief shall be reduced to such extent as may be found in accordance with prescribed rules.”

PAYE

125 Payment by intermediary. **U.K.**

After section 203A of the Taxes Act 1988 there shall be inserted—

“203B PAYE: payment by intermediary.

(1) Subject to subsection (2) below, where any payment of, or on account of, assessable income of an employee is made by an intermediary of the employer, the employer shall be treated, for the purposes of PAYE regulations, as making a payment of that income of an amount equal to the amount determined in accordance with subsection (3) below.

(2) Subsection (1) above does not apply if the intermediary (whether or not he is a person to whom section 203 and PAYE regulations apply) deducts income tax from the payment he makes and accounts for it in accordance with PAYE regulations.

(3) The amount referred to is—

- (a) if the amount of the payment made by the intermediary is an amount to which the recipient is entitled after deduction of any income tax, the aggregate of the amount of that payment and the amount of any income tax due; and
- (b) in any other case, the amount of the payment made by the intermediary.

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- (4) For the purposes of this section, a payment of, or on account of, assessable income of an employee is made by an intermediary of the employer if it is made—
- (a) by a person acting on behalf of the employer and at the expense of the employer or a person connected with him; or
 - (b) by trustees holding property for any persons who include or class of persons which includes the employee.
- (5) Section 839 applies for the purposes of subsection (4) above.”

126 Employees working for persons other than their employers, etc. **U.K.**

- (1) After section 203B of the Taxes Act 1988 (which is inserted by section 125 above) there shall be inserted—

“203C PAYE: employee of non-UK employer.

- (1) This subsection applies where—
- (a) an employee during any period works for a person (“the relevant person”) who is not his employer;
 - (b) any payment of, or on account of, assessable income of the employee in respect of work done in that period is made by a person who is the employer or an intermediary of the employer;
 - (c) PAYE regulations do not apply to the person making the payment or, if he makes the payment as an intermediary of the employer, the employer; and
 - (d) income tax is not deducted or accounted for in accordance with the regulations by the person making the payment or, if he makes the payment as an intermediary of the employer, the employer.
- (2) Where subsection (1) above applies, the relevant person shall be treated, for the purposes of PAYE regulations, as making a payment of the assessable income of the employee of an amount equal to the amount determined in accordance with subsection (3) below.
- (3) The amount referred to is—
- (a) if the amount of the payment actually made is an amount to which the recipient is entitled after deduction of any income tax, the aggregate of the amount of that payment and the amount of any income tax due; and
 - (b) in any other case, the amount of the payment actually made.
- (4) In this section and sections 203D and 203E “work”, in relation to an employee, means the performance of any duties of the office or employment of the employee and any reference to his working shall be construed accordingly.
- (5) Subsections (4) and (5) of section 203B apply for the purposes of this section as they apply for the purposes of that section.

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203D PAYE: employee non-resident, etc.

- (1) This section applies in relation to an employee in a year of assessment only if—
 - (a) he is not resident or, if resident, not ordinarily resident in the United Kingdom; and
 - (b) he works or will work in the United Kingdom and also works or is likely to work outside the United Kingdom.
- (2) Where in relation to any year of assessment it appears to an officer of the Board that—
 - (a) some of the income of an employee to whom this section applies is assessable to income tax under Case II of Schedule E, but
 - (b) an as yet unascertainable proportion of the income may prove not to be assessable,

the officer may, on an application made by the appropriate person, give a direction for determining a proportion of any payment made in that year of, or on account of, income of the employee which shall be treated for the purposes of PAYE regulations as a payment of assessable income of the employee.
- (3) In this section “the appropriate person” means—
 - (a) the person designated by the employer for the purposes of this section; or
 - (b) if no person is so designated, the employer.
- (4) An application for a direction under subsection (2) above shall provide such information as is available and is relevant to the giving of the direction.
- (5) A direction under subsection (2) above—
 - (a) shall specify the employee to whom and the year of assessment to which it relates;
 - (b) shall be given by notice to the appropriate person; and
 - (c) may be withdrawn by notice to the appropriate person from a date specified in the notice.
- (6) The date so specified may not be earlier than thirty days from the date on which the notice of the withdrawal is given.
- (7) Where—
 - (a) a direction under subsection (2) above has effect in relation to an employee to whom this section applies, and
 - (b) a payment of, or on account of, the income of the employee is made in the year of assessment to which the direction relates,

the proportion of the payment determined in accordance with the direction shall be treated for the purposes of PAYE regulations as a payment of assessable income of the employee.
- (8) Where in any year of assessment—
 - (a) no direction under subsection (2) above has effect in relation to an employee to whom this section applies, and
 - (b) any payment is made of, or on account of, the income of the employee,

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the entire payment shall be treated for the purposes of PAYE regulations as a payment of assessable income of the employee.

- (9) Subsections (7) and (8) above are without prejudice to—
- (a) any assessment in respect of the income of the employee in question; and
 - (b) any right to repayment of income tax overpaid and any obligation to pay income tax underpaid.

203E PAYE: mobile UK workforce.

- (1) This subsection applies where it appears to the Board that—
- (a) a person (“the relevant person”) has entered into or is likely to enter into an agreement that employees of another person (“the contractor”) shall in any period work for, but not as employees of, the relevant person;
 - (b) payments of, or on account of, assessable income of the employees in respect of work done in that period are likely to be made by or on behalf of the contractor; and
 - (c) PAYE regulations would apply on the making of such payments but it is likely that income tax will not be deducted or accounted for in accordance with the regulations.
- (2) Where subsection (1) above applies, the Board may give a direction that, if—
- (a) any employees of the contractor work in any period for, but not as employees of, the relevant person, and
 - (b) any payment is made by the relevant person in respect of work done by the employees in that period,
- income tax shall be deducted in accordance with the provisions of this section by the relevant person on making that payment.
- (3) A direction under subsection (2) above—
- (a) shall specify the relevant person and the contractor to whom it relates;
 - (b) shall be given by notice to the relevant person; and
 - (c) may at any time be withdrawn by notice to the relevant person.
- (4) The Board shall take such steps as are reasonably practicable to ensure that the contractor is supplied with a copy of any notice given under subsection (3) above which relates to him.
- (5) Where—
- (a) a direction under subsection (2) above has effect, and
 - (b) any employees of the contractor specified in the direction work for, but not as employees of, the relevant person so specified,
- income tax shall, subject to and in accordance with PAYE regulations, be deducted by the relevant person on making any payment in respect of that work as if so much of the payment as is attributable to work done by each employee were a payment of assessable income of that employee.”

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127 Tradeable assets. **U.K.**

After section 203E of the Taxes Act 1988 (which is inserted by section 126 above) there shall be inserted—

“203F PAYE: tradeable assets.

- (1) Where any assessable income of an employee is provided in the form of a tradeable asset, the employer shall be treated, for the purposes of PAYE regulations, as making a payment of that income of an amount equal to the amount specified in subsection (3) below.
- (2) For the purposes of subsection (1) above “tradeable asset” means—
 - (a) any asset capable of being sold or otherwise realised on a recognised investment exchange (within the meaning of the Financial Services Act 1986) or the London Bullion Market;
 - (b) any asset capable of being sold or otherwise realised on any market for the time being specified in PAYE regulations; and
 - (c) any other asset for which, at the time when the asset is provided, trading arrangements exist.
- (3) The amount referred to is—
 - (a) in the case of an asset falling within subsection (2)(a) or (b) above, the amount for which it is capable of being sold or the amount for which it can be realised on the exchange or market in question; and
 - (b) in the case of an asset for which trading arrangements exist at the time when the asset is provided, the amount which is obtained under those arrangements.
- (4) For the purposes of subsection (2) above, “asset” does not include—
 - (a) any payment actually made of, or on account of, assessable income;
 - (b) any non-cash voucher, credit-token or cash voucher (as defined in sections 141 to 143); or
 - (c) any description of property for the time being excluded from the scope of this section by PAYE regulations.
- (5) Subject to subsection (4) above, for the purposes of subsection (2) above “asset” includes any property and in particular any right or interest falling within any paragraph in Part I of Schedule 1 to the Financial Services Act 1986.”

128 Non-cash vouchers. **U.K.**

After section 203F of the Taxes Act 1988 (which is inserted by section 127 above) there shall be inserted—

“203G PAYE: non-cash vouchers.

- (1) Where a non-cash voucher to which this section applies is received by an employee, the employer shall be treated, for the purposes of PAYE regulations, as making a payment of assessable income of the employee of an amount equal to the amount ascertained in accordance with section 141(1)(a).
- (2) This section applies to a non-cash voucher to which section 141(1) applies if—

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- (a) either of the two conditions set out below is fulfilled with respect to the voucher; and
 - (b) the voucher is not of a description for the time being excluded from the scope of this section by PAYE regulations.
- (3) The first condition is fulfilled with respect to a voucher if it is capable of being exchanged for goods—
- (a) which, at the time when the voucher is provided, are capable of being sold or otherwise realised on an exchange or market falling within section 203F(2)(a) or (b); or
 - (b) for which, at the time when the voucher is provided, trading arrangements exist.
- (4) The second condition is fulfilled with respect to a voucher if, at the time when the voucher is provided, the voucher itself—
- (a) is capable of being sold or otherwise realised on an exchange or market falling within section 203F(2)(a) or (b); or
 - (b) is a voucher for which trading arrangements exist.”

129 Credit-tokens. **U.K.**

After section 203G of the Taxes Act 1988 (which is inserted by section 128 above) there shall be inserted—

“203H PAYE: credit-tokens.

- (1) Subject to subsection (3) below, on each occasion on which an employee uses a credit-token provided to him by reason of his employment to obtain—
- (a) money, or
 - (b) goods falling within subsection (2) below,
- the employer shall be treated, for the purposes of PAYE regulations, as making a payment of assessable income of the employee of an amount equal to the amount ascertained in accordance with section 142(1)(a).
- (2) Goods fall within this subsection if, at the time when they are obtained, they are goods—
- (a) which are capable of being sold or otherwise realised on an exchange or market falling within section 203F(2)(a) or (b); or
 - (b) for which trading arrangements exist.
- (3) PAYE regulations may make provision for excluding from the scope of this section any description of use of a credit-token.
- (4) In this section “credit-token” has the same meaning as in section 142.”

130 Cash vouchers. **U.K.**

After section 203H of the Taxes Act 1988 (which is inserted by section 129 above) there shall be inserted—

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“203I PAYE: cash vouchers.

- (1) Subject to subsection (2) below, where a cash voucher to which section 143(1) applies is received by an employee, the employer shall be treated, for the purposes of PAYE regulations, as making a payment of assessable income of the employee of an amount equal to the amount ascertained in accordance with section 143(1)(a).
- (2) PAYE regulations may make provision for excluding from the scope of this section the provision of cash vouchers in such description of circumstances as may be specified in the regulations.”

131 Supplementary. U.K.

After section 203I of the Taxes Act 1988 (which is inserted by section 130 above) there shall be inserted—

“203J S.203B to s.203I: accounting for tax.

- (1) Where an employer makes a notional payment of assessable income of an employee, the obligation to deduct income tax shall have effect as an obligation on the employer to deduct income tax at such time as may be prescribed by PAYE regulations from any payment or payments he actually makes of, or on account of, such income of that employee.
- (2) For the purposes of this section—
 - (a) a notional payment is a payment treated as made by virtue of any of sections 203B, 203C and 203F to 203I, other than a payment whose amount is determined in accordance with section 203B(3)(a) or 203C(3)(a); and
 - (b) any reference to an employer includes a reference to a person who is treated as making a payment by virtue of section 203C(2).
- (3) Where, by reason of an insufficiency of payments actually made, the employer is unable to deduct the amount (or the full amount) of the income tax as required by virtue of subsection (1) above, the obligation to deduct income tax shall have effect as an obligation on the employer to account to the Board at such time as may be prescribed by PAYE regulations for an amount of income tax equal to the amount of income tax he is required, but is unable, to deduct.
- (4) PAYE regulations may make provision—
 - (a) with respect to the time when any notional payment (or description of notional payment) is made;
 - (b) applying (with or without modifications) any specified provisions of the regulations for the time being in force in relation to deductions from actual payments to amounts accounted for in respect of any notional payments;
 - (c) with respect to the collection and recovery of amounts accounted for in respect of notional payments.
- (5) Any amount which an employer deducts or for which he accounts as mentioned in subsections (1) and (3) above shall be treated as an amount paid by the

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employee in question in respect of his liability to income tax for such year of assessment as may be specified in PAYE regulations.

203K Trading arrangements.

- (1) “Trading arrangements” in sections 203F to 203H shall be construed in accordance with this section.
- (2) Trading arrangements—
 - (a) for an asset, are arrangements for the purpose of enabling the person to whom the asset is provided to obtain an amount similar to the expense incurred in the provision of the asset;
 - (b) for goods for which a non-cash voucher is capable of being exchanged, are arrangements for the purpose of enabling the person to whom the voucher is provided to obtain an amount similar to the expense incurred in the provision of the goods;
 - (c) for a non-cash voucher, are arrangements for the purpose of enabling the person to whom the voucher is provided to obtain an amount similar to the expense incurred as mentioned in section 141(1)(a);
 - (d) for goods obtained by the use of a credit-token, are arrangements for the purpose of enabling the person to whom the credit-token is provided to obtain an amount similar to the expense incurred in the provision of the goods.
- (3) For the purposes of subsection (2) above—
 - (a) any reference to enabling a person to obtain an amount includes—
 - (i) a reference to enabling a class or description of persons which includes that person to obtain the amount; and
 - (ii) a reference to enabling an amount to be obtained by any means, including in particular by using an asset or goods as security for a loan or an advance; and
 - (b) an amount is similar to an expense incurred if it is greater than, equal to or not substantially less than that expense.
- (4) PAYE regulations may exclude any description of arrangements from being trading arrangements for the purposes of sections 203F to 203H.

203L S.203B to s.203K: interpretation, etc.

- (1) In sections 203B to 203J “employee” means a person holding an office or employment under or with any other person, and (subject to section 203J(2)(b)) any reference to the employer is a reference to that other person.
- (2) In sections 203B to 203J “assessable” means assessable to income tax under Schedule E.
- (3) In sections 203B to 203K and this section “PAYE regulations” means regulations under section 203.
- (4) PAYE regulations made by virtue of any of sections 203B to 203K may—
 - (a) make different provision for different classes of case;
 - (b) contain such incidental, consequential and supplementary provision as appears to the Board to be expedient.”

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132 **Payments etc. received free of tax.** U.K.

After section 144 of the Taxes Act 1988 there shall be inserted—

“144A **Payments etc. received free of tax.**

(1) In any case where—

- (a) an employer is treated, by virtue of any of sections 203B to 203I, as having made a payment of income of an employee which is assessable to income tax under Schedule E,
- (b) the employer is required, by virtue of section 203J(3), to account for an amount of income tax (“the due amount”) in respect of that payment, and
- (c) the employee does not, before the end of the period of thirty days from the date on which the employer is treated as making that payment, make good the due amount to the employer,

the due amount shall be treated as income of the employee which arises on the date mentioned in paragraph (c) above and is assessable to income tax under Schedule E.

(2) In this section any reference to an employer includes a reference to a person who is treated as making a payment by virtue of section 203C(2).”

133 **PAYE regulations: past cases.** U.K.

(1) Regulation 4 of the 1993 Regulations (intermediate employers) is hereby revoked; but in relation to any time before its revocation it shall be deemed to have been validly made.

(2) Regulation 3 of the 1973 Regulations (intermediate employers) shall, in relation to any time before its revocation, be deemed to have been validly made.

(3) Where, at any time before the passing of this Act—

- (a) a payment has been made of, or on account of, any income of an employee not resident or, if resident, not ordinarily resident in the United Kingdom,
- (b) at the time when the payment was made it appeared that some of the income would be assessable to income tax under Case II of Schedule E, but that some of the income might prove not to be assessable to income tax under that Schedule, and
- (c) the payment or any proportion of it was treated for the purposes of the 1993 Regulations or the 1973 Regulations as a payment to which the regulations applied,

then the treatment of that payment or that proportion of the payment as being a payment to which the regulations applied shall be deemed to have been lawful.

(4) In this section—

- (a) “employee” means a person holding an office or employment under or with any other person;
- (b) “the 1993 Regulations” means the ^{M78}Income Tax (Employments) Regulations 1993; and
- (c) “the 1973 Regulations” means the ^{M79}Income Tax (Employments) Regulations 1973.

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Marginal Citations

M78 S.I. 1993/774.

M79 S.I. 1973/334.

Miscellaneous provisions about companies

134 Controlled foreign companies. **U.K.**

(1) In Schedule 25 to the Taxes Act 1988, Part I (acceptable distribution policy) shall be amended as follows.

(2) In paragraph 2 (acceptable distribution policies for both trading and non-trading companies)—

(a) in sub-paragraph (1)—

(i) for “sub-paragraph (2)” there is substituted “ paragraph 2A ”,

(ii) in paragraph (a), “or for some other period which, in whole or in part, falls within that accounting period” is omitted,

(iii) in paragraph (b), for “the period for which it is paid” there is substituted “ that period ”,

(iv) in paragraph (d) for “proportion” there is substituted “ amount ” and for “represents at least” there is substituted “ is not less than ”, and

(v) the words following paragraph (d) are omitted,

(b) sub-paragraph (2) is omitted, and

(c) for sub-paragraph (3) there is substituted—

“(3) For the purposes of this paragraph and paragraph 2A below, a dividend which is not paid for the period or periods the profits of which are, in relation to the dividend, the relevant profits for the purposes of section 799 shall be treated (subject to sub-paragraph (3A) below) as so paid.

(3A) For the purposes of this paragraph and paragraph 2A below—

(a) where a dividend is paid for a period which is not an accounting period but falls wholly within an accounting period, it shall be treated as paid for that accounting period, and

(b) where a dividend (“the actual dividend”) is paid for a period which falls within two or more accounting periods—

(i) it shall be treated as if it were a number of separate dividends each of which is paid for so much of the period as falls wholly within an accounting period, and

(ii) the necessary apportionment of the amount of the actual dividend shall be made to determine the amount of the separate dividends.”

(3) After that paragraph there is inserted—

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- “2A
- (1) Paragraph 2 above shall have effect in accordance with this paragraph to determine whether a controlled foreign company which is not a trading company pursues an acceptable distribution policy in respect of a particular accounting period (“the relevant accounting period”).
 - (2) Subject to sub-paragraph (4) below, where the distribution condition is satisfied in relation to the relevant accounting period, then, in addition to any dividend which falls within paragraph 2(1)(a) above apart from this paragraph—
 - (a) any dividend which is paid for the accounting period (“the preceding period”) which immediately precedes the relevant accounting period and is not an excluded period shall be treated as falling within that paragraph, and
 - (b) if the distribution condition is satisfied in relation to the preceding period, any dividend which is paid for the accounting period which immediately precedes the preceding period and is not an excluded period shall be treated as falling within that paragraph,
 and so on; and in this sub-paragraph “dividend” means a dividend not paid out of specified profits.
 - (3) For the purposes of this paragraph, the distribution condition is satisfied in relation to any accounting period if—
 - (a) a dividend or dividends are paid for the period to persons resident in the United Kingdom,
 - (b) the amount or, as the case may be, aggregate amount of any dividends falling within paragraph (a) above is not less than—
 - (i) the relevant profits for that period, or
 - (ii) where paragraph 2(4) or (5) above applies (with the modifications of paragraph 2 made by sub-paragraph (5) below), the appropriate portion of those profits, and
 - (c) any dividends falling within that paragraph are paid not later than the time by which any dividend paid for the relevant accounting period is required by paragraph 2(1)(b) above to be paid;
 or if there are no relevant profits for the period.
 - (4) Where, by reason only of the fact that a company pursued an acceptable distribution policy in respect of any accounting period (“the earlier period”) earlier than the relevant accounting period, no direction could be given in respect of the earlier period under section 747(1), sub-paragraph (2) above shall apply to any dividend required to be taken into account for the purpose of showing that the company pursued an acceptable distribution policy in respect of the earlier period only to the extent (if any) to which that dividend was not required to be taken into account for that purpose.
 - (5) The modifications of paragraph 2 above referred to in sub-paragraph (3)(b) above are that—
 - (a) the references in sub-paragraphs (4) and (5) to the accounting period in question are to be read as references to the accounting period for which the dividend or dividends are paid,

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- (b) the references in those sub-paragraphs to sub-paragraph (1)(d) are to be read as references to sub-paragraph (3)(b) above, and
 - (c) the reference in the definition of “X” in sub-paragraph (6) to available profits is to be read as a reference to relevant profits.
- (6) Paragraph 2(1)(d) above shall have effect as if for “50 per cent. of the company’s available profits” there were substituted “90 per cent. of the company’s net chargeable profits”.
- (7) In paragraph 2(6) above, the definition of “X” shall have effect as if the reference to available profits were a reference to net chargeable profits.
- (8) For the purposes of this paragraph—
 - (a) a period is an excluded period if it is an accounting period in respect of which a direction is given under section 747(1), and
 - (b) relevant profits for any accounting period are the profits which would be the relevant profits of that period for the purposes of section 799 if a dividend were actually paid for that period.”
- (4) In paragraph 3 of that Schedule (available profits)—
 - (a) after sub-paragraph (4) there is inserted—
 - “(4A) Subject to sub-paragraph (5) below, for the purposes of this Part of this Schedule, the net chargeable profits of a controlled foreign company for any accounting period are—
 - (a) its chargeable profits for that period, less
 - (b) the amount (if any) which, if a direction were given under section 747(1) in respect of the period, would be the company’s unrestricted creditable tax for that period;and for the purposes of this sub-paragraph “unrestricted creditable tax” in relation to a company’s accounting period means the amount which would be its creditable tax for that period if the reference in section 751(6)(a) to Part XVIII did not include section 797”, and
 - (b) in sub-paragraph (5), after “available profits” there is inserted “ or, where the company is not a trading company, the chargeable profits ”.
- (5) This section shall apply to determine whether a controlled foreign company pursues an acceptable distribution policy in respect of accounting periods ending on or after 30th November 1993.

135 Prevention of avoidance of corporation tax. **U.K.**

- (1) In the Taxes Act 1988, immediately before section 768 there shall be inserted—

“767A Change in company ownership: corporation tax.

- (1) Where it appears to the Board that—
 - (a) there has been a change in the ownership of a company (“the tax-payer company”),
 - (b) any corporation tax assessed on the tax-payer company for an accounting period beginning before the change remains unpaid at any time after the relevant date, and

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(c) any of the three conditions mentioned below is fulfilled,
any person mentioned in subsection (2) below may be assessed by the Board and charged (in the name of the tax-payer company) to an amount of corporation tax in accordance with this section.

(2) The persons are—

- (a) any person who at any time during the relevant period before the change in the ownership of the tax-payer company had control of it;
- (b) any company of which the person mentioned in paragraph (a) above has at any time had control within the period of three years before that change.

(3) In subsection (2) above, “the relevant period” means—

- (a) the period of three years before the change in the ownership of the tax-payer company; or
- (b) if during the period of three years before that change (“the later change”) there was a change in the ownership of the tax-payer company (“the earlier change”), the period elapsing between the earlier change and the later change.

(4) The first condition is that—

- (a) at any time during the period of three years before the change in the ownership of the tax-payer company the activities of a trade or business of that company cease or the scale of those activities become small or negligible; and
- (b) there is no significant revival of those activities before that change occurs.

(5) The second condition is that at any time after the change in the ownership of the tax-payer company, but under arrangements made before that change, the activities of a trade or business of that company cease or the scale of those activities become small or negligible.

(6) The third condition is that—

- (a) at any time during the period of six years beginning three years before the change in the ownership of the tax-payer company there is a major change in the nature or conduct of a trade or business of that company;
- (b) there is a transfer or there are transfers of assets of the tax-payer company to a person mentioned in subsection (7) below or to any person under arrangements which enable any of those assets or any assets representing those assets to be transferred to a person mentioned in subsection (7) below;
- (c) that transfer occurs or those transfers occur during the period of three years before the change in the ownership of the tax-payer company or after that change but under arrangements made before that change; and
- (d) the major change mentioned in paragraph (a) above is attributable to that transfer or those transfers.

(7) The persons are—

- (a) any person mentioned in subsection (2)(a) above; and
- (b) any person connected with him.

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- (8) The amount of tax charged in an assessment made under this section must not exceed the amount of the tax which, at the time of that assessment, remains unpaid by the tax-payer company.
- (9) For the purposes of this section the relevant date is the date six months from the date on which the corporation tax is assessed as mentioned in subsection (1)(b) above.
- (10) Any assessment made under this section shall not be out of time if made within three years from the date on which the liability of the tax-payer company to corporation tax for the accounting period mentioned in subsection (1)(b) above is finally determined.

767B Change of company ownership: supplementary.

- (1) In relation to corporation tax assessed under section 767A—
 - (a) section 86 of the Management Act (interest on overdue tax), in so far as it has effect in relation to accounting periods ending on or before 30th September 1993, and
 - (b) section 87A of that Act (corresponding provision for corporation tax due for accounting periods ending after that date),shall have effect as if the references in section 86 to the reckonable date and in section 87A to the date when the tax becomes due and payable were, respectively, references to the date which is the reckonable date in relation to the tax-payer company and the date when the tax became due and payable by the tax-payer company.
- (2) A payment in pursuance of an assessment under section 767A shall not be allowed as a deduction in computing any income, profits or losses for any tax purposes; but any person making such a payment shall be entitled to recover an amount equal to the payment from the tax-payer company.
- (3) In subsection (2) above the reference to a payment in pursuance of an assessment includes a reference to a payment of interest under section 86 or 87A of the Management Act (as they have effect by virtue of subsection (1) above).
- (4) For the purposes of section 767A, “control”, in relation to a company, shall be construed in accordance with section 416 as modified by subsections (5) and (6) below.
- (5) In subsection (2)(a) for “the greater part of” there shall be substituted “50 per cent. of”.
- (6) For subsection (3) there shall be substituted—
- (7) Where two or more persons together satisfy any of the conditions in subsection (2) above and do so by reason of having acted together to put themselves in a position where they will in fact satisfy the condition in question, each of those persons shall be treated as having control of the company.”
- (7) In section 767A(6) “a major change in the nature or conduct of a trade or business” includes any change mentioned in any of paragraphs (a) to (d)

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of section 245(4); and also includes a change falling within any of those paragraphs which is achieved gradually as the result of a series of transfers.

- (8) In section 767A(6) “transfer”, in relation to an asset, includes any disposal, letting or hiring of it, and any grant or transfer of any right, interest or licence in or over it, or the giving of any business facilities with respect to it.
- (9) Section 839 shall apply for the purposes of section 767A(7).
- (10) Subsection (9) of section 768 shall apply for the purposes of section 767A as it applies for the purposes of section 768.”
- (2) Section 769 (rules for ascertaining change of ownership of company) shall be amended as follows.
- (3) In subsections (1), (2) and (5) for the words “sections 768”, in each place where they occur, there shall be substituted “ sections 767A, 768 ”.
- (4) After subsection (2) there shall be inserted—
- “(2A) Where—
- (a) persons, whether company members or not, possess extraordinary rights or powers under the articles of association or under any other document regulating the company, and
- (b) because of that fact ownership of the ordinary share capital may not be an appropriate test of whether there has been a change in the ownership of the company,
- then, in considering whether there has been a change in the ownership of the company for the purposes of section 767A, holdings of all kinds of share capital, including preference shares, or of any particular category of share capital, or voting power or any other kind of special power may be taken into account instead of ordinary share capital.”
- (5) After subsection (8) there shall be inserted—
- “(9) Subsection (8) above shall not apply in relation to section 767A.”
- (6) The amendments made by this section shall have effect in relation to any change in ownership occurring on or after 30th November 1993 other than a change occurring in pursuance of a contract entered into before that day.

136 Parts of trades: computations in different currencies. U.K.

- (1) The following section shall be inserted after section 94 of the ^{M80}Finance Act 1993 (computations in different currencies for different parts of trades)—

“94A Parts of trades: petroleum extraction companies.

- (1) If a trade carried on by a petroleum extraction company is a ring fence trade—
- (a) subsection (1) of section 94 above shall not apply as regards the trade, but
- (b) regulations may make provision under that section as regards a case where in an accounting period the company carries on the trade and the condition mentioned in subsection (2) below is fulfilled.

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- (2) The condition is that—
- (a) part of the trade consists of activities which relate to oil and are carried on under the authority of a petroleum licence in the United Kingdom or a designated area, and
 - (b) part of the trade consists of activities which relate to gas and are carried on under the authority of a petroleum licence in the United Kingdom or a designated area.
- (3) For the purposes of this section—
- (a) a petroleum licence is a licence granted under the Petroleum (Production) Act 1934 or the Petroleum (Production) Act (Northern Ireland) 1964;
 - (b) a petroleum extraction company is a company which carries on activities under the authority of such a licence;
 - (c) a designated area is an area designated by Order in Council under section 1(7) of the Continental Shelf Act 1964.
- (4) For the purposes of this section “ring fence trade” means activities which—
- (a) fall within any of paragraphs (a) to (c) of subsection (1) of section 492 of the Taxes Act 1988 (oil extraction etc.), and
 - (b) constitute a separate trade (whether by virtue of that subsection or otherwise).
- (5) For the purposes of this section—
- (a) “oil” means such substance as falls within the meaning of oil contained in section 502(1) of the Taxes Act 1988 and is not gas;
 - (b) “gas” means such substance as falls within the meaning of oil contained in section 502(1) of the Taxes Act 1988 and is gas of which the largest component by volume, measured at a temperature of 15 degrees centigrade and a pressure of one atmosphere, is methane or ethane or a combination of those gases.”
- (2) In section 95(6) of the ^{M81}Finance Act 1993 (commencement of provisions about currency to be used for computations) for “94” there shall be substituted “ 94A ”.

Marginal Citations

M80 1993 c.34.

M81 1993 c. 34.

Miscellaneous

137 Enterprise investment scheme. **U.K.**

- (1) Schedule 15 to this Act shall have effect to revive Chapter III of Part VII of the Taxes Act 1988 (relief for investment in corporate trades) in relation to shares issued on or after 1st January 1994.
- (2) That Chapter shall have effect in relation to such shares with the amendments made by that Schedule; and, in relation to such shares, that Chapter as so amended shall apply for the year 1993-94 and subsequent years of assessment.

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- (3) The ^{M82}Taxation of Chargeable Gains Act 1992 shall have effect with the amendments made by that Schedule.

Marginal Citations

M82 1992 c. 12.

138 Foreign income dividends. U.K.

Schedule 16 to this Act (which contains provisions about foreign income dividends) shall have effect.

139 Taxation of incapacity benefit. U.K.

- (1) For the year 1995-96 and subsequent years of assessment incapacity benefit, except—
- (a) benefit payable for an initial period of incapacity, and
 - (b) so much of any benefit as is attributable in any case to an increase in respect of a child,
- shall be treated as income for the purposes of the Income Tax Acts and charged to income tax under Schedule E.

- (2) Subsection (1) above shall not apply to incapacity benefit to which a person is entitled for any day of incapacity for work falling in a period of incapacity for work which is treated for the purposes of that benefit as having begun before 13th April 1995 if the part of that period which is treated as having fallen before that date includes a day for which that person was entitled to invalidity benefit.

- (3) Incapacity benefit shall for the purposes of this section be a benefit in relation to which section 41 of the ^{M83}Finance Act 1989 (year of assessment in which benefit to be charged) applies.

- (4) Enactments relating to the payment of incapacity benefit shall have effect subject to such provision as may be contained for the purposes of this section in regulations under section 203 of the Taxes Act 1988 (PAYE regulations).

- (5) In this section—

“incapacity benefit” means any benefit which by virtue of provisions contained in the Social Security (Incapacity for Work) Act 1994 or any corresponding provisions made for Northern Ireland is to be known as incapacity benefit;

[^{F14}“initial period of incapacity”, in relation to incapacity benefit, means any period for which short-term incapacity benefit is payable otherwise than at the higher rate; and]

“invalidity benefit” means invalidity benefit under Part II of the ^{M84}Social Security Contributions and Benefits Act 1992 or under Part II of the ^{M85}Social Security Contributions and Benefits (Northern Ireland) Act 1992.

- [^{F15}(6) The reference in subsection (5) above to short-term incapacity benefit payable at the higher rate shall be construed in accordance with sections 30B(5), 40(8) and 41(7) of the ^{M86}Social Security Contributions and Benefits Act 1992 and the corresponding provisions of the ^{M87}Social Security Contributions and Benefits (Northern Ireland) Act 1992.]

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Textual Amendments

- F14** S. 139(5): Definition of “initial period of incapacity” substituted (*retrospectively*) by 1995 c. 4, s. 141(2)
- F15** S. 139(6) inserted (*retrospectively*) by 1995 c. 4, s. 141(3)

Marginal Citations

- M83** 1989 c. 26.
M84 1992 c. 4.
M85 1992 c. 7.
M86 1992 c. 4.
M87 1992 c. 7.

140 Restriction on deduction from income. **U.K.**

- (1) Section 808 of the Taxes Act 1988 (restriction on deduction of interest or dividends from trading income) shall be amended as follows—
- (a) for “a banking business, an insurance business or a business consisting wholly or partly in dealing in securities” there shall be substituted “ a business ”;
 - (b) for “or dividend” there shall be substituted “ , dividend or royalties ”;
 - (c) the words “In this section “securities” includes stocks and shares” shall be omitted.
- (2) This section shall apply where it is sought to exclude receipts from income or profits of an accounting period beginning on or after 30th November 1993.

141 Expenditure involving crime. **U.K.**

- (1) Section 577A of the Taxes Act 1988 (certain expenditure involving crime not to be deducted and not to be included in expenses of management) shall be amended as follows.
- (2) After subsection (1) there shall be inserted—
- “(1A) 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 induced by a demand constituting—
- (a) the commission in England or Wales of the offence of blackmail under section 21 of the Theft Act 1968,
 - (b) the commission in Northern Ireland of the offence of blackmail under section 20 of the Theft Act (Northern Ireland) 1969, or
 - (c) the commission in Scotland of the offence of extortion.”
- (3) In subsection (2) for “Such expenditure” there shall be substituted “ Any expenditure mentioned in subsection (1) or (1A) above ”.
- (4) This section shall apply in relation to expenditure incurred on or after 30th November 1993.

142 Mortgage interest payable under deduction of tax: qualifying lenders. **U.K.**

- (1) In section 376 of the Taxes Act 1988 (qualifying lenders)—

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- (a) in subsection (4)(p), for “prescribed under subsection (5) below” there shall be substituted “ for the time being registered under section 376A below ” and for “Treasury” there shall be substituted “ Board ”; and
- (b) subsection (5) shall be omitted.

(2) The following section shall be inserted in the Taxes Act 1988 after section 376—

“376A The register of qualifying lenders.

- (1) The Board shall maintain, and publish in such manner as they consider appropriate, a register for the purposes of section 376(4).
 - (2) If the Board are satisfied that an applicant for registration is entitled to be registered, they may register the applicant generally or in relation to any description of loan specified in the register, with effect from such date as may be so specified; and a body which is so registered shall become a qualifying lender in accordance with the terms of its registration.
 - (3) The registration of any body may be varied by the Board—
 - (a) where it is general, by providing for it to be in relation to a specified description of loan, or
 - (b) where it is in relation to a specified description of loan, by removing or varying the reference to that description of loan,
 and where they do so, they shall give the body written notice of the variation and of the date from which it is to have effect.
 - (4) If it appears to the Board at any time that a body which is registered under this section would not be entitled to be registered if it applied for registration at that time, the Board may by written notice given to the body cancel its registration with effect from such date as may be specified in the notice.
 - (5) The date specified in a notice under subsection (3) or (4) above shall not be earlier than the end of the period of 30 days beginning with the date on which the notice is served.
 - (6) Any body which is aggrieved by the failure of the Board to register it under this section, or by the variation or cancellation of its registration, may, by notice given to the Board before the end of the period of 30 days beginning with the date on which the body is notified of the Board’s decision, require the matter to be determined by the Special Commissioners; and the Special Commissioners shall thereupon hear and determine the matter in like manner as an appeal.”
- (3) Any body which is, immediately before the date on which this Act is passed, a prescribed body for the purposes of section 376 of the Taxes Act 1988 (by virtue of an order made under subsection (5) of that section) shall be entitled to be entered in the register maintained under section 376A of that Act as a qualifying lender except that if it was, immediately before that date, a qualifying lender only in relation to such description of loan as was specified in the order, it shall be entitled to be entered in the register as a qualifying lender only in relation to that description of loan.
- (4) Until such time as the Board enter any such body in the register, that body shall be deemed to have been registered in accordance with its entitlement.

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143 Premiums referred to pension business. **U.K.**

- (1) The Taxes Act 1988 shall be amended as follows.
- (2) In section 431(4) (insurance companies: premiums to be referred to pension business) in paragraph (d) (annuity contracts)—
 - (a) the words “approved by the Board and” shall be omitted;
 - (b) after “as defined by section 612(1)” there shall be inserted “ and falling within section 431AA ”.
- (3) In section 431(4) in paragraph (e) (annuity contracts entered into in substitution)—
 - (a) the words “approved by the Board” shall be omitted;
 - (b) after “paragraph (d) above” there shall be inserted “ and by means of which relevant benefits as defined by section 612(1) and falling within section 431AA (but no other benefits) are secured ”.
- (4) The following section shall be inserted after section 431—

“431AA Relevant benefits for purposes of section 431(4)(d) and (e).

- (1) Subsection (2) below applies where—
 - (a) section 431(4)(d)(i) applies, or
 - (b) section 431(4)(e) applies and the contract within section 431(4)(d) was entered into for the purposes of a scheme falling within section 431(4)(d)(i).
- (2) In such a case, relevant benefits fall within this section if they correspond with benefits that could be provided by a scheme approved under Chapter I of Part XIV, and for this purpose—
 - (a) a hypothetical scheme (rather than any particular scheme) is to be taken, and
 - (b) benefits provided by a scheme directly (rather than by means of an annuity contract) are to be taken.
- (3) Subsection (4) below applies where—
 - (a) subsection 431(4)(d)(ii) applies, or
 - (b) section 431(4)(e) applies and the contract within section 431(4)(d) was entered into for the purposes of a scheme falling within section 431(4)(d)(ii).
- (4) In such a case, relevant benefits fall within this section if they correspond with benefits that could be provided by a scheme which is a relevant statutory scheme for the purposes of Chapter I of Part XIV, and for this purpose—
 - (a) a hypothetical scheme (rather than any particular scheme) is to be taken, and
 - (b) benefits provided by a scheme directly (rather than by means of an annuity contract) are to be taken.
- (5) Subsection (6) below applies where—
 - (a) section 431(4)(d)(iii) applies, or
 - (b) section 431(4)(e) applies and the contract within section 431(4)(d) was entered into for the purposes of a fund falling within section 431(4)(d)(iii).

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- (6) In such a case, relevant benefits fall within this section if they correspond with benefits that could be provided by a fund to which section 608 applies, and for this purpose—
- (a) a hypothetical fund (rather than any particular fund) is to be taken, and
 - (b) benefits provided by a fund directly (rather than by means of an annuity contract) are to be taken.”
- (5) This section shall apply in relation to an annuity contract entered into on or after 1st July 1994; and in the case of an annuity contract entered into in substitution for another it is immaterial when that other was entered into.

144 Debts released in voluntary arrangement: relief from tax. **U.K.**

- (1) In the Taxes Act 1988, in section 74 (general rules as to deductions not allowable), for paragraph (j) (debts not allowable except in certain circumstances) there shall be substituted—
- “(j) any debts except—
- (i) a bad debt proved to be such;
 - (ii) a debt or part of a debt released by the creditor wholly and exclusively for the purposes of his trade, profession or vocation as part of a relevant arrangement or compromise; and
 - (iii) a doubtful debt to the extent estimated to be bad, meaning, in the case of the bankruptcy or insolvency of the debtor, the debt except to the extent that any amount may reasonably be expected to be received on the debt;”.
- (2) The provisions of that section shall become subsection (1) of that section and after that subsection there shall be inserted—
- “(2) In paragraph (j) of subsection (1) above “relevant arrangement or compromise” means—
- (a) a voluntary arrangement which has taken effect under or by virtue of the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989; or
 - (b) a compromise or arrangement which has taken effect under section 425 of the Companies Act 1985 or Article 418 of the Companies (Northern Ireland) Order 1986.”
- (3) In the Taxes Act 1988—
- (a) in section 94 (debts deducted and subsequently released) after the word “released” where it first occurs, and
 - (b) in section 103(4)(b) (debts deducted before, but released after, discontinuance of trade, etc.) after the word “released”,
- there shall be inserted “ otherwise than as part of a relevant arrangement or compromise ”.
- (4) The provisions of section 94 of the Taxes Act 1988 shall become subsection (1) of that section and after that subsection there shall be inserted—
- “(2) In subsection (1) above “relevant arrangement or compromise” has the same meaning as in section 74.”

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- (5) After section 103(4) of the Taxes Act 1988 there shall be inserted—
- “(4A) In subsection (4)(b) above “relevant arrangement or compromise” has the same meaning as in section 74.”
- (6) Subsection (1) above shall have effect, for the purposes of determining (in computing the amount of profits or gains to be charged under Case I or Case II of Schedule D) whether any sum should be deducted in respect of any debt, in relation to debts—
- (a) proved to be bad,
- (b) released as part of—
- (i) a voluntary arrangement which has taken effect under or by virtue of the ^{M88}Insolvency Act 1986 or the ^{M89}Insolvency (Northern Ireland) Order 1989, or,
- (ii) a compromise or arrangement which has taken effect under section 425 of the ^{M90}Companies Act 1985 or Article 418 of the ^{M91}Companies (Northern Ireland) Order 1986, and
- (c) estimated to be bad,
- if the proof, release or estimation occurs on or after 30th November 1993.
- (7) Subsection (3) above shall have effect in relation to the release on or after 30th November 1993 of the whole or any part of any debt.

Marginal Citations

M88 1986 c. 45.

M89 S.I. 1989/2405 (N.I. 19).

M90 1985 c. 6.

M91 S.I. 1986/1032 (N.I. 6).

145 Relief for business donations. **U.K.**

- (1) In sections 79(11) and 79A(7) of the Taxes Act 1988 (contributions to local enterprise agencies, training and enterprise councils and local enterprise companies made before 1st April 1995 to be deductible as expenses), for “1995” (in both places) there shall be substituted “2000”.
- (2) Section 79A of that Act shall be amended as follows.
- (3) In subsection (1), after “training and enterprise council” there shall be inserted “business link organisation” and in subsection (3) after “council” there shall be inserted “organisation”.
- (4) In subsection (5), before paragraph (a) there shall be inserted—
- “(aa) “business link organisation” means any person authorised by or on behalf of the Secretary of State to use a service mark (within the meaning of the Trade Marks (Amendment) Act 1984) designated by the Secretary of State for the purposes of this paragraph”.
- (5) In subsection (7), after “1st April 1990” there shall be inserted “or, in the case of a contribution to a business link organisation, 30th November 1993”.

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146 Minor corrections. **U.K.**

Schedule 17 to this Act (which corrects various mistakes made in or introduced into the Taxes Act 1988) shall have effect.

CHAPTER II **U.K.**

INTEREST RATE AND CURRENCY CONTRACTS

Modifications etc. (not altering text)

- C13** Pt. IV Chapter II (ss. 147-177) restricted (31.7.1998) by 1988 c. 1, **Sch. 28AA para. 8(1)(b)** (as inserted (31.7.1998) by 1998 c. 36, s. 108, **Sch. 16**)
- C14** Pt. IV Chapter II (ss. 147-177) applied (29.4.1996 with effect as mentioned in s. 105(1) of the applying Act) by 1996 c. 8, s. 105, **Sch. 15 para. 25(4)** (with savings etc. in Pt. IV Chapter II (ss. 80-105))
- C15** Pt. IV Chapter II (ss. 147-177) modified (29.4.1996 with effect as mentioned in s. 105(1) of the modifying Act) by 1996 c. 8, s. 105, **Sch. 15 para. 25(2)** (with savings etc. in Pt. IV Chapter II (ss. 80-105))
- C16** Pt. IV Chapter II (ss. 147-177) excluded (29.4.1996 with effect as mentioned in s. 105(1) of the excluding Act) by 1996 c. 8, s. 101(1) (with savings etc. in Pt. IV Chapter II (ss. 80-105))

Qualifying contracts

147 Qualifying contracts. **U.K.**

- (1) For the purposes of this Chapter—
- (a) an interest rate contract or option, or
 - (b) a currency contract or option,
- is a qualifying contract as regards a qualifying company if the company becomes entitled to rights or subject to duties under the contract or option on or after its commencement day.
- (2) Where both immediately before and at the beginning of its commencement day—
- (a) a company to which this paragraph applies is entitled to rights or subject to duties under an interest rate contract or option, or
 - (b) a qualifying company is entitled to rights or subject to duties under a currency contract or option,
- for the purposes of this Chapter the company shall be treated as becoming entitled or subject to them at the beginning of that day.
- (3) A qualifying company is a company to which paragraph (a) of subsection (2) above applies if its commencement day falls outside the period of twelve months beginning with the appointed day.
- (4) For the purposes of this Chapter—
- (a) a company's commencement day is the first day of its first accounting period to begin after the day preceding the appointed day; and
 - (b) the appointed day is such day as the Treasury may by order appoint.

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Subordinate Legislation Made

P6 S. 147(4)(b) power exercised: 23.3.1995 appointed by S.I. 1994/3225, art. 2

VALID FROM 29/04/1996

[^{F16}147A Debt contracts and options to be qualifying contracts. U.K.]

- (1) For the purposes of this Chapter a debt contract or option is a qualifying contract as regards a qualifying company if the company becomes entitled to rights, or subject to duties, under the contract or option at any time on or after 1st April 1996.
- (2) For the purposes of this Chapter a qualifying company which is entitled to rights, or subject to duties, under a debt contract or option both immediately before and on 1st April 1996 shall be deemed to have become entitled or subject to those rights or duties on that date.
- (3) This section has effect subject to paragraph 25 of Schedule 15 to the Finance Act 1996 (transitional provisions).]

Textual Amendments

F16 S. 147A inserted (29.4.1996 with effect as mentioned in s. 105(1) of the inserting Act) by 1996 c. 8, s. 101(2) (with savings etc. in Pt. IV Chapter II (ss. 80-105))

148 Contracts which may become qualifying contracts. U.K.]

- (1) A qualifying company is a company to which this section applies if its commencement day falls within the period of twelve months beginning with the appointed day.
- (2) Subject to subsection (3) below, all quasi-qualifying contracts which, at the end of the period of six years beginning with its commencement day, are held by a company to which this section applies shall be treated for the purposes of this Chapter as if the company became entitled to rights or subject to duties under them on the first day of its first accounting period beginning after the end of the period of six years.
- (3) Subject to subsection (5) below, if a company to which this section applies so elects, all quasi-qualifying contracts held by the company on its commencement day shall be treated for the purposes of this Chapter as if the company became entitled to rights or subject to duties under them on that day.
- (4) An election by a company under subsection (3) above shall be irrevocable and shall be made by notice served on the inspector before the end of the period of three months beginning with its commencement day.
- (5) A company may not make an election under subsection (3) above at a time when it is a member but not the principal company of a group unless the company did not become a member of the group until after the relevant day.

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- (6) An election under subsection (3) above by a company which is the principal company of a group shall have effect also as an election by any other company to which this section applies and which on the relevant day is a member of the group.
- (7) Subsection (6) above shall apply in relation to a company notwithstanding that the company ceases to be a member of the group at any time after the relevant day except where—
- (a) the company is an outgoing company in relation to the group, and
 - (b) the election relating to the group is made after the company ceases to be a member of the group.
- (8) In this section—
- “outgoing company”, in relation to a group of companies, means a company which ceases to be a member of the group before the end of the period during which an election under subsection (3) above could be made in relation to it and at a time when no such election has been made;
- “quasi-qualifying contract”, in relation to a qualifying company, means an interest rate contract or option which would be a qualifying contract if the company became entitled to rights or subject to duties under it on or after the company’s commencement day;
- “the relevant day” means the principal company’s commencement day.
- (9) Section 170 of the ^{M92}Taxation of Chargeable Gains Act 1992 (groups of companies) shall have effect for the purposes of this section as for those of sections 171 to 181 of that Act.

Marginal Citations

M92 1992 c.12.

Interest rate and currency contracts and options

149 Interest rate contracts and options. U.K.

- (1) A contract is an interest rate contract for the purposes of this Chapter if—
- (a) the condition mentioned below is fulfilled, and
 - (b) the only transfers of money or money’s worth for which the contract provides are payments falling within subsection (2), (3) or (4) or section 151 below.
- (2) The condition is that under the contract, whether unconditionally or subject to conditions being fulfilled, a qualifying company becomes entitled to a right to receive, or becomes subject to a duty to make, at a time specified in the contract a variable rate payment.
- (3) An interest rate contract may include provision under which, as the consideration or part of the consideration for a payment falling within subsection (2) above, the qualifying company becomes subject to a duty to make, or (as the case may be) becomes entitled to a right to receive, at a time specified in the contract a fixed or fixed rate payment.

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- (4) In so far as the rights and duties mentioned in subsections (2) and (3) above relate to two payments—
- (a) which fall to be made at the same time, and
 - (b) of which one falls to be made to and the other by the qualifying company,
- it is immaterial for the purposes of this section that those rights and duties may be exercised and discharged by a payment made to or, as the case may require, by the company of an amount equal to the difference between the amounts of those payments.
- (5) Each of the following, namely—
- (a) an option to enter into an interest rate contract, and
 - (b) an option to enter into such an option,
- is an interest rate option for the purposes of this Chapter if the only transfers of money or money's worth for which it provides are payments falling within section 151 below.
- (6) In this section—
- “fixed payment” means a payment of a fixed amount specified in the contract;
 - “fixed rate payment” means a payment the amount of which falls to be determined (wholly or mainly) by applying to a notional principal amount specified in the contract, for a period so specified, a rate the value of which at all times is the same as that of a fixed rate of interest so specified;
 - “variable rate payment” means a payment the amount of which falls to be determined (wholly or mainly) by applying to a notional principal amount specified in the contract, for a period so specified, a rate the value of which at any time is the same as that of a variable rate of interest so specified.

Modifications etc. (not altering text)

C17 S. 149(2) modified (1.1.1999) by S.I. 1998/3177, reg. 8(a)

150 Currency contracts and options. U.K.

- (1) A contract is a currency contract for the purposes of this Chapter if—
- (a) the condition mentioned below is fulfilled, and
 - (b) the only transfers of money or money's worth for which the contract provides are payments falling within subsection (2), (3), (4) or (9) or section 151 below.
- (2) The condition is that under the contract a qualifying company—
- (a) becomes entitled to a right and subject to a duty to receive payment at a specified time of a specified amount of one currency (the first currency), and
 - (b) becomes entitled to a right and subject to a duty to pay in exchange and at the same time a specified amount of another currency (the second currency).
- (3) A currency contract may include provision under which the qualifying company—
- (a) becomes entitled to a right to receive at a time specified in the contract a payment the amount of which falls to be determined (wholly or mainly) by applying a specified rate of interest to a specified amount of the first currency, and

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- (b) becomes subject to a duty to make at a time so specified a payment the amount of which falls to be determined (wholly or mainly) by applying a specified rate of interest to a specified amount of the second currency.
- (4) A currency contract may also include provision under which the qualifying company—
- (a) becomes entitled to a right and subject to a duty to receive payment at a specified time of a specified amount of the second currency, and
 - (b) becomes entitled to a right and subject to a duty to pay in exchange and at the same time a specified amount of the first currency.
- (5) In subsections (3) and (4) above—
- (a) any reference to a time is a reference to a time earlier than that specified in the contract for the purposes of subsection (2) above, and
 - (b) any reference to a specified rate of interest is a reference to a rate the value of which at any time is the same as that of the specified rate of interest.
- (6) Each of the following, namely—
- (a) an option to enter into a currency contract, and
 - (b) an option to enter into such an option,
- is a currency option for the purposes of this Chapter if the only transfers of money or money's worth for which it provides are payments falling within section 151 below.
- (7) An option the exercise of which at any time would result in a qualifying company—
- (a) becoming entitled to a right and subject to a duty to receive payment at that time of a specified amount of one currency, and
 - (b) becoming entitled to a right and subject to a duty to pay in exchange and at that time a specified amount of another currency,
- is a currency option for the purposes of this Chapter if the only transfers of money or money's worth for which it provides are payments falling within this subsection and section 151 below.
- (8) Where, in the case of a contract which is subject to a condition precedent, the fulfilment of the condition at any time would result in a qualifying company becoming entitled and subject as mentioned in paragraphs (a) and (b) of subsection (7) above, that subsection and the following provisions of this Chapter shall have effect as if—
- (a) the contract before the fulfilment of the condition were such an option as is mentioned in that subsection,
 - (b) the fulfilment of the condition were the exercise of the option, and
 - (c) the contract after the fulfilment of the condition were the contract resulting from the exercise of the option.
- (9) It is immaterial for the purposes of this section that the rights and duties mentioned in subsection (2), (4) or (7) above may be exercised and discharged by a payment made to or, as the case may require, by the qualifying company of an amount (in whatever currency) which, at the specified time or the time when the option is exercised, is equivalent in value to the difference between—
- (a) the local currency equivalent at that time of one of the payments there mentioned, and
 - (b) the local currency equivalent at that time of the other of those payments.

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- (10) Subsection (9) above shall be read as applying equally to such of the rights and duties mentioned in subsection (3) above as fall to be exercised and discharged at the same time, and for that purpose shall have effect with such modifications as may be requisite.

VALID FROM 29/04/1996

[^{F17}150A Debt contracts and options. U.K.]

- (1) A contract is a debt contract for the purposes of this Chapter if, not being an interest rate contract or option or a currency contract or option—
- (a) it is a contract under which, whether unconditionally or subject to conditions being fulfilled, a qualifying company has any entitlement, or is subject to any duty, to become a party to a loan relationship; and
 - (b) the only transfers of money or money's worth for which the contract provides (apart from those that will be made under the loan relationship) are payments falling within subsection (5) below and payments falling within section 151 below.
- (2) A contract is also a debt contract for the purposes of this Chapter if, not being a debt contract by virtue of subsection (1) above or an interest rate contract or option or a currency contract or option—
- (a) it is a contract under which, whether unconditionally or subject to conditions being fulfilled, a qualifying company has any entitlement, or is subject to any duty, to become treated as a person with rights and liabilities corresponding to those of a party to a loan relationship; and
 - (b) the only transfers of money or money's worth for which the contract provides are payments falling within subsection (6) below and payments falling within section 151 below.
- (3) In this section references to an entitlement to become a party to a loan relationship, or to a duty to become such a party, shall be taken to include references, in relation to a specified loan relationship, to either of the following, namely—
- (a) an entitlement or, as the case may be, a duty to become a party to an equivalent relationship; and
 - (b) an entitlement or, as the case may be, a duty relating to the making of any one or more such payments as fall within subsection (5) below.
- (4) Subsection (3) above shall apply in relation to references in this section to an entitlement or a duty to become treated as a person with rights and liabilities corresponding to those of a party to a loan relationship as it applies to references to an entitlement or, as the case may be, a duty to become such a party.
- (5) The payments falling within this subsection are—
- (a) a payment of an amount representing the price for becoming a party to the relationship;
 - (b) a payment of an amount determined by reference to the value at any time of the money debt by reference to which the relationship subsists;
 - (c) a settlement payment of an amount determined by reference to the difference at specified times between—
 - (i) the price for becoming a party to the relationship; and

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- (ii) the value of the money debt by reference to which the relationship subsists, or (if the relationship were in existence) would subsist.
- (6) A payment falls within this subsection if it is a settlement payment of an amount determined by reference to the difference at specified times between—
- (a) the price for becoming treated as a person with rights and liabilities corresponding to those of a party to a relationship; and
 - (b) the value of the money debt by reference to which the relationship subsists or (if the relationship existed) would subsist.
- (7) Each of the following, namely—
- (a) an option to enter into a contract which would be a debt contract, and
 - (b) an option to enter into such an option,
- is a debt option for the purposes of this Chapter if the only transfers of money or money's worth for which the option provides are payments falling within section 151 below.
- (8) For the purposes of this Chapter where any contract contains both—
- (a) provisions under which, whether unconditionally or subject to conditions being fulfilled, a qualifying company has any entitlement, or is subject to any duty, to become a party to a loan relationship, and
 - (b) any provisions that have effect otherwise than for the purposes of or in relation to the provisions conferring that entitlement or imposing that duty,
- the provisions mentioned in paragraph (a) above, together with the other contents of that contract so far as they are attributable on a just and reasonable basis to the provisions mentioned in that paragraph, shall be treated as a separate contract.
- (9) For the purposes of this Chapter where—
- (a) any attribution of the contents of a contract falls to be made between provisions falling within paragraph (a) of subsection (8) above and provisions falling within paragraph (b) of that subsection, and
 - (b) that contract provides for the making of any payment constituting a transfer of money or money's worth which cannot be attributed to the provisions falling within only one of those paragraphs,
- that payment shall be treated as apportioned between the provisions falling within each of those paragraphs in such manner as may be just and reasonable.
- (10) Expressions used in this section and in Chapter II of Part IV of the Finance Act 1996 have the same meanings in this section as in that Chapter; but references in this section to a loan relationship do not include—
- (a) any loan relationship represented by an asset to which section 92 of that Act (convertible securities) applies; or
 - (b) any loan relationship to which section 93 of that Act (securities indexed to chargeable assets) applies.
- (11) For the purposes of this section and, so far as it relates to a debt contract or option, of section 151 below the transfer of money's worth having a value of any amount shall be treated as the payment of that amount.]

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Textual Amendments

F17 S. 150A inserted (29.4.1996 with effect as mentioned in s. 105(1) of the inserting Act) by 1996 c. 8, s. 101(3), Sch. 12 (with savings etc. in Pt. IV Chapter II (ss. 80-105))

Modifications etc. (not altering text)

C18 S. 150A modified (1.1.1999) by S.I. 1998/3177, reg. 11(1)

151 Provisions which may be included. **U.K.**

- (1) An interest rate contract or option, or a currency contract or option, may include provision under which the qualifying company—
 - (a) becomes entitled to a right to receive a payment in consideration of its entering into the contract or option, or
 - (b) becomes subject to a duty to make a payment in consideration of another person's entering into the contract or option.
- (2) An interest rate contract or option, or a currency contract or option, may also include provision for all or any of the following—
 - (a) a payment of a reasonable fee for arranging the contract or option;
 - (b) a payment of reasonable costs incurred in respect of the contract or option;
 - (c) a payment for securing, or made in consequence of, the variation or termination of the contract or option; and
 - (d) a payment by way of compensation for, or made in consequence of, a failure to comply with the contract or option.

152 Provisions which may be disregarded. **U.K.**

- (1) Where—
 - (a) but for the inclusion in a contract or option of provisions for one or more transfers of money or money's worth, the contract or option would be a qualifying contract; and
 - (b) as regards the qualifying company and the relevant time, the present value of the transfer, or the aggregate of the present values of the transfers, is small when compared with the aggregate of the present values of all relevant payments,the contract or option shall be treated for the purposes of section 149 or, as the case may be, section 150 above as if those provisions were not included in it.
- (2) For the purposes of subsection (1) above—
 - (a) any present value of a relevant payment which is a negative value shall be treated as if it were the equivalent positive value; and
 - (b) any relevant payment the amount of which represents the difference between two other amounts shall be treated as if it were a payment of an amount equal to the aggregate of those amounts.
- (3) In this section—

“relevant payments” means—

 - (a) in relation to a contract, qualifying payments under the contract;

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(b) in relation to an option, qualifying payments under the option and payments which, if it were exercised, would be qualifying payments under the contract arising by virtue of its exercise;

“the relevant time” means the time when the contract or option was entered into or, if later, the time when the provisions were included in the contract or option.

Other basic definitions

153 **Qualifying payments.** **U.K.**

- (1) Subject to subsections (2) to (5) below, in this Chapter “qualifying payment” means—
 - (a) in relation to a qualifying contract which is an interest rate contract, a payment falling within section 149(2), (3) or (4) above;
 - (b) in relation to a qualifying contract which is a currency contract, a payment falling within subsection (3) or (9) of section 150 above;
 - (c) in relation to a qualifying contract which is a currency option, a payment falling within subsection (9) of that section; and
 - (d) in relation to any qualifying contract, a payment falling within section 151 above.
- (2) In this Chapter “qualifying payment” includes, in relation to a qualifying contract—
 - (a) a payment which, if it were a payment under the contract, would be a payment falling within section 151 above; and
 - (b) a payment for securing the acquisition or disposal of the contract.
- (3) Where a qualifying company closes out a qualifying contract which is an interest rate or currency contract by entering into another contract with obligations which are reciprocal to those of the qualifying contract—
 - (a) any payment received by the company in consideration of its entering into the reciprocal contract, or paid by the company in consideration of another person’s entering into that contract, is for the purposes of this Chapter a qualifying payment in relation to the qualifying contract; and
 - (b) all other payments under the reciprocal contract, and all subsequent payments under the qualifying contract, shall be ignored for all purposes of the Tax Acts.
- (4) Subsection (5) below applies where, in the case of a qualifying contract which is a currency contract, there is a difference between—
 - (a) the local currency equivalent, at the time immediately after the qualifying company becomes entitled to rights and subject to duties under the contract, of the amount of the first currency (the first currency equivalent), and
 - (b) the local currency equivalent, at that time, of the amount of the second currency (the second currency equivalent).
- (5) The amount of the difference shall be treated for the purposes of this Chapter—
 - (a) where the first currency equivalent exceeds the second currency equivalent, as a qualifying payment received by the qualifying company at the time specified in the contract for the purposes of section 150(2) above, and
 - (b) where the first currency equivalent is less than the second currency equivalent, as a qualifying payment made by the qualifying company at that time.

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154 Qualifying companies. **U.K.**

- (1) Subject to subsections (2) and (3) below, any company is a qualifying company for the purposes of this Chapter.
- (2) Where a unit trust scheme is an authorised unit trust as respects an accounting period the trustees (who are deemed to be a company for certain purposes by section 468(1) of the Taxes Act 1988) are not, as regards that period, a qualifying company for the purposes of this Chapter.
- (3) A company which is approved for the purposes of section 842 of the Taxes Act 1988 (investment trusts) for an accounting period is not, as regards that period, a qualifying company for the purposes of this Chapter so far as it relates to currency contracts and options.
- (4) In this section—
 - “authorised unit trust” has the same meaning as in section 468 of the Taxes Act 1988;
 - “unit trust scheme” has the same meaning as in section 469 of that Act.

Modifications etc. (not altering text)

C19 S. 154 modified (28.4.1997) by S.I. 1997/1154, reg. 18

Accrual of profits and losses

155 Accrual of profits and losses. **U.K.**

- (1) Where, as regards a qualifying contract held by a qualifying company and an accounting period, amount A exceeds amount B, a profit on the contract of an amount equal to the excess accrues to the company for the period.
- (2) Where, as regards a qualifying contract held by a qualifying company and an accounting period, amount B exceeds amount A, a loss on the contract of an amount equal to the excess accrues to the company for the period.
- (3) Subsections (4) and (5) below have effect for the purposes of this section, sections 158 and 161 to 167 below and paragraph 2 of Schedule 18 to this Act; and any reference in any of those sections or that paragraph to amount A or amount B is a reference to that amount after the making of any adjustments under such of those sections as precede that section or paragraph.
- (4) Where as regards a qualifying contract a qualifying company’s profit or loss for an accounting period falls to be computed on a mark to market basis incorporating a particular method of valuation—
 - (a) amount A is the aggregate of—
 - (i) the amount or aggregate amount of the qualifying payment or payments becoming due and payable to the company in the period, and
 - (ii) any increase for the period, or the part of the period for which the contract is held by the company, in the value of the contract as determined by that method, and
 - (b) amount B is the aggregate of—

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- (i) the amount or aggregate amount of the qualifying payment or payments becoming due and payable by the company in the period, and
 - (ii) any reduction for the period, or the part of the period for which the contract is held by the company, in the value of the contract as so determined.
- (5) Where as regards a qualifying contract a qualifying company's profit or loss for an accounting period falls to be computed on a particular accruals basis—
 - (a) amount A is so much of the qualifying payment or payments received or falling to be received by the company as is allocated to the period on that basis, and
 - (b) amount B is so much of the qualifying payment or payments made or falling to be made by the company as is so allocated.
- (6) Where a qualifying contract is such a contract by reason of being treated, by virtue of section 152 above, as if any provisions for one or more transfers of money or money's worth were not included in it—
 - (a) so much of any qualifying payment as relates to the transfer or transfers shall be ignored for the purposes of subsections (4) and (5) above, and
 - (b) so much of any such increase or reduction as is mentioned in paragraph (a) or (b) of subsection (4) above as so relates shall be ignored for the purposes of that subsection.
- (7) Subject to subsection (8) below, where a qualifying contract—
 - (a) becomes held by a qualifying company at any time in an accounting period, or
 - (b) ceases to be so held at any such time,
 it shall be assumed for the purposes of subsection (4) above that its value is nil immediately after it becomes so held or, as the case may be, immediately before it ceases to be so held.
- (8) Subsection (7)(b) above does not apply where a qualifying contract is discharged by the making of payments none of which is a qualifying payment for the purposes of this Chapter.

156 Basis of accounting: general. **U.K.**

- (1) Where, for the purposes of a qualifying company's accounts, profits and losses for an accounting period on a qualifying contract held by the company are computed on—
 - (a) a mark to market basis of accounting which satisfies the requirements of this section, or
 - (b) an accruals basis of accounting which satisfies those requirements,
 profits and losses for the period on the contract shall be computed on that basis for the purposes of this Chapter.
- (2) Where subsection (1) above does not apply in the case of a qualifying contract held by a qualifying company and an accounting period, profits and losses for the period on the contract shall be computed for the purposes of this Chapter on a mark to market or accruals basis of accounting which—
 - (a) satisfies the requirements of this section, and

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- (b) is specified in an agreement between the company and the inspector or, in default of such an agreement, in a notice served on the company by the inspector.
- (3) A mark to market basis of accounting satisfies the requirements of this section as regards a qualifying contract if—
- (a) computing the profits or losses on the contract on that basis is in accordance with normal accountancy practice;
 - (b) all relevant payments under the contract are allocated to the accounting periods in which they become due and payable; and
 - (c) the method of valuation adopted is such as to secure the contract is brought into account at a fair value.
- (4) An accruals basis of accounting satisfies the requirements of this section as regards a qualifying contract if—
- (a) computing the profits or losses on the contract on that basis is in accordance with normal accountancy practice;
 - (b) all relevant payments under the contract are allocated to the accounting periods to which they relate, without regard to the accounting periods in which they are made or received, or become due and payable; and
 - (c) where such payments relate to two or more such periods, they are apportioned between those periods on a just and reasonable basis.
- (5) In determining whether, as regards a qualifying contract, a relevant payment is dealt with as mentioned in subsection (4) above—
- (a) regard shall be had to the accounting period or periods to which any reciprocal payment or payments are allocated, and to the basis on which any such payment or payments are apportioned between two or more such periods, but
 - (b) no regard shall be had to the accounting period or periods to which any other payment or payments are allocated, or to the basis on which any such payment or payments are so apportioned.
- (6) References in this section to a qualifying company's accounts shall be construed as follows—
- (a) in the case of a company formed and registered under the ^{M93}Companies Act 1985, as references to its accounts drawn up in accordance with the requirements of that Act;
 - (b) in the case of a company formed and registered under the ^{M94}Companies (Northern Ireland) Order 1986, as references to its accounts drawn up in accordance with the requirements of that Order;
 - (c) in any other case, as references to the accounts which it is required to keep under the law of its home State or, if it is not so required to keep accounts, such of its accounts as most closely correspond to the accounts mentioned in paragraph (a) above;
- and for the purposes of paragraph (c) above the home State of a company is the country or territory under whose law the company is incorporated.

- (7) In this section—

“fair value”, in relation to a qualifying contract, means the amount which, if the qualifying company disposed of the contract to a knowledgeable and willing party dealing at arm's length, it would be able to obtain or, as the case may be, would have to pay;

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“reciprocal payment”, in relation to a relevant payment, means another such payment which is the consideration or part of the consideration for that payment;

“relevant payment” means a qualifying payment made or received, or falling to be made or received, by the company.

- (8) In the above definition of “reciprocal payment”, the second reference to a relevant payment includes a reference to any payment which—
- (a) is subject to a condition precedent, and
 - (b) would be a relevant payment if the condition were fulfilled.

Marginal Citations

M93 1985 c. 6.

M94 S.I. 1986/1032 (N.I.6).

157 Basis of accounting for linked currency options. **U.K.**

- (1) As regards a qualifying contract which is a linked currency option, a qualifying company’s profit or loss for an accounting period shall be computed on a mark to market basis of accounting.
- (2) Accordingly if, as regards such an option, a qualifying company’s profit or loss for an accounting period would, apart from subsection (1) above, fall to be computed on an accruals basis of accounting, that profit or loss shall be computed for the purposes of this Chapter on a mark to market basis of accounting which—
 - (a) satisfies the requirements of section 156 above, or would satisfy those requirements if paragraph (a) of subsection (3) of that section were omitted, and
 - (b) is specified in an agreement between the company and the inspector or, in default of such an agreement, in a notice served on the company by the inspector.
- (3) A currency option is a linked currency option for the purposes of this section if each of the conditions mentioned below is fulfilled.
- (4) The first condition is that—
 - (a) in the case of an option exercisable by the qualifying company against the other party, another currency option is exercisable by that party against the company; or
 - (b) in the case of an option exercisable by the other party against the qualifying company, another currency option is exercisable by the company against that party.
- (5) For the purposes of subsection (4) above, another currency option which is exercisable by or against an associated company of the qualifying company, or by or against an associated company of the other party to the currency option in question, shall be treated as exercisable by or against the qualifying company or that party.
- (6) The second condition is that the terms of the two options are such that—
 - (a) they must be exercised (if at all) at the same, or substantially the same, time, and

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- (b) the rights and duties under the contract which would arise if the one option were exercised are the same, or substantially the same, as those under the contract which would arise if the other option were exercised.
- (7) Where the currency option in question is such an option by virtue of section 150(8) above, subsections (4) and (5) above shall be construed as if—
- (a) any reference to an option being exercisable by any person were a reference to a contract subject to a condition precedent the fulfilment of which would result in a transfer of value to that person, and
 - (b) any reference to an option being exercisable against any person were a reference to a contract subject to a condition precedent the fulfilment of which would result in a transfer of value by that person.
- (8) For the purposes of subsection (7) above there is a transfer of value to or by any person if, immediately after the fulfilment of the condition, the value of that person's net assets is more or, as the case may be, less than it would have been but for the fulfilment of the condition.
- (9) Any reference in subsection (8) above to the value of a person's net assets being more or less than it would have been but for the fulfilment of the condition includes a reference to the value of that person's net liabilities being less or, as the case may be, more than it would have been but for the fulfilment of the condition.
- (10) In this section "associated company" shall be construed in accordance with section 416 of the Taxes Act 1988 and any reference to a currency option is a reference to one which is a qualifying contract.

158 Adjustments for changes in basis of accounting. U.K.

- (1) Subsections (2) to (5) below apply where, as regards a qualifying contract and an accounting period, a qualifying company's profit or loss is computed on a basis of accounting (the new basis) other than that adopted for the immediately preceding accounting period.
- (2) There shall be added to amount A an amount equal to any amount, or the aggregate of any amounts—
- (a) which have not been included in amount A for a preceding accounting period, and
 - (b) which would have been so included if the new basis had been adopted for that period.
- (3) There shall be deducted from amount A or, as the case may require, added to amount B an amount equal to any amount, or the aggregate of any amounts—
- (a) which have been included in amount A for a preceding accounting period, and
 - (b) which would not have been so included if the new basis had been adopted for that period.
- (4) There shall be added to amount B an amount equal to any amount, or the aggregate of any amounts—
- (a) which have not been included in amount B for a preceding accounting period, and
 - (b) which would have been so included if the new basis had been adopted for that period.

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- (5) There shall be deducted from amount B or, as the case may require, added to amount A an amount equal to any amount, or the aggregate of any amounts—
 - (a) which have been included in amount B for a preceding accounting period, and
 - (b) which would not have been so included if the new basis had been adopted for that period.
- (6) Subject to subsection (7) below, subsections (2) to (5) above also apply where a contract or option becomes a qualifying contract by virtue of section 147(2) or 148(2) or (3) above at the beginning of the first day of an accounting period of a qualifying company.
- (7) Where subsections (2) to (5) above apply by virtue of subsection (6) above, they shall have effect as if—
 - (a) any reference to the new basis were a reference to the basis of accounting on which, as regards the qualifying contract, the company's profit or loss for the accounting period is calculated,
 - (b) any reference to being or not being included in amount A for a preceding accounting period were a reference to being or not being taken into account as receipts or increases in value in computing the company's profits or losses for such a period, and
 - (c) any reference to being or not being included in amount B for a preceding accounting period were a reference to being or not being taken into account as deductions or reductions in value in computing the company's profits or losses for such a period.

Modifications etc. (not altering text)

C20 S. 158(2)-(5) modified (29.4.1996 with effect as mentioned in s. 105(1) of the modifying Act) by 1996 c. 8, s. 105, **Sch. 15 para. 25(3)** (with savings etc. in Pt. IV Chapter II (ss. 80-105))

Treatment of profits and losses

159 Trading profits and losses. U.K.

- (1) Subsections (2) and (3) below apply where—
 - (a) as regards a qualifying contract a profit or loss accrues to a qualifying company for an accounting period, and
 - (b) the qualifying contract was at any time in the period held by the company for the purposes of a trade or part of a trade carried on by it.
- (2) If throughout the accounting period the qualifying contract was held by the company solely for the purposes of the trade or part, the whole of the profit or loss shall be treated for the purposes of the Tax Acts as a profit or loss of the trade or part for the period.
- (3) In any other case the profit or loss shall be apportioned on a just and reasonable basis and so much as is attributable to the trade or part shall be treated for the purposes of the Tax Acts as a profit or loss of the trade or part for the period.
- (4) The preceding provisions of this section apply notwithstanding anything in section 74 of the Taxes Act 1988 (general rules as to deductions not allowable).

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160 Non-trading profits and losses. **U.K.**

- (1) In a case where—
 - (a) as regards a qualifying contract a profit or loss accrues to a qualifying company for an accounting period, and
 - (b) the whole or part of the profit or loss does not fall to be treated for the purposes of the Tax Acts as a profit or loss of a trade or part of a trade for the period, the whole or part (as the case may be) shall be treated for the purposes of this section as a non-trading profit or loss of the company for the period.
- (2) Subsections (5), (6) and (9) of section 129 and sections 130 to 133 of the ^{M95}Finance Act 1993 (non-trading exchange gains and losses) shall have effect as if—
 - (a) any reference to an amount which a company is treated as receiving in an accounting period by virtue of section 129 included a reference to an amount equal to any non-trading profit of the company for the period, and
 - (b) any reference to a loss which a company is treated as incurring in an accounting period by virtue of that section included a reference to an amount equal to any non-trading loss of the company for the period;and (unless the contrary intention appears) any reference in the following provisions of this Chapter to any of those provisions of that Act is a reference to that provision so far as it has effect in relation to such non-trading profits or losses.
- (3) For the purposes of subsection (2) above, any reference in the provisions there mentioned which falls to be construed as a reference to a qualifying company for the purposes of Chapter II of Part II of the ^{M96}Finance Act 1993 (exchange gains and losses) shall be construed as including a reference to a qualifying company for the purposes of this Chapter.
- (4) Case VI of Schedule D shall for the purposes of corporation tax extend to companies not resident in the United Kingdom, so far as those companies are chargeable to tax on profits which, in the case of companies resident in the United Kingdom, fall within that Case by virtue of section 130 of the ^{M97}Finance Act 1993.

Marginal Citations

M95 1993 c.34.

M96 1993 c.34.

M97 1993 c.34.

Special cases

161 Termination etc. of qualifying contracts. **U.K.**

- (1) This section applies where at any time (the relevant time) in an accounting period of a qualifying company—
 - (a) a qualifying contract held by the company is terminated,
 - (b) such a contract is disposed of by the company, or
 - (c) a contract held by the company is so varied as to cease to be such a contract.
- (2) If, as regards the contract and the period, amounts A and B fall to be determined under section 155(5) above—

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- (a) there shall be deducted from amount A or, as the case may require, added to amount B so much of any qualifying payment as has not become due and payable to the company before the relevant time but has been included in amount A for the period or any previous accounting period, and
- (b) there shall be deducted from amount B or, as the case may require, added to amount A so much of any qualifying payment as has not become due and payable by the company before the relevant time but has been included in amount B for the period or any previous accounting period.

162 Exchange gains and losses on currency contracts. **U.K.**

Where, as regards a currency contract held by a qualifying company and an accounting period, amounts A and B fall to be determined under section 155(4) above—

- (a) the amount of any exchange gain which as regards the contract accrues to the company for the period shall be deducted from amount A or, as the case may require, added to amount B; and
- (b) the amount of any exchange loss which as regards the contract accrues to the company for the period shall be deducted from amount B or, as the case may require, added to amount A.

163 Irrecoverable payments. **U.K.**

- (1) Subsections (2) and (3) below apply in any case where—
 - (a) a qualifying company is entitled to a right to receive a qualifying payment, and
 - (b) the inspector is satisfied, on a claim made within two years after the end of an accounting period of the company, that the whole or any part of the payment outstanding immediately before the end of that period could at that time reasonably have been regarded as having become irrecoverable in that period.
- (2) If, as regards the contract and the period, amounts A and B fall to be determined under section 155(4) above, an amount equal to so much of the payment as—
 - (a) is considered to have become irrecoverable in the period, and
 - (b) became due and payable in the period or any previous accounting period,
 shall be deducted from amount A, or as the case may require, added to amount B.
- (3) If, as regards the contract and the period, amounts A and B fall to be determined under section 155(5) above, an amount equal to so much of the payment as—
 - (a) is considered to have become irrecoverable in the period, and
 - (b) was allocated to the period or any previous accounting period,
 shall be deducted from amount A, or as the case may require, added to amount B.
- (4) In any case where—
 - (a) as regards a qualifying contract and an accounting period of a qualifying company, an amount has been deducted or added as mentioned in subsection (2) or (3) above, and
 - (b) the whole or any part of so much of the qualifying payment as was considered irrecoverable is recovered in a later accounting period of the company,
 an amount equal to so much of the payment as is so recovered shall, as regards the qualifying contract and the later accounting period, be deducted from amount B, or as the case may require, added to amount A.

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164 Released payments. **U.K.**

- (1) Subsections (2) and (3) below apply in any case where—
 - (a) a qualifying company is subject to a duty to make a qualifying payment, and
 - (b) at any time in an accounting period of the company, the whole or any part of the payment then outstanding is released by the person to whom the duty is owed.
- (2) If, as regards the contract and the period, amounts A and B fall to be determined under section 155(4) above, an amount equal to so much of the payment as—
 - (a) is released in the period, and
 - (b) became due and payable in the period or any previous accounting period,shall be deducted from amount B, or as the case may require, added to amount A.
- (3) If, as regards the contract and the period, amounts A and B fall to be determined under section 155(5) above, an amount equal to so much of the payment as—
 - (a) is released in the period, and
 - (b) was allocated to the period or any previous accounting period,shall be deducted from amount B, or as the case may require, added to amount A.

Anti-avoidance and related provisions

165 Transfers of value by qualifying companies. **U.K.**

- (1) Subsection (2) below applies where, as a result of—
 - (a) a qualifying company entering into a relevant transaction on or after its commencement day, or
 - (b) the expiry on or after a qualifying company's commencement day of an option held by the company which, until its expiry, was a qualifying contract,there is a transfer of value by the qualifying company to an associated company or an associated third party.
- (2) For the accounting period of the qualifying company in which the transaction was entered into or the option expired, there shall be deducted from amount B or, as the case may require, added to amount A an amount equal to the value transferred by that company.
- (3) For the purposes of subsection (1) above there is a transfer of value by the qualifying company to an associated company or an associated third party if, immediately after the transaction or expiry—
 - (a) the value of the qualifying company's net assets is less, and
 - (b) the value of the associated company's or associated third party's net assets is more,than it would have been but for the transaction or expiry; and the amount by which the value mentioned in paragraph (a) above is less is the value transferred by the qualifying company for the purposes of subsection (2) above.
- (4) Any reference in subsection (3) above to the value of a person's net assets being less or more than it would have been but for the transaction or expiry includes a reference to the value of that person's net liabilities being more or, as the case may be, less than it would have been but for the transaction or expiry.

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- (5) In applying subsection (3) above, no account shall be taken of any such payment as is mentioned in section 151(2)(a) or (b) above.
- (6) A third party, that is to say, a person who is not an associated company, is an associated third party for the purposes of this section at the time when the relevant transaction is entered or the option expires if, at that time, each of the two conditions mentioned below is fulfilled.
- (7) The first condition is that the relevant transaction is entered into or the option is allowed to expire in pursuance of arrangements made with the third party.
- (8) The second condition is that, in pursuance of those arrangements, a transfer of value has been or will be made to an associated company (directly or indirectly) by the third party or by a company which was at the time when the arrangements were made an associated company of that party.
- (9) Where it appears to the inspector that there is a transfer of value by the qualifying company to a third party, he may by notice in writing require the company, within such time (which shall not be less than 30 days) as may be specified in the notice, to furnish to the inspector such information—
- (a) as is in its possession or power, and
 - (b) as the inspector reasonably requires for the purpose of determining whether the third party is an associated third party for the purposes of this section.
- (10) Subsection (3) above shall (with the necessary modifications) apply for the purposes of subsections (7) to (9) above as it applies for the purposes of subsection (1) above.
- (11) In this section—
- “associated company” shall be construed in accordance with section 416 of the Taxes Act 1988;
- “relevant transaction” means a transaction as a result of which—
- (a) a qualifying company becomes party to a qualifying contract, or
 - (b) the terms of a qualifying contract to which a qualifying company is party are varied;
- and any reference to an associated company is, unless the contrary intention appears, a reference to an associated company of the qualifying company.

166 Transfers of value to associated companies. **U.K.**

- (1) Subsection (2) below applies where subsection (2) of section 165 above applies and either—
- (a) the transfer of value by the qualifying company is to an associated company which is itself a qualifying company; or
 - (b) the transfer of value by the qualifying company is to an associated third party, and the transfer of value mentioned in subsection (8) of that section—
 - (i) is to an associated company which is itself a qualifying company, and
 - (ii) results from that company entering into a relevant transaction.
- (2) For the corresponding accounting period or periods of the associated company, there shall be deducted from amount A or, as the case may require, added to amount B an amount equal to the value transferred to the associated company.

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- (3) Subsection (3) of section 165 above shall (with the necessary modifications) apply for the purposes of subsection (2) above as it applies for the purposes of subsection (2) of that section.
- (4) In subsection (2) above “corresponding accounting period or periods”, in relation to the associated company, means the accounting period or periods of that company comprising or together comprising the accounting period of the qualifying company in which the transaction was entered into or the option expired, and any necessary apportionment shall be made between corresponding accounting periods if more than one.
- (5) In this section any expressions which are also used in section 165 above shall be construed in accordance with the provisions of that section.

167 Transactions not at arm’s length. **U.K.**

- (1) A transaction entered into on or after a qualifying company’s commencement day is a relevant transaction for the purposes of this section if as a result of the transaction—
 - (a) the qualifying company becomes party to a qualifying contract, or
 - (b) the terms of a qualifying contract to which the qualifying company is party are varied.
- (2) Subsections (3) to (5) below apply where—
 - (a) if the parties to a relevant transaction had been dealing at arm’s length, the transaction—
 - (i) would not have been entered into at all, or
 - (ii) would have been entered into on different terms, and
 - (b) the Board direct that those subsections shall apply,but subject, in a case falling within paragraph (a)(ii) above, to the modifications made by subsection (7) below.
- (3) For each relevant accounting period for the whole of which the other party is a qualifying company, the following deductions shall be made—
 - (a) from amount B, a deduction of such amount as may be necessary to reduce amount B to nil, and
 - (b) from amount A, a deduction of such amount as may be necessary to reduce amount A to nil.
- (4) For each relevant accounting period for any part of which the other party is not a qualifying company, the following deductions shall be made—
 - (a) from amount B, a deduction of such amount as may be necessary to reduce amount B to nil, and
 - (b) from amount A, a deduction of the same amount or (where that amount exceeds amount A) a deduction of so much of that amount as may be necessary to reduce amount A to nil.
- (5) For each relevant accounting period (except the first) for any part of which the other party is not a qualifying company, there shall also be deducted from amount A or, as the case may require, added to amount B such amount as may be necessary to secure that amount C does not exceed amount D where—
 - (a) amount C is any amount by which the aggregate of adjusted amounts A exceeds the aggregate of adjusted amounts B, and

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- (b) amount D is any amount by which the aggregate of unadjusted amounts A exceeds the aggregate of unadjusted amounts B.
- (6) In subsection (5) above—
- “adjusted” means adjusted under subsections (4) and (5) above and “unadjusted” shall be construed accordingly;
- “the aggregate of adjusted amounts A”, in relation to a relevant accounting period, means the aggregate of—
- (a) adjusted amount A for that period, and
- (b) adjusted amount A for each preceding relevant accounting period,
- and similar expressions shall be construed accordingly.
- (7) In a case falling within subsection (2)(a)(ii) above—
- (a) subsections (3) to (5) above shall have effect as if any reference to amount A or amount B were a reference to the relevant proportion of that amount; and
- (b) the definitions in subsection (6) above of “the aggregate of adjusted amounts A” and similar expressions shall have effect as if any reference to adjusted amount A were a reference to the adjusted relevant proportion of amount A; and in this subsection “the relevant proportion” means such proportion as may be just and reasonable having regard to the differences between the terms mentioned in subsection (2)(a)(ii) above and the terms on which the relevant transaction was actually entered into.
- (8) In applying subsections (2) and (7) above—
- (a) no account shall be taken of any transfer of value in respect of which an adjustment is made under section 165 or 166 above, but
- (b) subject to that, all factors shall be taken into account.
- (9) The factors which may be so taken into account include—
- (a) in a case where the qualifying contract is an interest rate contract or option, any notional principal amounts and rates of interest that would have been involved;
- (b) in a case where the qualifying contract is a currency contract or option, any currencies and amounts that would have been involved; and
- (c) in either case, any transactions which are related to the relevant transaction.
- (10) In this section “relevant accounting period”, in relation to a relevant transaction, means—
- (a) the accounting period of the qualifying company in which the transaction was entered into, and
- (b) each subsequent accounting period of that company for the whole or part of which it is party to the contract.

168 Qualifying contracts with non-residents. **U.K.**

- (1) Subject to subsections (3) to (5) below, subsections (4) and (5) of section 167 above (“the relevant subsections”) also apply where, as a result of any transaction entered into on or after a qualifying company’s commencement day—
- (a) the qualifying company and a non-resident, that is, a person who is not resident in the United Kingdom, both become party to a qualifying contract;

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- (b) the qualifying company becomes party to a qualifying contract to which a non-resident is party; or
 - (c) a non-resident becomes party to a qualifying contract to which the qualifying company is party.
- (2) For the purposes of the relevant subsections as so applied, the definition of “relevant accounting period” in subsection (10) of that section shall have effect as if—
- (a) any reference to a relevant transaction were a reference to the transaction mentioned in subsection (1) above; and
 - (b) in paragraph (b), for the words “it is” there were substituted the words “both it and the non-resident are”.
- (3) The relevant subsections shall not apply where the qualifying company is a bank, building society or financial trader and—
- (a) it holds the qualifying contract solely for the purposes of a trade or part of a trade carried on by it in the United Kingdom, and
 - (b) it is party to the contract otherwise than as agent or nominee of another person.
- (4) The relevant subsections shall not apply where—
- (a) the non-resident holds the qualifying contract solely for the purposes of a trade or part of a trade carried on by him in the United Kingdom through a branch or agency, and
 - (b) he is party to the contract otherwise than as agent or nominee of another person.
- (5) The relevant subsections shall not apply where arrangements made with the government of the territory in which the non-resident is resident—
- (a) have effect by virtue of section 788 of the Taxes Act 1988, and
 - (b) make provision, whether for relief or otherwise, in relation to interest (as defined in the arrangements).
- (6) Where the non-resident is party to the contract as agent or nominee of another person, subsection (5) above shall have effect as if the reference to the territory in which the non-resident is resident were a reference to the territory in which that other person is resident.

VALID FROM 24/07/2002

[^{F18}168A Qualifying contracts for unallowable purposes U.K.]

- (1) Where in any accounting period a qualifying contract to which a company is party has an unallowable purpose, any amounts which for that period fall, in the case of the company, to be brought into account for the purposes of section 155 above as part of amount B shall (subject to subsection (2) below) not include so much of the amounts given by the accounting method used as respects the contract as, on a just and reasonable apportionment, is referable to the unallowable purpose.
- (2) The total of any amounts which by virtue of subsection (1) above are not to be brought into account in the accounting period as part of amount B may not exceed the maximum amount.

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- (3) For the purposes of subsection (2) above, the maximum amount, in relation to the accounting period, is—
 - (a) if in the accounting period amount B exceeds amount A, the amount by which amount B exceeds amount A; and
 - (b) if in the accounting period amount A exceeds or equals amount B, nil.
- (4) For the purposes of subsection (3) above, amount A and amount B shall be determined in relation to the qualifying contract in accordance with section 155 above and, in so determining amount B, so much of any amount as is referable to the unallowable purpose of the contract shall (notwithstanding subsection (1) above) be brought into account.
- (5) For the purposes of this section a qualifying contract to which a company is party shall be taken to have an unallowable purpose in an accounting period where the purposes for which, at times during that period, the company is party to the contract include a purpose (“the unallowable purpose”) which is not amongst the business or other commercial purposes of the company.
- (6) For the purposes of this section the business and other commercial purposes of a company do not include the purposes of any part of its activities in respect of which it is not within the charge to corporation tax.
- (7) For the purposes of this section, where one of the purposes for which a company is party to a qualifying contract at any time is a tax avoidance purpose, that purpose shall be taken to be a business or other commercial purpose of the company only where it is not the main purpose, or one of the main purposes, for which the company is party to the contract at that time.
- (8) The reference in subsection (7) above to a tax avoidance purpose is a reference to any purpose that consists in securing a tax advantage (whether for the company or any other person).
- (9) In this section “tax advantage” has the same meaning as in Chapter 1 of Part 17 of the Taxes Act 1988 (tax avoidance).]

Textual Amendments

F18 S.168A inserted (with effect as mentioned in s. 69(2))4 of the amending Act) by [Finance Act 2002 \(c. 23\), s. 69\(1\)](#)

Miscellaneous

169 Insurance and mutual trading companies. **U.K.**

- (1) Subject to the provisions of Schedule 18 to this Act and subsection (2) below, this Chapter shall apply in relation to insurance companies and mutual trading companies as it applies in relation to other qualifying companies.
- (2) The Treasury may by regulations provide that this Chapter shall have effect in relation to currency contracts held by insurance companies with such modifications as may be specified in the regulations.

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- (3) Regulations under subsection (2) above may make different provision as respects contracts held for different purposes or in different circumstances.

170 Investment trusts. **U.K.**

- (1) For the purpose of determining whether a qualifying company may be approved for the purposes of section 842 of the Taxes Act 1988 (investment trusts) for any accounting period, any non-trading profits which the company is treated for the purposes of section 160 above as having for that period shall be treated as income derived from shares or securities.
- (2) In this section “shares” has the same meaning as in section 842 of the Taxes Act 1988.

171 Charities. **U.K.**

- (1) Section 505 of the Taxes Act 1988 (charities: general) shall have effect, in relation to any qualifying company established for charitable purposes only, as if the reference in subsection (1)(c)(ii) to any yearly interest or other annual payment included a reference to any annual profits or gains which the company is treated as receiving in any accounting period by virtue of section 130 of the ^{M98}Finance Act 1993 (non-trading exchange gains: charge to tax).
- (2) As regards a qualifying company so established, no part of the relievable amount for any accounting period may be set off against any income which, if it had been applied for charitable purposes only, would have been exempt by virtue of section 505 of the Taxes Act 1988.
- (3) In subsection (2) above “the relievable amount” has the same meaning as in section 131 of the ^{M99}Finance Act 1993 (relief for non-trading exchange losses).

Marginal Citations

M98 1993 c.34.

M99 1993 c.34.

172 Partnerships involving qualifying companies. **U.K.**

- (1) Subject to the provisions of this section, this Chapter shall have effect as if qualifying partnerships were qualifying companies.
- (2) A partnership is a qualifying partnership for the purposes of this section if one or more of the partners are qualifying companies.
- (3) Subsections (4) to (6) below apply where—
 - (a) one or more of the members of a qualifying partnership are not qualifying companies, and
 - (b) as regards one or more qualifying contracts, one or more profits or losses accrue to the partnership for an accounting period.
- (4) Two computations of the profits and losses for the period shall be made under subsection (1) of section 114 of the Taxes Act 1988 (partnerships involving companies: special rules for computing profits and losses)—

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- (a) one (the first computation) on the basis that the partnership is a qualifying partnership, and
 - (b) the other (the second computation) on the basis that the partnership is not such a partnership.
- (5) The first computation shall be used for the purpose of determining, under subsection (2) of that section, the share or shares of such of the partners as are qualifying companies.
- (6) The second computation shall be used for the purpose of determining, under that subsection, the share or shares of such of the partners as are not qualifying companies.

Supplemental

173 Prevention of double charging etc. U.K.

- (1) Subsection (2) below applies to any amount—
- (a) which under or by virtue of this Chapter is chargeable to corporation tax as profits of a qualifying company, or
 - (b) which falls to be taken into account as a receipt in computing for the purposes of this Chapter the profits or losses of such a company.
- (2) An amount to which this subsection applies—
- (a) shall not otherwise than under or by virtue of this Chapter be chargeable to corporation tax as profits of the company,
 - (b) shall not be taken into account as a receipt in computing for other purposes of the Tax Acts the profits or losses of the company, and
 - (c) for the purposes of the ^{M100}Taxation of Chargeable Gains Act 1992, shall be excluded from the consideration for a disposal of assets taken into account in the computation of the gain.
- (3) Subsection (4) below applies to any amount—
- (a) which is allowable as a deduction in computing for the purposes of this Chapter the profits or losses of a qualifying company, or
 - (b) which under or by virtue of this Chapter is allowable as a deduction in computing any other income or profits or gains or losses of such a company for the purposes of the Tax Acts, or
 - (c) which, although not so allowable as a deduction in computing any losses, would be so allowable but for an insufficiency of income or profits or gains;
- and that subsection applies to any such amount irrespective of whether effect is or would be given to the deduction in computing the amount of tax chargeable or by discharge or repayment of tax or in any other way.
- (4) An amount to which this subsection applies—
- (a) shall not be allowable as a deduction in computing for other purposes of the Tax Acts the profits or losses of the company,
 - (b) shall not otherwise than under or by virtue of this Chapter be allowable as a deduction in computing any other income or profits or gains or losses of the company for the purposes of the Tax Acts,
 - (c) shall not be treated as a charge on income for the purposes of corporation tax, and

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- (d) shall be excluded from the sums allowable under section 38 of the ^{M101}Taxation of Chargeable Gains Act 1992 as a deduction in the computation of the gain.
- (5) In this section—
- (a) references to the purposes of this Chapter include references to the purposes of subsections (5), (6) and (9) of section 129 and sections 130 to 133 of the ^{M102}Finance Act 1993 (non-trading exchange gains and losses), and
- (b) references to other purposes of the Tax Acts are references to the purposes of those Acts other than those of this Chapter.

Marginal Citations

M100 1992 c.12.

M101 1992 c.12.

M102 1993 c.34.

174 Prevention of deduction of tax. U.K.

Notwithstanding anything in section 349 of the Taxes Act 1988 or any other provision of the Tax Acts, a qualifying company shall not be required, on making a qualifying payment, to deduct out of it any sum representing an amount of income tax on it.

175 Transitional provisions. U.K.

- (1) In a case where—
- (a) at any time, a currency contract held by a qualifying company becomes a qualifying contract by virtue of section 147(2) above, and
- (b) at that time, it is held for the purposes of a trade or part of a trade carried on by the company, [^{F19}and
- (c) the circumstances are such that if any profit or loss accrues (or were to accrue) to the company as regards the contract for an accounting period beginning before that time it falls (or would fall) to be taken into account as a profit or loss of the trade or part,]

subsection (4) of section 153 above shall have effect in relation to the contract and the company as if section 147(2) above applied for the purposes of this Chapter except those of that subsection.

- [^{F20}(2) In a case where—

- (a) at any time, a currency contract held by a qualifying company becomes a qualifying contract by virtue of section 147(2) above, and
- (b) the circumstances are such that if any profit or loss accrues (or were to accrue) to the company as regards the contract for the accounting period beginning with that time it does not fall (or would not fall) to be taken into account as a profit or loss of a trade or part of a trade carried on by the company,

in applying section 158(2) and (4) above in relation to the contract and the period section 153(4) and (5) above shall be treated as omitted.]

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Textual Amendments

- F19** S. 175(1)(c) and the word “and” immediately preceding it inserted (*retrospectively*) by 1995 c. 4, s. 132(1)(2)
- F20** S. 175(2) substituted (*retrospectively*) by 1995 c. 4, s. 132(1)(3)

176 Minor and consequential amendments. **U.K.**

- (1) In section 434A(1) of the Taxes Act 1988 (limitations on loss relief and group relief), for the words from “under” to “Part X” there shall be substituted the following paragraphs—

- “(a) under Chapter II (loss relief) or Chapter IV (group relief) of Part X, or
(b) under Chapter II of Part II of the Finance Act 1993 so far as it has effect in relation to losses treated as non-trading losses for the purposes of section 160 of the Finance Act 1994.”

- (2) In Schedule 27 to that Act (distributing funds) in paragraph 5 (United Kingdom equivalent profits) the following sub-paragraph shall be substituted for sub-paragraph (2A)—

“(2A) In applying sub-paragraph (1) above the effect of the following shall be ignored, namely—

- (a) sections 125 to 133 of the Finance Act 1993 (exchange gains and losses), and
(b) sections 159 and 160 of, and paragraph 1 of Schedule 18 to, the Finance Act 1994 (treatment of profits and losses on interest rate and currency contracts).”

177 Interpretation of Chapter II. **U.K.**

- (1) In this Chapter—

“appointed day” has the meaning given by section 147(4) above;

“bank” means any of the following—

- (a) the Bank of England;
(b) any institution authorised under the ^{M103}Banking Act 1987; and
(c) a European authorised institution which has lawfully established a branch in the United Kingdom for the purpose of accepting deposits;

“commencement day” has the meaning given by section 147(4) above;

“currency contract” and “currency option” shall be construed in accordance with section 150 above;

“deposit” has the same meaning as in the ^{M104}Banking Act 1987;

“European authorised institution” has the same meaning as in the ^{M105}Banking Coordination (Second Council Directive) Regulations 1992;

“financial trader” means any of the following—

- (a) an authorised person under Chapter III of Part I of the ^{M106}Financial Services Act 1986;
(b) an exempted person under section 43 of that Act;

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- (c) a European authorised institution which has lawfully established a branch in the United Kingdom for the purpose of carrying on investment business; and
 - (d) any person not falling within paragraphs (a) to (c) above who is approved by the Board for the purposes of this paragraph;
 - “inspector” includes any officer of the Board;
 - “insurance company” means a company to which Part II of the ^{M107}Insurance Companies Act 1982 applies;
 - “interest rate contract” and “interest rate option” shall be construed in accordance with section 149 above;
 - “investment business” has the same meaning as in the ^{M108}Financial Services Act 1986;
 - “mutual trading company” means a company carrying on any business of mutual trading or mutual insurance or other mutual business;
 - “qualifying company” has the meaning given by section 154 above;
 - “qualifying contract” has the meaning given by section 147(1) above;
 - “qualifying payment” shall be construed in accordance with section 153 above.
- (2) For the purposes of this Chapter—
- (a) a company becomes entitled to rights or subject to duties under an interest rate contract or option, or a currency contract or option, when it becomes party to the contract or option; and
 - (b) a company holds such a contract or option at a particular time if it is then entitled to rights or subject to duties under it;
- and it is immaterial for the purposes of paragraph (b) above when the rights or duties fall to be exercised or performed.
- (3) Any provision of this Chapter other than section 167 above which requires any amount (the relevant amount) to be deducted from amount A or, as the case may require, added to amount B shall be construed as requiring the following deductions or additions to be made—
- (a) where amount A is not less than the relevant amount, a deduction from amount A of an amount equal to the relevant amount;
 - (b) where amount A is less than the relevant amount but is more than nil—
 - (i) a deduction from amount A of an amount equal to so much of the relevant amount as may be necessary to reduce amount A to nil, and
 - (ii) an addition to amount B of an amount equal to the remainder of the relevant amount;
 - (c) where amount A is nil, an addition to amount B of an amount equal to the relevant amount.
- (4) Subsection (3) above shall be read as applying equally to any such provision which requires any amount to be deducted from amount B or, as the case may be, added to amount A, and for that purpose shall have effect with such modifications as may be requisite.
- (5) In this Chapter expressions which are not defined or otherwise explained but are used in Chapter II of Part II of the ^{M109}Finance Act 1993 (exchange gains and losses) have the same meanings as in that Chapter.

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- (6) The Treasury may by order amend any of sections 149 to 153 above; and any such order may—
- (a) make corresponding amendments to section 126 of the ^{M110}Finance Act 1993;
 - (b) make consequential amendments to such of the provisions of this Chapter or Chapter II of Part II of that Act as relate to currency contracts; and
 - (c) contain such other consequential provisions, and such supplementary, incidental or transitional provisions, as appear to the Treasury to be necessary or expedient.

Marginal Citations

M103 1987 c. 22.
 M104 1987 c. 22.
 M105 S.I. 1992/3218.
 M106 1986 c. 60.
 M107 1982 c.50.
 M108 1986 c. 60.
 M109 1993 c.34.
 M110 1993 c.34.

CHAPTER III U.K.

MANAGEMENT: SELF-ASSESSMENT ETC.

Income tax and capital gains tax

178 **Personal and trustee's returns.** U.K.

- (1) For subsection (1) of section 8 of the Management Act (personal return) there shall be substituted the following subsections—
- “(1) For the purpose of establishing the amounts in which a person is chargeable to income tax and capital gains tax for a year of assessment, he may be required by a notice given to him by an officer of the Board—
- (a) to make and deliver to the officer, on or before the day mentioned in subsection (1A) below, a return containing such information as may reasonably be required in pursuance of the notice, and
 - (b) to deliver with the return such accounts, statements and documents, relating to information contained in the return, as may reasonably be so required.
- (1A) The day referred to in subsection (1) above is—
- (a) the 31st January next following the year of assessment, or
 - (b) where the notice under this section is given after the 31st October next following the year, the last day of the period of three months beginning with the day on which the notice is given.
- (1B) In the case of a person who carries on a trade, profession, or business in partnership with one or more other persons, a return under this section shall

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include each amount which, in any relevant statement, is stated to be equal to his share of any income, loss or charge for the period in respect of which the statement is made.

(1C) In subsection (1B) above “relevant statement” means a statement which, as respects the partnership, falls to be made under section 12AB of this Act for a period which includes, or includes any part of, the year of assessment or its basis period.”

(2) For subsection (1) of section 8A of the Management Act (trustee’s return) there shall be substituted the following subsections—

“(1) For the purpose of establishing the amounts in which a trustee of a settlement, and the settlors and beneficiaries, are chargeable to income tax and capital gains tax for a year of assessment, an officer of the Board may by a notice given to the trustee require the trustee—

- (a) to make and deliver to the officer, on or before the day mentioned in subsection (1A) below, a return containing such information as may reasonably be required in pursuance of the notice, and
- (b) to deliver with the return such accounts, statements and documents, relating to information contained in the return, as may reasonably be so required;

and a notice may be given to any one trustee or separate notices may be given to each trustee or to such trustees as the officer thinks fit.

(1A) The day referred to in subsection (1) above is—

- (a) the 31st January next following the year of assessment, or
- (b) where the notice under this section is given after the 31st October next following the year, the last day of the period of three months beginning with the day on which the notice is given.”

179 Returns to include self-assessment. **U.K.**

For section 9 of the Management Act there shall be substituted the following section—

“9 Returns to include self-assessment.

- (1) Subject to subsection (2) below, every return under section 8 or 8A of this Act shall include an assessment (a self-assessment) of the amounts in which, on the basis of the information contained in the return, the person making the return is chargeable to income tax and capital gains tax for the year of assessment.
- (2) A person shall not be required to comply with subsection (1) above if he makes and delivers his return for a year of assessment—
 - (a) on or before the 30th September next following the year, or
 - (b) where the notice under section 8 or 8A of this Act is given after the 31st July next following the year, within the period of two months beginning with the day on which the notice is given.
- (3) Where, in making and delivering a return, a person does not comply with subsection (1) above, an officer of the Board shall if subsection (2) above applies, and may in any other case—

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- (a) make the assessment on his behalf on the basis of the information contained in the return, and
 - (b) send him a copy of the assessment so made;
- and references in the following provisions of this Act to a person's self-assessment include references to an assessment made on a person's behalf under this subsection.
- (4) Subject to subsection (5) below—
- (a) at any time before the end of the period of nine months beginning with the day on which a person's return is delivered, an officer of the Board may by notice to that person so amend that person's self-assessment as to correct any obvious errors or mistakes in the return (whether errors of principle, arithmetical mistakes or otherwise); and
 - (b) at any time before the end of the period of twelve months beginning with the filing date, a person may by notice to an officer of the Board so amend his self-assessment as to give effect to any amendments to his return which he has notified to such an officer.
- (5) No amendment of a self-assessment may be made under subsection (4) above at any time during the period—
- (a) beginning with the day on which an officer of the Board gives notice of his intention to enquire into the return, and
 - (b) ending with the day on which the officer's enquiries into the return are completed.
- (6) In this section and section 9A of this Act "the filing date" means the day mentioned in section 8(1A) or, as the case may be, section 8A(1A) of this Act."

180 Power to enquire into returns. **U.K.**

After section 9 of the Management Act there shall be inserted the following section—

"9A Power to enquire into returns.

- (1) An officer of the Board may enquire into—
- (a) the return on the basis of which a person's self-assessment was made under section 9 of this Act, or
 - (b) any amendment of that return on the basis of which that assessment has been amended by that person,
- if, before the end of the period mentioned in subsection (2) below, he gives notice in writing to that person of his intention to do so.
- (2) The period referred to in subsection (1) above is—
- (a) in the case of a return delivered or amendment made on or before the filing date, the period of twelve months beginning with that date;
 - (b) in the case of a return delivered or amendment made after that date, the period ending with the quarter day next following the first anniversary of the day on which the return or amendment was delivered or made;
- and the quarter days for the purposes of this subsection are 31st January, 30th April, 31st July and 31st October.

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- (3) A return or amendment which has been enquired into under subsection (1) above shall not be the subject of a further notice under that subsection.”

Corporation tax

181 Return of profits. **U.K.**

- (1) In subsection (1) of section 11 of the Management Act (return of profits), after the words “as may”, in both places where they occur, there shall be inserted the word “reasonably”.
- (2) In subsection (1A) of that section, after the words “a company may”, in both places where they occur, there shall be inserted the word “reasonably”.
- (3) After subsection (2) of that section there shall be inserted the following subsections—
- “(2A) In the case of a company which carries on a trade, profession or business in partnership with one or more other persons, a return under this section shall include each amount which, in any relevant statement, is stated to be equal to its share of any income, loss or charge for the period in respect of which the statement is made.
- (2B) In subsection (2A) above “relevant statement” means a statement which, as respects the partnership, falls to be made under section 12AB of this Act for a period which includes, or includes any part of, the period in respect of which the return is required.”

182 Return of profits to include self-assessment. **U.K.**

After section 11 of the Management Act there shall be inserted the following section—

“11AA Return of profits to include self-assessment.

- (1) Every return under section 11 of this Act for an accounting period shall include an assessment (a self-assessment) of the amount in which, on the basis of the information contained in the return, the company is chargeable to corporation tax for that period.
- (2) Subject to subsection (3) below—
- (a) at any time before the end of the period of nine months beginning with the day on which a company’s return is delivered, an officer of the Board may by notice to the company so amend the company’s self-assessment as to correct any obvious errors or mistakes in the return (whether errors of principle, arithmetical mistakes or otherwise); and
- (b) at any time before the end of the period of twelve months beginning with the filing date, a company may by notice to an officer of the Board so amend its self-assessment as to give effect to any amendments to its return which it has notified to such an officer.
- (3) No amendment of a self-assessment may be made under subsection (2) above at any time during the period—
- (a) beginning with the day on which an officer of the Board gives notice of his intention to enquire into the return, and

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(b) ending with the day on which the officer's enquiries into the return are completed.

(4) In this section and section 11AB of this Act "the filing date" means the day mentioned in section 11(4) of this Act."

183 Power to enquire into return of profits. **U.K.**

After section 11AA of the Management Act there shall be inserted the following section—

"11AB Power to enquire into return of profits.

- (1) An officer of the Board may enquire into—
- (a) the return on the basis of which a company's self-assessment was made under section 11AA of this Act, or
 - (b) any amendment of that return on the basis of which that assessment was amended under subsection (2)(b) of that section,
- if, before the end of the period mentioned in subsection (2) below, he gives notice in writing to the company of his intention to do so.
- (2) The period referred to in subsection (1) above is—
- (a) in the case of a return delivered or amendment made on or before the filing date, the period of twelve months beginning with that date;
 - (b) in the case of a return delivered or amendment made after that date, the period ending with the quarter day next following the first anniversary of the day on which the return or amendment was delivered or made;
- and the quarter days for the purposes of this subsection are 31st January, 30th April, 31st July and 31st October.
- (3) A return or amendment which has been enquired into under subsection (1) above shall not be the subject of a further notice under that subsection."

Partnerships

184 Partnership return. **U.K.**

After section 12 of the Management Act there shall be inserted the following section—

" Partnerships

12AA Partnership return.

- (1) Where a trade, profession or business is carried on by two or more persons in partnership, for the purpose of facilitating—
- (a) the assessment to income tax for a year of assessment, and
 - (b) the assessment to corporation tax for any period,
- of each partner who is liable to be so assessed, an officer of the Board may act under subsection (2) or (3) below (or both).

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- (2) An officer of the Board may by a notice given to the partners require such person as is identified in accordance with rules given with the notice—
 - (a) to make and deliver to the officer in respect of such period as may be specified in the notice, on or before such day as may be so specified, a return containing such information as may reasonably be required in pursuance of the notice, and
 - (b) to deliver with the return such accounts and statements as may reasonably be so required.
- (3) An officer of the Board may by notice given to any partner require the partner—
 - (a) to make and deliver to the officer in respect of such period as may be specified in the notice, on or before such day as may be so specified, a return containing such information as may reasonably be required in pursuance of the notice, and
 - (b) to deliver with the return such accounts and statements as may reasonably be so required;and a notice may be given to any one partner or separate notices may be given to each partner or to such partners as the officer thinks fit.
- (4) In the case of a partnership which includes one or more individuals, the day specified in a notice under subsection (2) or (3) above shall not be earlier than—
 - (a) the 31st January next following the year of assessment concerned, or
 - (b) where the notice under this section is given after the 31st October next following the year, the last day of the period of three months beginning with the day on which the notice is given.
- (5) In the case of a partnership which includes one or more companies, the day specified in a notice under subsection (2) or (3) above shall not be earlier than—
 - (a) the first anniversary of the end of the relevant period, or
 - (b) where the notice under this section is given more than nine months after the end of the relevant period, the last day of the period of three months beginning with the day on which the notice is given;and the relevant period for the purposes of this subsection and subsection (6) below is the period in respect of which the return is required.
- (6) Every return under this section shall include—
 - (a) a declaration of the name, residence and tax reference of each of the persons who have been partners—
 - (i) for the whole of the relevant period, or
 - (ii) for any part of that period,and, in the case of a person falling within sub-paragraph (ii) above, of the part concerned; and
 - (b) a declaration by the person making the return to the effect that it is to the best of his knowledge correct and complete.
- (7) Every return under this section shall also include, if the notice under subsection (2) or (3) above so requires—
 - (a) with respect to any disposal of partnership property during a period to which any part of the return relates, the like particulars as if the partnership were liable to tax on any chargeable gain accruing on the disposal, and

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- (b) with respect to any acquisition of partnership property, the particulars required under section 12(2) of this Act.
- (8) A notice under this section may require different information, accounts and statements for different periods or in relation to different descriptions of source of income.
- (9) Notices under this section may require different information, accounts and statements in relation to different descriptions of partnership.
- (10) In this section “residence”, in relation to a company, means its registered office.”

185 Partnership return to include partnership statement. U.K.

After section 12AA of the Management Act there shall be inserted the following section—

“12AB Partnership return to include partnership statement.

- (1) Every return under section 12AA of this Act shall include a statement (a partnership statement) of the following amounts, namely—
 - (a) in the case of each period of account ending within the period in respect of which the return is made—
 - (i) the amount of income or loss from each source which, on the basis of the information contained in the return, has accrued to or has been sustained by the partnership for that period, and
 - (ii) the amount of each charge which, on that basis, was a charge on the income of the partnership for that period; and
 - (b) in the case of each such period and each of the partners, the amount which, on that basis, is equal to his share of that income, loss or charge.
- (2) Subject to subsection (3) below—
 - (a) at any time before the end of the period of nine months beginning with the day on which a person’s return is delivered, an officer of the Board may by notice to that person so amend that person’s partnership statement as to correct any obvious errors or mistakes in the return (whether errors of principle, arithmetical mistakes or otherwise); and
 - (b) at any time before the end of the period of twelve months beginning with the filing date, a person may by notice to an officer of the Board so amend his partnership statement as to give effect to any amendments to his return which he has notified to such an officer.
- (3) No amendment of a partnership statement may be made under subsection (2) above at any time during the period—
 - (a) beginning with the day on which an officer of the Board gives notice of his intention to enquire into the return, and
 - (b) ending with the day on which the officer’s enquiries into the return are completed.
- (4) Where a partnership statement is amended under subsection (2) above, the officer shall by notice to the partners so amend their self-assessments under

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section 9 or 11AA of this Act as to give effect to the amendments of the partnership statement.

(5) In this section—

“filing date” means the day specified in the notice under subsection (2) or, as the case may be, subsection (3) of section 12AA of this Act;

“period of account”, in relation to a partnership, means any period for which accounts are drawn up.”

186 Power to enquire into partnership return. **U.K.**

After section 12AB of the Management Act there shall be inserted the following section—

“12AC Power to enquire into partnership return.

(1) An officer of the Board may enquire into—

- (a) the return on the basis of which a person’s partnership statement was made under section 12AB of this Act, or
- (b) any amendment of that return on the basis of which that statement has been amended by that person,

if, before the end of the period mentioned in subsection (2) below, he gives notice in writing of his intention to do so to that person or any successor of that person.

(2) The period referred to in subsection (1) above is—

- (a) in the case of a return delivered or amendment made on or before the filing date, the period of twelve months beginning with that date;
- (b) in the case of a return delivered or amendment made after that date, the period ending with the quarter day next following the first anniversary of the day on which the return or amendment was delivered or made;

and the quarter days for the purposes of this subsection are 31st January, 30th April, 31st July and 31st October.

(3) The giving of notice under subsection (1) above at any time shall be deemed to include the giving of notice under section 9A(1) or, as the case may be, section 11AB(1) of this Act to each partner who—

- (a) at that time, has made a return under section 9 or 11 of this Act, or
- (b) at any subsequent time, makes such a return.

(4) A return or amendment which has been enquired into under subsection (1) above shall not be the subject of a further notice under that subsection.

(5) In this section “the filing date” means the day specified in the notice under subsection (2) or, as the case may be, subsection (3) of section 12AA of this Act.

(6) In this Act “successor”, in relation to a person who—

- (a) has made and delivered a return under section 12AA of this Act, but
- (b) is no longer a partner or is otherwise no longer available,

means such other partner who may at any time be nominated for the purposes of this subsection by the majority of the partners at that time, and “predecessor”

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and “successor”, in relation to a person so nominated, shall be construed accordingly.”

Enquiries: procedure

187 Power to call for documents. U.K.

Immediately before section 20 of the Management Act there shall be inserted the following section—

“19A Power to call for documents for purposes of certain enquiries.

- (1) This section applies where an officer of the Board gives notice under section 9A(1), 11AB(1) or 12AC(1) of this Act to any person (the taxpayer) of his intention to enquire into—
 - (a) the return on the basis of which the taxpayer’s self-assessment or partnership statement was made, or
 - (b) any amendment of that return on the basis of which that assessment or statement has been amended by the taxpayer.
- (2) For the purpose of enquiring into the return or amendment, the officer may at the same or any subsequent time by notice in writing require the taxpayer, within such time (which shall not be less than 30 days) as may be specified in the notice—
 - (a) to produce to the officer such documents as are in the taxpayer’s possession or power and as the officer may reasonably require for the purpose of determining whether and, if so, the extent to which the return is incorrect or incomplete or the amendment is incorrect, and
 - (b) to furnish the officer with such accounts or particulars as he may reasonably require for that purpose.
- (3) To comply with a notice under subsection (2) above, copies of documents may be produced instead of originals; but—
 - (a) the copies must be photographic or otherwise by way of facsimile; and
 - (b) if so required by a notice in writing given by the officer, in the case of any document specified in the notice, the original must be produced for inspection by him within such time (which shall not be less than 30 days) as may be specified in the notice.
- (4) The officer may take copies of, or make extracts from, any document produced to him under subsection (2) or (3) above.
- (5) A notice under subsection (2) above does not oblige the taxpayer to produce documents or furnish accounts or particulars relating to the conduct of any pending appeal by him.
- (6) An appeal may be brought against any requirement imposed by a notice under subsection (2) above to produce any document or to furnish any accounts or particulars.
- (7) An appeal under subsection (6) above must be brought within the period of 30 days beginning with the date on which the notice under subsection (2) above is given.

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Changes to legislation: Finance Act 1994 is up to date with all changes known to be in force on or before 27 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (8) Subject to subsection (9) below, the provisions of this Act relating to appeals shall have effect in relation to an appeal under subsection (6) above as they have effect in relation to an appeal against an assessment to tax.
- (9) On an appeal under subsection (6) above section 50(6) to (8) of this Act shall not apply but the Commissioners may—
 - (a) if it appears to them that the production of the document or the furnishing of the accounts or particulars was reasonably required by the officer of the Board for the purpose mentioned in subsection (2) above, confirm the notice under that subsection so far as relating to the requirement; or
 - (b) if it does not so appear to them, set aside that notice so far as so relating.
- (10) Where, on an appeal under subsection (6) above, the Commissioners confirm the notice under subsection (2) above so far as relating to any requirement, the notice shall have effect in relation to that requirement as if it had specified 30 days beginning with the determination of the appeal.
- (11) Neither the taxpayer nor the officer of the Board shall be entitled to require a case to be stated under section 56 of this Act following the determination of an appeal under subsection (6) above.
- (12) Where this section applies by virtue of a notice given under section 12AC(1) of this Act, any reference in this section to the taxpayer includes a reference to any predecessor or successor of his.”

188 Amendment of self-assessment. U.K.

Immediately before section 29 of the Management be inserted the following section—

“28A Amendment of self-assessment where enquiries made.

- (1) This section applies where an officer of the Board gives notice under section 9A(1) or 11AB(1) of this Act to any person (the taxpayer) of his intention to enquire into—
 - (a) the return on the basis of which the taxpayer’s self-assessment was made, or
 - (b) any amendment of that return on the basis of which an amendment (the taxpayer’s amendment) of that assessment has been made by the taxpayer.
- (2) If, at any time before the officer’s enquiries are completed, the officer is of opinion that—
 - (a) the tax contained in the taxpayer’s self-assessment is insufficient and, in a case falling within subsection (1)(b) above, the deficiency is attributable (wholly or partly) to the taxpayer’s amendment, and
 - (b) unless the assessment is immediately so amended as to make good the deficiency or, as the case may be, so much of the deficiency as is so attributable, there is likely to be a loss of tax to the Crown,he may by notice to the taxpayer amend the assessment accordingly.

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- (3) At any time in the period of 30 days beginning with the day on which the officer's enquiries are completed, the taxpayer may so amend his self-assessment—
 - (a) as to make good any deficiency or eliminate any excess which, on the basis of the conclusions stated in the officer's notice under subsection (5) below, is a deficiency or excess which could be made good or eliminated under subsection (4) below; or
 - (b) in a case falling within subsection (1)(a) above where the return was made before the end of the period of twelve months beginning with the filing date, as to give effect to any amendments to the return which he has notified to the officer.
- (4) If, at any time in the period of 30 days beginning immediately after the period mentioned in subsection (3) above, the officer is of opinion that—
 - (a) the tax contained in the taxpayer's self-assessment is insufficient or excessive, and
 - (b) in a case falling within subsection (1)(b) above, the deficiency or excess is attributable (wholly or partly) to the taxpayer's amendment,
 he may by notice to the taxpayer so amend the assessment as to make good or eliminate the deficiency or excess or, where paragraph (b) above applies, so much of the deficiency or excess as is so attributable.
- (5) Subject to subsection (6) below, the officer's enquiries shall be treated as completed at such time as he by notice—
 - (a) informs the taxpayer that he has completed his enquiries, and
 - (b) states his conclusions as to the amount of tax which should be contained in the taxpayer's self-assessment.
- (6) At any time before a notice is given under subsection (5) above the taxpayer may apply to the Commissioners for a direction that the officer shall give such a notice within such period as may be specified in the direction; and the Commissioners shall give such a direction unless they are satisfied that the officer has reasonable grounds for not giving such a notice.
- (7) Proceedings under subsection (6) above shall be heard and determined in the same way as an appeal.
- (8) In this section "filing date" means the day mentioned in section 8(1A), section 8A(1A) or, as the case may be, section 11(4) of this Act."

189 Amendment of partnership statement. U.K.

After section 28A of the Management Act there shall be inserted the following section—

“28B Amendment of partnership statement where enquiries made.

- (1) This section applies where an officer of the Board gives notice under section 12AC(1) of this Act to any person (the taxpayer) of his intention to enquire into—
 - (a) the return on the basis of which the taxpayer's partnership statement was made, or

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- (b) any amendment of that return on the basis of which an amendment (the taxpayer's amendment) of that statement has been made by the taxpayer.
- (2) At any time in the period of 30 days beginning with the day on which the officer's enquiries are completed, the taxpayer may so amend his partnership statement—
 - (a) as to make good any deficiency or eliminate any excess which, on the basis of the conclusions stated in the officer's notice under subsection (5) below, is a deficiency or excess which could be made good or eliminated under subsection (3) below; or
 - (b) in a case falling within subsection (1)(a) above where the return made before the end of the period of twelve months beginning with the filing date, as to give effect to any amendments to the return which he has notified to the officer.
- (3) If, at any time in the period of 30 days beginning immediately after the period mentioned in subsection (2) above, the officer is of opinion that—
 - (a) any amount contained in the taxpayer's partnership statement is insufficient or excessive, and
 - (b) in a case falling within subsection (1)(b) above, the deficiency or excess is attributable (wholly or partly) to the taxpayer's amendment,he may by notice to the taxpayer so amend the statement as to make good or eliminate the deficiency or excess or, where paragraph (b) above applies, so much of the deficiency or excess as is so attributable.
- (4) Where a partnership statement is amended under this section, the officer shall by notice to each of the partners so amend his self-assessment under section 9 or 11AA of this Act as to give effect to the amendments of the partnership statement.
- (5) Subject to subsection (6) below, the officer's enquiries shall be treated as completed at such time as he by notice—
 - (a) informs the taxpayer that he has completed his enquiries, and
 - (b) states his conclusions as to the amounts which should be contained in the taxpayer's partnership statement.
- (6) Subsections (6) and (7) of section 28A of this Act apply for the purposes of subsection (5) above as they apply for the purposes of subsection (5) of that section.
- (7) In this section "filing date" means the day specified in the notice under subsection (2) or, as the case may be, subsection (3) of section 12AA of this Act.
- (8) Any reference in this section to the taxpayer includes a reference to any predecessor or successor of his."

Determinations and assessments to protect revenue

190 Determination of tax where no return delivered. U.K.

After section 28B of the Management Act there shall be inserted the following section—

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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“28C Determination of tax where no return delivered.

- (1) Where—
 - (a) a notice has been given to any person under section 8, 8A or 11 of this Act (the relevant section), and
 - (b) the required return is not delivered on or before the filing date,
 an officer of the Board may make a determination of the amounts in which, to the best of his information and belief, the person who should have made the return is chargeable to income tax and capital gains tax for the year of assessment or (as the case may be) is chargeable to corporation tax for the accounting period.
- (2) Notice of any determination under this section shall be served on the person in respect of whom it is made and shall state the date on which it is issued.
- (3) Until such time (if any) as it is superseded by a self-assessment made under section 9 or 11AA of this Act (whether by the taxpayer or an officer of the Board) on the basis of information contained in a return under the relevant section, a determination under this section shall have effect for the purposes of Parts VA, VI, IX and XI of this Act as if it were such a self-assessment.
- (4) Where—
 - (a) an officer of the Board has commenced any proceedings for the recovery of any tax charged by a determination under this section; and
 - (b) before those proceedings are concluded, the determination is superseded by such a self-assessment as is mentioned in subsection (3) above,
 those proceedings may be continued as if they were proceedings for the recovery of so much of the tax charged by the self-assessment as is due and payable and has not been paid.
- (5) No determination under this section, and no self-assessment superseding such a determination, shall be made otherwise than—
 - (a) before the end of the period of five years beginning with the filing date; or
 - (b) in the case of such a self-assessment, before the end of the period of twelve months beginning with the date of the determination.
- (6) In this section “the filing date” means the day mentioned in section 8(1A), section 8A(1A) or, as the case may be, section 11(4) of this Act.”

191 Assessment where loss of tax discovered. U.K.

- (1) For section 29 of the Management Act there shall be substituted the following section—

“29 Assessment where loss of tax discovered.

- (1) If an officer of the Board or the Board discover, as regards any person (the taxpayer) and a chargeable period—

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- (a) that any profits which ought to have been assessed to tax have not been assessed, or
 - (b) that an assessment to tax is or has become insufficient, or
 - (c) that any relief which has been given is or has become excessive,the officer or, as the case may be, the Board may, subject to subsections (2) and (3) below, make an assessment in the amount, or the further amount, which ought in his or their opinion to be charged in order to make good to the Crown the loss of tax.
- (2) Where—
 - (a) the taxpayer has made and delivered a return under section 8, 8A or 11 of this Act in respect of the relevant chargeable period, and
 - (b) the situation mentioned in subsection (1) above is attributable to an error or mistake in the return as to the basis on which his liability ought to have been computed,the taxpayer shall not be assessed under that subsection in respect of the chargeable period there mentioned if the return was in fact made on the basis or in accordance with the practice generally prevailing at the time when it was made.
- (3) Where the taxpayer has made and delivered a return under section 8, 8A or 11 of this Act in respect of the relevant chargeable period, he shall not be assessed under subsection (1) above—
 - (a) in respect of the chargeable period mentioned in that subsection; and
 - (b) in the case of a return under section 8 or 8A, in the same capacity as that in which he made and delivered the return,unless one of the two conditions mentioned below is fulfilled.
- (4) The first condition is that the situation mentioned in subsection (1) above is attributable to fraudulent or negligent conduct on the part of the taxpayer or a person acting on his behalf.
- (5) The second condition is that at the time when an officer of the Board—
 - (a) ceased to be entitled to give notice of his intention to enquire into the taxpayer's return under section 8, 8A or 11 of this Act in respect of the relevant chargeable period; or
 - (b) informed the taxpayer that he had completed his enquiries into that return,the officer could not have been reasonably expected, on the basis of the information made available to him before that time, to be aware of the situation mentioned in subsection (1) above.
- (6) For the purposes of subsection (5) above, information is made available to an officer of the Board if—
 - (a) it is contained in the taxpayer's return under section 8, 8A or 11 of this Act in respect of the relevant chargeable period (the return), or in any accounts, statements or documents accompanying the return;
 - (b) it is contained in any claim made as regards the relevant chargeable period by the taxpayer acting in the same capacity as that in which he made the return, or in any accounts, statements or documents accompanying any such claim;

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- (c) it is contained in any documents, accounts or particulars which, for the purposes of any enquiries into the return or any such claim by an officer of the Board, are produced or furnished by the taxpayer to the officer, whether in pursuance of a notice under section 19A of this Act or otherwise; or
 - (d) it is information the existence of which, and the relevance of which as regards the situation mentioned in subsection (1) above—
 - (i) could reasonably be expected to be inferred by an officer of the Board from information falling within paragraphs (a) to (c) above; or
 - (ii) are notified in writing by the taxpayer to an officer of the Board.
- (7) In subsection (6) above—
- (a) any reference to the taxpayer’s return under section 8, 8A or 11 of this Act in respect of the relevant chargeable period includes—
 - (i) a reference to any return of his under that section for either of the two immediately preceding chargeable periods; and
 - (ii) where the return is under section 8 and the taxpayer carries on a trade, profession or business in partnership, a reference to any return with respect to the partnership under section 12AA of this Act for the relevant chargeable period or either of those periods; and
 - (b) any reference in paragraphs (b) to (d) to the taxpayer includes a reference to a person acting on his behalf.
- (8) An objection to the making of an assessment under this section on the ground that neither of the two conditions mentioned above is fulfilled shall not be made otherwise than on an appeal against the assessment.
- (9) Any reference in this section to the relevant chargeable period is a reference to—
- (a) in the case of the situation mentioned in paragraph (a) or (b) of subsection (1) above, the chargeable period mentioned in that subsection; and
 - (b) in the case of the situation mentioned in paragraph (c) of that subsection, the chargeable period in respect of which the claim was made.
- (10) In this section “profits”—
- (a) in relation to income tax, means income,
 - (b) in relation to capital gains tax, means chargeable gains, and
 - (c) in relation to corporation tax, means profits as computed for the purposes of that tax.”
- (2) This section, so far as it relates to partnerships whose trades, professions or businesses are set up and commenced before 6th April 1994, has effect as respects the year 1997-98 and subsequent years of assessment.

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Payment of tax

192 Payments on account of income tax. **U.K.**

After Part V of the Management Act there shall be inserted the following section—

“PART VA **U.K.**

PAYMENT OF TAX

59A Payments on account of income tax.

- (1) This section applies to any person (the taxpayer) as regards a year of assessment if as regards the immediately preceding year—
 - (a) he has been assessed to income tax under section 9 of this Act in any amount, and
 - (b) that amount (the assessed amount) exceeds the amount of any income tax which has been deducted at source, and
 - (c) the amount of the excess (the relevant amount) is not less than such amount as may be prescribed by regulations made by the Board, and
 - (d) the proportion which the relevant amount bears to the assessed amount is not less than such proportion as may be so prescribed.
- (2) Subject to subsection (3) below, the taxpayer shall make two payments on account of his liability to income tax for the year of assessment—
 - (a) the first on or before the 31st January in that year, and
 - (b) the second on or before the next following 31st July;and, subject to subsection (4) below, each of those payments on account shall be of an amount equal to 50 per cent. of the relevant amount.
- (3) If, at any time before the 31st January next following the year of assessment, the taxpayer makes a claim under this subsection stating—
 - (a) his belief that he will not be assessed to income tax for that year, or that the amount in which he will be so assessed will not exceed the amount of income tax deducted at source, and
 - (b) his grounds for that belief,each of the payments on account shall not be, and shall be deemed never to have been, required to be made.
- (4) If, at any time before the 31st January next following the year of assessment, the taxpayer makes a claim under this subsection stating—
 - (a) his belief that the amount in which he will be assessed to income tax for that year will exceed the amount of income tax deducted at source by a stated amount which is less than the relevant amount, and
 - (b) his grounds for that belief,the amount of each of the payments on account required to be made shall be, and shall be deemed always to have been, equal to 50 per cent. of the stated amount.

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- (5) Where the taxpayer makes a claim under subsection (3) or (4) above, there shall be made all such adjustments, whether by the repayment of amounts paid on account or otherwise, as may be required to give effect to the provisions of that subsection.
- (6) Where the taxpayer fraudulently or negligently makes any incorrect statement in connection with a claim under subsection (3) or (4) above, he shall be liable to a penalty not exceeding the difference between—
 - (a) the amount which would have been payable on account if he had made a correct statement, and
 - (b) the amount of the payment on account (if any) made by him.
- (7) The provisions of the Income Tax Acts as to the recovery of income tax shall apply to an amount falling to be paid on account of tax in the same manner as they apply to an amount of tax.
- (8) In this section any reference to income tax deducted at source is a reference to—
 - (a) income tax deducted or treated as deducted from any income or treated as paid on any income, or
 - (b) any amount which, in respect of the year of assessment, is to be deducted at source under section 203 of the principal Act in a subsequent year, or is a tax credit to which section 231 of that Act applies.”

193 **Payment of income tax and capital gains tax.** **U.K.**

After section 59A of the Management Act there shall be inserted the following section—

“59B Payment of income tax and capital gains tax.

- (1) Subject to subsection (2) below, the difference between—
 - (a) the amount of income tax and capital gains tax contained in a person’s self-assessment under section 9 of this Act for any year of assessment, and
 - (b) the aggregate of any payments on account made by him in respect of that year (whether under section 59A of this Act or otherwise) and any income tax which in respect of that year has been deducted at source,
 shall be payable by him or (as the case may be) repayable to him as mentioned in subsection (3) or (4) below.
- (2) The following, namely—
 - (a) any amount which, in the year of assessment, is deducted at source under section 203 of the principal Act in respect of a previous year, and
 - (b) any amount which, in respect of the year of assessment, is to be deducted at source under that section in a subsequent year, or is a tax credit to which section 231 of that Act applies,
 shall be respectively deducted from and added to the aggregate mentioned in subsection (1)(b) above.
- (3) In a case where the person—

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- (a) gave the notice required by section 7 of this Act within six months from the end of the year of assessment, but
 - (b) was not given notice under section 8 or 8A of this Act until after the 31st October next following that year,
- the difference shall be payable or repayable at the end of the period of three months beginning with the day on which the notice under section 8 or 8A was given.
- (4) In any other case, the difference shall be payable or repayable on or before the 31st January next following the year of assessment.
 - (5) Where a person's self-assessment under section 9 of this Act is amended under section 9(4), section 28A(2), (3) or (4) or section 30B(2) of this Act, any amount of tax which is payable or repayable by virtue of the amendment shall, subject to section 55(6) and (9) of this Act, be payable or (as the case may be) repayable—
 - (a) in a case where notice of the amendment is given after, or less than 30 days before, the day given by subsection (3) or (4) above, on or before the day following the end of the period of 30 days beginning with the day on which notice is given; and
 - (b) in any other case, on or before the day given by subsection (3) or (4) above.
 - (6) Any amount of income tax or capital gains tax which is payable by virtue of an assessment made under section 29 of this Act shall be payable on the day following the end of the period of 30 days beginning with the day on which the notice of assessment is given.
 - (7) In this section any reference to income tax deducted at source is a reference to income tax deducted or treated as deducted from any income or treated as paid on any income.”

194 **Surcharges on unpaid income tax and capital gains tax.** **U.K.**

After section 59B of the Management Act there shall be inserted the following section—

“59C Surcharges on unpaid income tax and capital gains tax.

- (1) This section applies in relation to any income tax or capital gains tax which has become payable by a person (the taxpayer) in accordance with section 55 or 59B of this Act.
- (2) Where any of the tax remains unpaid on the day following the expiry of 28 days from the due date, the taxpayer shall be liable to a surcharge equal to 5 per cent. of the unpaid tax.
- (3) Where any of the tax remains unpaid on the day following the expiry of 6 months from the due date, the taxpayer shall be liable to a further surcharge equal to 5 per cent. of the unpaid tax.
- (4) Where the taxpayer has incurred a penalty under section 7, 93(5) or 95 of this Act, no part of the tax by reference to which that penalty was determined shall be regarded as unpaid for the purposes of subsection (2) or (3) above.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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- (5) An officer of the Board may impose a surcharge under subsection (2) or (3) above; and notice of the imposition of such a surcharge—
 - (a) shall be served on the taxpayer, and
 - (b) shall state the day on which it is issued and the time within which an appeal against the imposition of the surcharge may be brought.
- (6) A surcharge imposed under subsection (2) or (3) above shall carry interest at the rate applicable under section 178 of the Finance Act 1989 from the end of the period of 30 days beginning with the day on which the surcharge is imposed until payment.
- (7) An appeal may be brought against the imposition of a surcharge under subsection (2) or (3) above within the period of 30 days beginning with the date on which the surcharge is imposed.
- (8) Subject to subsection (9) below, the provisions of this Act relating to appeals shall have effect in relation to an appeal under subsection (7) above as they have effect in relation to an appeal against an assessment to tax.
- (9) On an appeal under subsection (7) above section 50(6) to (8) of this Act shall not apply but the Commissioners may—
 - (a) if it appears to them that, throughout the period of default, the taxpayer had a reasonable excuse for not paying the tax, set aside the imposition of the surcharge; or
 - (b) if it does not so appear to them, confirm the imposition of the surcharge.
- (10) Inability to pay the tax shall not be regarded as a reasonable excuse for the purposes of subsection (9) above.
- (11) The Board may in their discretion—
 - (a) mitigate any surcharge under subsection (2) or (3) above, or
 - (b) stay or compound any proceedings for the recovery of any such surcharge,
 and may also, after judgment, further mitigate or entirely remit the surcharge.
- (12) In this section—

“the due date”, in relation to any tax, means the date on which the tax becomes due and payable;

“the period of default”, in relation to any tax which remained unpaid after the due date, means the period beginning with that date and ending with the day before that on which the tax was paid.”

195 **Payment of corporation tax.** U.K.

After section 59C of the Management Act there shall be inserted the following section—

“59D **Payment of corporation tax.**

- (1) Corporation tax for an accounting period shall be due and payable on the day following the expiry of nine months from the end of that period.
- (2) If, with respect to any accounting period—

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- (a) a company has paid an amount of corporation tax; and
- (b) at any time before an assessment to corporation tax for the period becomes final, the company has grounds for believing that, by reason of a change in the circumstances of the case since the tax was paid, the amount paid exceeds the company's probable liability for corporation tax,

the company may, by notice given to an officer of the Board on or after the date which, under section 826 of the principal Act, is the material date in relation to that tax, make a claim for the repayment to the company of the amount of that excess.

- (3) A notice under subsection (2) above shall state the amount which the company considers should be repaid and the grounds referred to in paragraph (b) of that subsection.
- (4) If, apart from this subsection, a claim would fall to be made under subsection (2) above at a time when—
 - (a) the company has appealed against, or against an amendment of, such an assessment as is referred to in paragraph (b) of that subsection, but
 - (b) that appeal has not been finally determined,that subsection shall have effect as if, for the words from “make a claim” to “excess”, there were substituted the words “apply to the Commissioners to whom the appeal stands referred for a determination of the amount which should be repaid to the company pending a determination of the company's liability for the accounting period in question”.
- (5) An application under subsections (2) and (4) above shall be determined in the same way as an appeal.
- (6) Where on an appeal against, or against an amendment of, an assessment to corporation tax a company makes an application under section 55(3) or (4) of this Act, that application may be combined with an application under subsections (2) and (4) above (relating to tax which was paid prior to the assessment).”

Miscellaneous and supplemental

196 Management: other amendments. U.K.

Schedule 19 to this Act (which makes other amendments relating to the management of tax) shall have effect.

197 Construction of certain references. U.K.

- (1) In the Tax Acts and the Gains Tax Acts, any reference (however expressed) to a person being assessed to tax, or being charged to tax by an assessment, shall be construed as including a reference to his being so assessed, or being so charged—
 - (a) by a self-assessment under section 9 or 11AA of the Management Act, or
 - (b) by a determination under section 28C of that Act (which, until superseded by such a self-assessment, has effect as if it were one).

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- (2) In this section “the Gains Tax Acts” means the ^{M111}Taxation of Chargeable Gains Act 1992 and all other enactments relating to capital gains tax.

Marginal Citations

M111 1992 c.12.

198 Transitional provisions. U.K.

- (1) Section 59A of the Management Act shall have effect as regards the year 1996-97 as if—
- (a) the reference in subsection (1)(a) to a person being assessed to income tax under section 9 of that Act were a reference to his being assessed to income tax under section 29 of that Act;
 - (b) the reference in subsection (1)(b) to the assessed amount were a reference to the difference between that amount and the amount of any income tax charged at a rate other than the basic rate on any income—
 - (i) from which tax has been deducted otherwise than under section 203 of the Taxes Act 1988,
 - (ii) from or on which income tax is treated as having been deducted or paid, or
 - (iii) which is chargeable under Schedule F;
 - (c) subsection (2) required—
 - (i) the first payment on account to be of an amount equal to the aggregate of the relevant proportion of the relevant amount and 50 per cent. of the difference between the relevant amount and that proportion of that amount, and
 - (ii) the second payment on account to be of an amount equal to 50 per cent. of that difference; and
 - (d) subsection (4) provided that, in the circumstances there mentioned—
 - (i) the amount of the first payment on account required to be made should be, and should be deemed always to have been, equal to the aggregate of the relevant proportion of the stated amount and 50 per cent. of the difference between the stated amount and that proportion of that amount, and
 - (ii) the amount of second payment on account required to be made should be, and should be deemed always to have been, equal to 50 per cent. of that difference.
- (2) In subsection (1) above “relevant proportion” means the proportion which the amount of tax charged under Schedule A or any of Cases III to VI of Schedule D for the year 1995-96 bears to the assessed amount.
- (3) In the case of a partnership whose trade, profession or business is set up and commenced before 6th April 1994, section 59B of the Management Act shall have effect, as respects each partner and the year 1996-97, as if his share of any income tax to which the partnership is assessed for that year were income tax which in respect of that year had been deducted at source.

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199 Interpretation and commencement of Chapter III. **U.K.**

- (1) In this Chapter “the Management Act” means the ^{M112}Taxes Management Act 1970.
- (2) Unless the contrary intention appears, this Chapter—
 - (a) so far as it relates to income tax and capital gains tax, has effect as respects the year 1996-97 and subsequent years of assessment, and
 - (b) so far as it relates to corporation tax, has effect as respects accounting periods ending on or after the appointed day.
- (3) For the purposes of this Chapter the appointed day is such day, not earlier than 1st April 1996, as the Treasury may by order appoint.

Subordinate Legislation Made

P7 S. 199(3) power exercised: 1.7.1999 appointed by S.I. 1998/3173, art. 2

Marginal Citations

M112 1970 c.9.

CHAPTER IV **U.K.**

CHANGES FOR FACILITATING SELF-ASSESSMENT

Assessment under Cases I and II of Schedule D

200 Assessment on current year basis. **U.K.**

For section 60 of the Taxes Act 1988 there shall be substituted the following section—

“60 Assessment on current year basis.

- (1) Subject to subsection (2) below and section 63A, income tax shall be charged under Cases I and II of Schedule D on the full amount of the profits or gains of the year of assessment.
- (2) Where, in the case of a trade, profession or vocation, a basis period for the year of assessment is given by subsection (3) below or sections 61 to 63, the profits or gains of that period shall be taken to be the profits or gains of the year.
- (3) Subject to sections 61 to 63, the basis period for a year of assessment is as follows—
 - (a) if the year is the first year of assessment in which there is an accounting date which falls not less than 12 months after the commencement date, the period of 12 months ending with that accounting date; and
 - (b) if there is a basis period for the immediately preceding year and that basis period is not given by section 61, the period of 12 months beginning immediately after the end of that basis period.

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- (4) In the case of a person who, if he had not died, would under the provisions of this section and sections 61 to 63A have become chargeable to income tax for any year, the tax which would have been so chargeable—
- (a) shall be assessed and charged on his personal representatives, and
 - (b) shall be a debt due from and payable out of his estate.
- (5) In this section and sections 61 to 63—
- “accounting date”, in relation to a year of assessment, means a date in the year to which accounts are made up or, where there are two or more such dates, the latest of those dates;
- “the commencement date” and “the commencement year” mean respectively the date on which and the year of assessment in which the trade, profession or vocation is set up and commenced.”

201 Basis of assessment at commencement. **U.K.**

For section 61 of the Taxes Act 1988 there shall be substituted the following section—

“61 Basis of assessment at commencement.

- (1) Notwithstanding anything in section 60, where the year of assessment is the commencement year, the computation of the profits or gains chargeable to income tax under Case I or II of Schedule D shall be made on the profits or gains arising in the year.
- (2) Subject to section 63, where the year of assessment is the year next following the commencement year and—
 - (a) there is an accounting date in the year and the period beginning with the commencement date and ending with the accounting date is a period of less than 12 months; or
 - (b) the basis period for the year would, apart from this subsection, be given by section 62(2) and the period beginning with the commencement date and ending with the new date in the year is a period of less than 12 months,

the basis period for the year is the period of 12 months beginning with the commencement date.
- (3) In this section “the new date” has the same meaning as in section 62.”

202 Change of basis period. **U.K.**

For section 62 of the Taxes Act 1988 there shall be substituted the following section—

“62 Change of basis period.

- (1) Subsection (2) below applies where, in the case of a trade, profession or vocation—
 - (a) an accounting change, that is, a change from one accounting date (“the old date”) to another (“the new date”), is made or treated as made in a year of assessment; and

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- (b) either section 62A applies or the year of assessment is the year next following or next but one following the commencement year.
- (2) The basis period for the year of assessment is as follows—
- (a) if the year is the year next following the commencement year or the relevant period is a period of less than 12 months, the period of 12 months ending with the new date in the year; and
 - (b) if the relevant period is a period of more than 12 months, that period; and in this subsection “the relevant period” means the period beginning immediately after the end of the basis period for the preceding year and ending with the new date in the year.
- (3) Where subsection (2) above does not apply as respects an accounting change made or treated as made in a year of assessment (“the first year”), this section and section 62A shall have effect in relation to the next following year (“the second year”) as if the change had not been made or treated as made.
- (4) As a consequence of subsection (3) above—
- (a) an accounting change shall be treated as made in the second year if the date or, as the case may be, the latest date in that year to which accounts are made up is a date other than the date of the end of the basis period for the first year; and
 - (b) no such change shall be treated as made in the second year if that date is the date of the end of that period.
- (5) For the purposes of this section an accounting change is made in the first year of assessment in which accounts are not made up to the old date, or accounts are made up to the new date, or both.”

203 **Conditions for such a change.** **U.K.**

After section 62 of the Taxes Act 1988 there shall be inserted the following section—

“62A **Conditions for such a change.**

- (1) This section applies in relation to an accounting change if the following are fulfilled, namely—
 - (a) the first and second conditions mentioned below, and
 - (b) either the third or the fourth condition so mentioned.
- (2) The first condition is that the first accounting period ending with the new date does not exceed 18 months.
- (3) The second condition is that notice of the accounting change is given to an officer of the Board on or before the 31st January next following the year of assessment.
- (4) The third condition is that no accounting change as respects which section 62(2) has applied has been made or treated as made in any of the five years immediately preceding the year of assessment.
- (5) The fourth condition is that—
 - (a) the notice required by the second condition sets out the reasons for which the change is made; and

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- (b) either the officer is satisfied that the change is made for bona fide commercial reasons or he does not, within 60 days of receiving the notice, give notice to the person carrying on the trade, profession or vocation that he is not so satisfied.
- (6) An appeal may be brought against the giving of a notice under subsection (5)(b) above within the period of 30 days beginning with the date on which the notice is given.
- (7) Subject to subsection (8) below, the provisions of the Management Act relating to appeals shall have effect in relation to an appeal under subsection (6) above as they have effect in relation to an appeal against an assessment to tax.
- (8) On an appeal under subsection (6) above section 50(6) to (8) of the Management Act shall not apply but the Commissioners may—
 - (a) if they are satisfied that the change is made for bona fide commercial reasons, set the notice under subsection (5)(b) above aside; or
 - (b) if they are not so satisfied, confirm that notice.
- (9) Obtaining a tax advantage shall not be regarded as a bona fide commercial reason for the purposes of subsections (5) and (8) above.
- (10) In this section—
 - (a) “accounting period” means a period for which accounts are made up, and
 - (b) expressions which are also used in section 62 have the same meanings as in that section.”

204 Basis of assessment on discontinuance. U.K.

For section 63 of the Taxes Act 1988 there shall be substituted the following section—

“63 Basis of assessment on discontinuance.

Where a trade, profession or vocation is permanently discontinued in a year of assessment other than the commencement year, the basis period for the year shall be the period beginning—

- (a) where the year is the year next following the commencement year, immediately after the end of the commencement year, and
- (b) in any other case, immediately after the end of the basis period for the preceding year of assessment,

and (in either case) ending with the date on which the trade, profession or vocation is permanently discontinued.”

205 Overlap profits and overlap losses. U.K.

After section 63 of the Taxes Act 1988 there shall be inserted the following section—

“63A Overlap profits and overlap losses.

- (1) Where, in the case of any trade, profession or vocation, the basis period for a year of assessment is given by section 62(2)(b), a deduction shall be made in

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computing the profits or gains of that year of an amount equal to that. given by the formula in subsection (2) below.

(2) The formula referred to in subsection (1) above is—

$$A \times \frac{B - C}{D}$$

where—

A = the aggregate of any overlap profits less the aggregate of any amounts previously deducted under subsection (1) above;

B = the number of days in the basis period;

C = the number of days in the year of assessment;

D = the aggregate of the overlap periods of any overlap profits less the aggregate number of days given by the variable “B — C” in any previous applications of this subsection.

(3) Where, in the case of any trade, profession or vocation, the basis period for a year of assessment is given by section 63, a deduction shall be made in computing the profits or gains of that year of an amount equal to—

- (a) the aggregate of any overlap profits, less
- (b) the aggregate of any amounts deducted under subsection (1) above.

(4) Where, in the case of any trade, profession or vocation, an amount of a loss would, apart from this subsection, fall to be included in the computations for two successive years of assessment, that amount shall not be included in the computation for the second of those years.

(5) In this section—

“overlap profit” means an amount of profits or gains which, by virtue of sections 60 to 62, is included in the computations for two successive years of assessment; and

“overlap period”, in relation to an overlap profit, means the number of days in the period in which the overlap profit arose.”

Assessment under Cases III to VI of Schedule D

206 Basis of assessment under Case III. U.K.

For section 64 of the Taxes Act 1988 there shall be substituted the following section—

“64 Case III assessments.

Income tax under Case III of Schedule D shall be computed on the full amount of the income arising within the year of assessment, and shall be paid on the actual amount of that income, without any deduction.”

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207 **Basis of assessment under Cases IV and V.** **U.K.**

- (1) In subsection (1) of section 65 of that Act (Case IV and V assessments: general), the words “and sections 66 and 67” and the words “the year preceding” shall cease to have effect.
- (2) In subsection (3) of that section—
 - (a) after the words “Cases I and II of Schedule D” there shall be inserted the words “(including sections 60 to 63A and 113)”; and
 - (b) the words from “Nothing in this subsection” to the end shall cease to have effect.
- (3) In subsection (5) of that section, the words “subject to sections 66 and 67” and the words “the year preceding”, in each place where they occur, shall cease to have effect.
- (4) Sections 66 and 67 of that Act (special rules for fresh income and special rules where source of income disposed of or yield ceases) shall cease to have effect.
- (5) In subsection (1) of section 68 of that Act (special rules where property etc. situated in Republic of Ireland), for the words “sections 65 or 66” there shall be substituted the words “section 65”.
- (6) In its application to trades, professions or vocations set up and commenced before 6th April 1994, subsection (2) above has effect as respects the year 1997-98 and subsequent years of assessment.

208 **Basis of assessment under Case VI.** **U.K.**

For section 69 of the Taxes Act 1988 there shall be substituted the following section—

“69 Case VI assessments.

Income tax under Case VI of Schedule D shall be computed on the full amount of the profits or gains arising in the year of assessment.”

Loss relief

209 **Loss relief: general.** **U.K.**

- (1) For subsections (1) and (2) of section 380 of the Taxes Act 1988 (set-off against general income) there shall be substituted the following subsections—
 - “(1) Where in any year of assessment any person sustains a loss in any trade, profession, vocation or employment carried on by him either solely or in partnership, he may, by notice given within twelve months from the 31st January next following that year, make a claim for relief from income tax on—
 - (a) so much of his income for that year as is equal to the amount of the loss or, where it is less than that amount, the whole of that income; or
 - (b) so much of his income for the last preceding year as is equal to that amount or, where it is less than that amount, the whole of that income;
 but relief shall not be given for the loss or the same part of the loss both under paragraph (a) and under paragraph (b) above.

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- (2) Any relief claimed under paragraph (a) of subsection (1) above in respect of any income shall be given in priority to any relief claimed in respect of that income under paragraph (b) of that subsection.”
- (2) In subsection (2) of section 381 of that Act (further relief for individuals for losses in early years of trade), for the words “an amount of the claimant’s income equal to the amount of the loss” there shall be substituted the words “ so much of the claimant’s income as is equal to the amount of the loss or, where it is less than that amount, the whole of that income ”.
- (3) For subsections (3) and (4) of section 382 of that Act (provisions supplementary to sections 380 and 381) there shall be substituted the following subsections—
- “(3) Subject to subsection (4) below, for the purposes of sections 380 and 381, the amount of a loss sustained in a trade, profession or vocation shall be computed in like manner and in respect of the same period as the profits or gains arising or accruing from the trade, profession or vocation are computed under the provisions of the Income Tax Acts applicable to Case I or II of Schedule D.
- (4) An amount of a loss which, apart from this subsection, would fall to be included in the computations for two successive years of assessment shall not be included in the computation for the second of those years.”
- (4) For subsection (1) of section 385 of that Act (carry-forward against subsequent profits) there shall be substituted the following subsection—
- “(1) Where a person has, in any trade, profession or vocation carried on by him either alone or in partnership, sustained a loss (to be computed as mentioned in subsections (3) and (4) of section 382) in respect of which relief has not been wholly given either under section 380 or any provision of the Income Tax Acts—
- (a) he may make a claim requiring that any part of the loss for which relief has not been so given shall be set off for the purposes of income tax against the income of the trade, profession or vocation for subsequent years of assessment; and
- (b) where he makes such a claim, the income from the trade, profession or vocation in any subsequent year of assessment shall be treated as reduced by that part of the loss, or by so much of that part as cannot, on that claim, be relieved against such income of an earlier year of assessment.”
- (5) Subsections (3) and (8) of that section shall cease to have effect.
- (6) In subsection (1) of section 388 of that Act (carry-back of terminal losses) for the words “the three years of assessment last preceding that in which the discontinuance occurs” there shall be substituted the words “ the year of assessment in which the discontinuance occurs and the three years last preceding it ”.
- (7) In their application to trades, professions or vocations set up and commenced before 6th April 1994, subsections (3) to (5) above have effect as respects the year 1997-98 and subsequent years of assessment.

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Modifications etc. (not altering text)

C21 S. 209 amended (*retrospectively*) by 1995 c. 4, s. 118

210 Relief for losses on unquoted shares. U.K.

(1) For subsections (1) and (2) of section 574 of the Taxes Act 1988 (relief for individuals for losses on unquoted shares) there shall be substituted the following subsections—

“(1) Where an individual who has subscribed for shares in a qualifying trading company incurs an allowable loss (for capital gains tax purposes) on the disposal of the shares in any year of assessment, he may, by notice given within twelve months from the 31st January next following that year, make a claim for relief from income tax on—

- (a) so much of his income for that year as is equal to the amount of the loss or, where it is less than that amount, the whole of that income; or
- (b) so much of his income for the last preceding year as is equal to that amount or, where it is less than that amount, the whole of that income;

but relief shall not be given for the loss or the same part of the loss both under paragraph (a) and under paragraph (b) above.

Where such relief is given in respect of the loss or any part of it, no deduction shall be made in respect of the loss or (as the case may be) that part under the 1992 Act.

(2) Any relief claimed under paragraph (a) of subsection (1) above in respect of any income shall be given in priority to any relief claimed in respect of that income under paragraph (b) of that subsection; and any relief claimed under either paragraph in respect of any income shall be given in priority to any relief claimed in respect of that income under section 380 or 381.”

(2) This section has effect as respects the year 1994-95 and subsequent years of assessment.

Modifications etc. (not altering text)

C22 S. 210 amended (*retrospectively*) by 1995 c. 4, s. 119

Capital allowances

211 Income tax allowances and charges in taxing a trade etc. U.K.

(1) For section 140 of the ^{M113}Capital Allowances Act 1990 there shall be substituted the following section—

“140 Income tax allowances and charges in taxing a trade etc.

(1) In computing for the purposes of income tax a person’s income for any period of account there shall be made all such deductions and additions as are required to give effect to the provisions of Parts I to VI and this Part which relate to allowances and charges in respect of capital expenditure; and

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subsection (2) below and section 141 have effect as respects allowances and charges which fall to be made under those provisions as they apply for the purposes of income tax.

- (2) Allowances and charges which fall to be made for any period of account in taxing a trade under the provisions of Parts I to VI and this Part as they apply for the purposes of income tax shall be given effect by treating the amount of any allowance as a trading expense of the trade in that period, and by treating the amount on which any such charge is to be made as a trading receipt of the trade in that period.
 - (3) Any claim made by a person for an allowance falling to be made to him in taxing his trade shall be made in his return of income for income tax purposes, and section 42 of the Taxes Management Act 1970 shall not apply to any such claim.
 - (4) This section shall apply in relation to professions, vocations, employments and offices as it applies in relation to trades.
 - (5) Deductions allowable in taxing a trade under the provisions of Part VII as they apply for the purposes of income tax shall be given effect in accordance with subsections (1) and (2) above.
 - (6) In the application of subsection (2) above to allowances and charges which fall to be made under the provisions of Part I, references to a trade shall be treated as including references to an undertaking treated by virtue of section 21(5A) as carried on by way of trade.”
- (2) Subject to section 214(7) below, this section and sections 212 to 214 below, in their application to trades, professions or vocations set up and commenced before 6th April 1994 or employments or offices entered into before that date, have effect as respects the year 1997-98 and subsequent years of assessment.

Marginal Citations

M113 1990 c. 1.

212 Chargeable periods for income tax purposes. U.K.

- (1) For section 160 of the ^{M114}Capital Allowances Act 1990 there shall be substituted the following section—

“160 Meaning of “period of account”.

- (1) In this Act as it applies for income tax purposes, “period of account” has the meaning given by the following provisions of this section.
- (2) In the case of a person to or on whom an allowance or charge falls to be made in taxing his trade, profession or vocation, “period of account” means, subject to subsections (3) and (4) below, any period for which accounts are made up for the purposes of the trade, profession or vocation.
- (3) For the purposes of subsection (2) above—

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- (a) where two periods of account overlap, the period common to both shall be deemed to fall in the first period of account only; and
 - (b) where there is an interval between two periods of account, the interval shall be deemed to be part of the first period of account.
- (4) For the purposes of subsection (2) above, where a period of account (“the original period”) would, apart from this subsection, be a period of more than 18 months, that period shall be deemed to be divided into as many separate periods of account—
- (a) the first beginning with the commencement date of the original period; and
 - (b) each subsequent one beginning with an anniversary of that date,
- as may be necessary to secure that none of those periods of account is a period of more than 12 months.
- (5) In the case of any other person to or on whom an allowance or charge falls to be made under Parts I to VI or this Part, “period of account” means any year of assessment.
- (6) Any reference in this section to the overlapping of two periods shall be construed as including a reference to the coincidence of two periods or to the inclusion of one period in another, and references to the period common to both of two periods shall be construed accordingly.”
- (2) In subsection (2) of section 161 of that Act (other interpretative provisions), for the definitions of “chargeable period” and related expressions there shall be substituted the following definitions—
- ““chargeable period” means an accounting period of a company or a period of account, and a reference to a “chargeable period related to” the incurring of expenditure, or a sale or other event, is a reference to the chargeable period in which the expenditure is incurred, or the sale or other event takes place;”.

Marginal Citations

M114 1990 c. 1.

213 Other amendments of Capital Allowances Act 1990. U.K.

- (1) In the ^{M115}Capital Allowances Act 1990 the following words, in each place where they occur, shall cease to have effect, namely— “ or its basis period ”; “ or of which the basis periods end on or before that date ”; “ or, as the case may be, in its basis period ”; “ or in the basis period for which ”; “ or, as the case may be, its basis period ”; and “ or the basis periods for which ”.
- (2) In subsection (2) of section 3 of that Act (writing down allowances for industrial buildings and structures), after the word “less” there shall be inserted the words “ or more ” and after the word “reduced” there shall be inserted the words “ or increased ”.
- (3) In section 8 of that Act (writing off of expenditure on industrial buildings and structures)—

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- (a) in subsection (5), in paragraph (a), the words from “or” to the end shall cease to have effect; and
 - (b) in subsection (13), for paragraph (d) there shall be substituted the following paragraph—
 - “(d) the periods of account of that other person in respect of that trade had, in the case of each year of assessment, ended immediately before the beginning of the next following year of assessment.”
- (4) In subsection (2)(a) of section 24 of that Act (writing-down allowances and balancing adjustments), for sub-paragraph (ii) there shall be substituted the following sub-paragraph—
 - “(ii) a proportionately reduced or, as the case may require, increased percentage of the excess if the period is a period of less or more than a year, or the trade has been carried on for part only of the period;”.
- (5) In subsection (3) of section 34 of that Act (writing-down allowances etc. for expensive motor cars), for paragraphs (a) and (b) there shall be substituted the following paragraphs—
 - “(a) except in a case falling within paragraph (b) below, £3,000 or, if the period is a period of less or more than a year, that amount proportionately reduced or, as the case may require, increased,
 - (b) if, by virtue of section 153, the person carrying on the trade is regarded as having incurred a part only of the expenditure actually incurred on the provision of the motor car, a proportionate part of £3,000 or, if the period is a period of less or more than a year, that part proportionately reduced or, as the case may require, increased.”
- (6) In subsection (1)(b) of section 35 of that Act (contributions to expenditure on expensive motor cars), for the words “or, if the chargeable period is part only of a year, that amount proportionately reduced” there shall be substituted the words “ or, if the chargeable period is a period of less or more than a year, that amount proportionately reduced or, as the case may require, increased ”.
- (7) In subsection (2) of section 85 of that Act (writing down allowances), after the word “less” there shall be inserted the words “ or more ” and after the word “reduced” there shall be inserted the words “ or increased ”.
- (8) For subsection (6) of section 98 of that Act (mineral extraction: writing down and balancing allowances), there shall be substituted the following subsection—
 - “(6) If a chargeable period is a period of less or more than a year or if the trade has been carried on for part only of it, the percentage appropriate under subsection (5) above shall be correspondingly reduced or, as the case may require, increased.”
- (9) In subsection (1) of section 134 of that Act (allowances for expenditure on dredging), the words from “but where a writing-down allowance” to the end shall cease to have effect.
- (10) For subsections (5) to (7) of section 137 of that Act (allowances for capital expenditure on scientific research) there shall be substituted the following subsection—

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“(5) The relevant chargeable period shall be the chargeable period in which the expenditure was incurred or, if it was incurred before the setting up and commencement of the trade, the chargeable period beginning with that setting up and commencement.”

(11) In subsection (5) of section 161 of that Act (other interpretative provisions), for the words from “or in charging” to the end there shall be substituted the words “or income tax.”

Marginal Citations

M115 1990 c. 1.

214 Amendments of other enactments. **U.K.**

- (1) In the Taxes Act 1988, the following provisions shall cease to have effect, namely—
- (a) in section 96 (farming and market gardening: relief for fluctuating profits), in subsection (7), paragraph (b);
 - (b) section 383 (extension of right to set-off to capital allowances);
 - (c) in section 384 (restrictions on right of set-off), in subsection (1), the words “(including any amount in respect of capital allowances which, by virtue of section 383, is to be treated as a loss)”, and in subsection (2), the words “or an allowance in respect of expenditure incurred”, paragraph (b) and the word “or” immediately preceding that paragraph;
 - (d) in section 388 (carry-back of terminal losses), in subsection (6), paragraphs (b) and (d) and the word “and” immediately preceding paragraph (d), and in subsection (7), the words from the beginning to “an earlier year: and”; and
 - (e) in section 389 (supplementary provisions relating to carry-back of terminal losses), subsections (5) to (7).
- (2) In subsection (6) of section 384 of that Act—
- (a) for the words “There shall be disregarded for the purposes of section 383 any allowances” there shall be substituted the words “ There shall be disregarded for the purposes of sections 380 and 381 so much of any loss as derives from any allowances ”; and
 - (b) for the words “the year of the loss (as defined in section 383)” there shall be substituted the words “ the year of assessment in which the loss was sustained ”.
- (3) In subsection (1) of section 397 of that Act (restriction of relief in case of farming and market gardening)—
- (a) after the word “loss”, in the second place where it occurs, there shall be inserted the words “ , computed without regard to capital allowances, ”; and
 - (b) the words from “and where” to the end shall cease to have effect.
- (4) In subsection (4)(a) of section 520 of that Act (allowances for expenditure on purchase of patent rights), for sub-paragraph (ii) there shall be substituted the following sub-paragraph—
- “(ii) a proportionately reduced or, as the case may require, increased percentage of the excess if the period is a period of

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less or more than a year, or the trade has been carried on for part only of the period;”.

- (5) In the following provisions of that Act, namely—
- (a) section 521 (provisions supplementary to section 520);
 - (b) section 528 (manner of making allowances and charges); and
 - (c) section 530 (disposal of know-how),
- the words “or its basis period”, in each place where they occur, shall cease to have effect.
- (6) In subsection (2)(a) of section 530 of that Act (disposal of know-how), for sub-paragraph (ii) there shall be substituted the following sub-paragraph—
- “(ii) a proportionately reduced or, as the case may require, increased percentage of the excess if the period is a period of less or more than a year, or the trade has been carried on for part only of the period;”.
- (7) Subsection (1)(a) above—
- (a) except in its application to a trade set up and commenced on or after 6th April 1994, has effect where the first of the two years of assessment to which the claim relates is the year 1996-97 or any subsequent year, and
 - (b) in its application to a trade so set up and commenced, has effect where the first of those two years of assessment is the year 1995-96 or any subsequent year.

Miscellaneous and supplemental

215 Treatment of partnerships. U.K.

- (1) For section 111 of the Taxes Act 1988 there shall be substituted the following section—

“111 Treatment of partnerships.

- (1) Where a trade or profession is carried on by two or more persons in partnership, the partnership shall not, unless the contrary intention appears, be treated for the purposes of the Tax Acts as an entity which is separate and distinct from those persons.
- (2) So long as a trade or profession (“the actual trade or profession”) is carried on by persons in partnership, and each of those persons is chargeable to income tax, the profits or gains or losses arising from the trade or profession shall be computed for the purposes of income tax in like manner as if the partnership were an individual.
- (3) A person’s share in the profits or gains or losses of the partnership which for any period are computed in accordance with subsection (2) above shall be determined according to the interests of the partners during that period; and income tax shall be chargeable or, as the case may require, loss relief may be claimed as if—
 - (a) that share derived from a trade or profession (“the deemed trade or profession”) carried on by the person alone;
 - (b) the deemed trade or profession was set up and commenced by him at the time when he became a partner or, where the actual trade or

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profession was previously carried on by him alone, the time when the actual trade was set up and commenced; and

- (c) the deemed trade or profession is permanently discontinued by him at the time when he ceases to be a partner or, where the actual trade or profession is subsequently carried on by him alone, the time when the actual trade or profession is permanently discontinued.

(4) Where—

- (a) subsections (2) and (3) above apply in relation to the profits or gains or losses of a trade or profession carried on by persons in partnership, and
- (b) other income accrues to those persons by virtue of their being partners,

that other income shall be chargeable to tax by reference to the same periods as if it were profits or gains arising from the trade or profession.

(5) Subsections (1) to (3) above apply, with the necessary modifications, in relation to a business as they apply in relation to a trade.”

(2) In section 114 of that Act (special rules for computing profits or losses), after the word “trade”—

- (a) in subsection (1), in each place where it occurs;
- (b) in subsection (2); and
- (c) in subsection (3), in the first place where it occurs,
- there shall be inserted the words “ profession or business ”.

(3) The following provisions of that Act shall cease to have effect, namely—

- (a) in section 114, in subsection (3), the words from “except that” to the end, and subsection (4);
- (b) in section 115 (provisions supplementary to section 114), subsections (1) to (3) and (6); and
- (c) in section 277 (personal reliefs: partnerships), in subsection (1), the words “Subject to subsection (2) below”, paragraph (c) and the word “and” immediately preceding that paragraph, and subsection (2).

(4) This section and section 216 below—

- (a) except in their application to partnerships mentioned in subsection (5) below, have effect as respects the year 1997-98 and subsequent years of assessment, and
- (b) in its application to partnerships so mentioned, have effect as respects the year 1994-95 and subsequent years of assessment.

(5) The partnerships referred to in subsection (4) above are partnerships—

- (a) whose trades, professions or businesses are set up and commenced on or after 6th April 1994; and
- (b) which are not partnership firms to which section 112(3) of the Taxes Act 1988 (partnerships controlled abroad) applies.

Modifications etc. (not altering text)

C23 S. 215 amended (*retrospectively*) by 1995 c. 4, s. 117

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216 Effect of change in ownership of trade, profession or vocation. U.K.

(1) For subsection (2) of section 113 of the Taxes Act 1988 (effect of change in ownership of trade, profession or vocation) there shall be substituted the following subsection—

“(2) Where—

- (a) there is such a change as is mentioned in subsection (1) above, and
- (b) a person engaged in carrying on the trade, profession or vocation immediately before the change continues to be so engaged immediately after it,

subsection (1) above shall not apply to treat the trade, profession or vocation as discontinued or a new one as set up and commenced.”

(2) Subsections (3) to (5) of that section and, in subsection (6) of that section, the words from “and where” to the end shall cease to have effect.

(3) The following provisions of that Act shall cease to have effect, namely—

- (a) in section 96 (farming and market gardening: relief for fluctuating profits), in subsection (6) the words from “except that” to the end;
- (b) in section 380 (set-off against general income), subsection (3);
- (c) in section 381 (further relief in early years of trade), subsection (6);
- (d) in section 384 (restrictions on right of set-off), subsection (5);
- (e) in section 385 (carry-forward against subsequent profits), subsections (2) and (5);
- (f) in section 386 (carry-forward where business transferred to a company), subsection (4); and
- (g) in section 389 (supplementary provisions relating to carry-back of terminal losses), subsection (3).

(4) For subsection (4) of section 389 of that Act, there shall be substituted the following subsection—

“(4) For the purposes of this section and section 388 a trade, profession or vocation shall be treated as discontinued, and a new one as set up and commenced, when it is so treated for the purposes of section 111 or 113.”

(5) Subsection (3)(a) above—

- (a) except in its application to a trade set up and commenced on or after 6th April 1994, has effect where the first of the two years of assessment to which the claim relates is the year 1996-97 or any subsequent year, and
- (b) in its application to a trade so set up and commenced, has effect where the first of those two years of assessment is the year 1995-96 or any subsequent year.

217 Double taxation relief in respect of overlap profits. U.K.

(1) In subsection (1) of section 804 of the Taxes Act 1988 (relief against income tax in respect of income arising in years of commencement), for the words “any income arising in the years of commencement” there shall be substituted the words “any income which is an overlap profit”.

(2) For subsection (5) of that section there shall be substituted the following subsections—

“(5) Subsections (5A) and (5B) below apply where—

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- (a) credit against income tax for any year of assessment is allowed by virtue of subsection (1) above in respect of any income which is an overlap profit (“the original income”), and
 - (b) the original income or any part of it contributes to an amount which, by virtue of section 63A(1) or (3), is deducted in computing the profits or gains of a subsequent year of assessment (“the subsequent year”).
- (5A) The following shall be set off one against the other, namely—
- (a) the difference between—
 - (i) the amount of the credit which, under this Part (including this section), has been allowed against income tax in respect of so much of the original income as contributes as mentioned in subsection (5) above, and
 - (ii) the amount of the credit which, apart from this section, would have been so allowed; and
 - (b) the amount of credit which, on the assumption that no amount were deducted by virtue of section 63A(1) or (3), would be allowable under this Part against income tax in respect of income arising in the subsequent year from the same source as the original income.
- (5B) The person chargeable in respect of the income (if any) arising in the subsequent year from the same source as the original income shall—
- (a) if the amount given by paragraph (a) of subsection (5A) above exceeds that given by paragraph (b) of that subsection, be treated as having received in that year a payment chargeable under Case VI of Schedule D of an amount such that income tax on it at the basic rate is equal to the excess; and
 - (b) if the amount given by paragraph (b) of subsection (5A) above exceeds that given by paragraph (a) of that subsection, be allowed for that year under this Part an amount of credit equal to the excess.
- (5C) For the purposes of subsections (5) to (5B) above, it shall be assumed that, where an amount is deducted by virtue of section 63A(1), each of the overlap profits included in the aggregate of such profits contributes to that amount in the proportion which that overlap profit bears to that aggregate.”
- (3) In subsection (8) of that section—
- (a) immediately before the definition of “overseas tax” there shall be inserted the following definition—
 - ““overlap profit” means an amount of profits or gains which, by virtue of sections 60 to 62, is included in the computations for two successive years of assessment;”; and
 - (b) the definitions of “non-basis period” and “years of commencement” and the words “references to the enactments relating to cessation are references to sections 63, 67 and 113” shall cease to have effect.”

218 Commencement, transitional provisions and savings. U.K.

- (1) Unless the contrary intention appears, this Chapter—

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- (a) except in its application to a trade set up and commenced on or after 6th April 1994 or income from a source arising to a person on or after that date, has effect as respects the year 1996-97 and subsequent years of assessment, and
- (b) in its application to a trade so set up and commenced or income from a source so arising, has effect as respects the year 1994-95 and subsequent years of assessment.

[^{F21}(1A) In a case where—

- (a) a trade is set up and commenced by a company, and
 - (b) it is not set up and commenced before 6th April 1994,
- sections 213(4) and (8) and 214(4) and (6) have effect only if it is set up and commenced on or after 6th April 1995.]
- (2) Any reference in subsection (1) above to a trade includes a reference to a profession, vocation, employment or office.
 - (3) Where the first underwriting year of the underwriting business of a member of Lloyd’s is the year 1994, subsection (1) above shall have effect in relation to that business as if it had been set up and commenced on 6th April 1994.
 - (4) Where, as respects income from any source, income tax is to be charged under Case IV or V of Schedule D by reference to the amounts of income received in the United Kingdom, the source shall be treated for the purposes of subsection (1) above as arising on the date on which the first amount of income is so received.
 - (5) This Chapter shall have effect subject to the transitional provisions and savings contained in Schedule 20 to this Act.

Textual Amendments

F21 S. 218(1A) inserted (*retrospectively*) by 1995 c. 4, s. 102(2)

CHAPTER V **U.K.**

LLOYD’S UNDERWRITERS: CORPORATIONS ETC.

Modifications etc. (not altering text)

- C24** Pt. IV Chapter V (ss. 219-230) modified (1.12.1997) by S.I. 1997/2681, reg. 3(2)(a)
- C25** Pt. IV Chapter V (ss. 219-230) applied (1.5.1995) by 1995 c. 4, s. 129(4)(6)
Pt. IV Chapter V (ss. 219-230) applied (1.5.1995) by 1995 c. 4, s. 127(16)(a)(19)

Main provisions

219 **Taxation of profits.** **U.K.**

- (1) Corporation tax for any accounting period on the profits arising from a corporate member’s underwriting business shall be computed on the profits of that accounting period.

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- (2) As respects the profits arising to a corporate member for any accounting period directly from its membership of one or more syndicates, or from assets forming part of a premiums trust fund—
 - (a) the aggregate of those profits shall be computed for tax purposes under Case I of Schedule D; and
 - (b) accordingly, no part of those profits shall be computed for those purposes under any other Schedule or any other Case of Schedule D.
- (3) The profits arising to a corporate member for any accounting period—
 - (a) from assets forming part of an ancillary trust fund; or
 - (b) from assets employed by it in, or in connection with, its underwriting business, shall be computed for tax purposes under Case I of Schedule D if, and to the extent that, they do not fall to be computed for those purposes under any other Schedule or any other Case of Schedule D.
- (4) Where the profits arising for any accounting period from the assets of a corporate member’s premiums trust fund include dividends or other distributions of a company resident in the United Kingdom, subsection (2) above shall apply in relation to those distributions (and any associated tax credits) notwithstanding anything in section 11(2) (a) or 208 of the Taxes Act 1988.
- (5) In section 20(2) of the Taxes Act 1988 (Schedule F), after the words “section 171 of the Finance Act 1993” there shall be inserted the words “ or section 219 of the Finance Act 1994 ”.

220 Accounting period in which certain profits or losses arise. U.K.

- (1) For the purposes of section 219 above and all other purposes of the Corporation Tax Acts, the profits or losses arising to a corporate member in any accounting period directly from its membership of one or more syndicates, or from assets forming part of a premiums trust fund, shall be taken to be—
 - (a) if two underwriting years each fall partly within that period, the aggregate of the apportioned parts of those profits or losses in those years; and
 - (b) if a single underwriting year falls wholly or partly within that period, those profits or losses or (as the case may be) the apportioned part of those profits or losses in that year.
- (2) Subject to the provisions of this Chapter, for the purposes of subsection (1) above and all other purposes of the Corporation Tax Acts—
 - (a) the profits or losses arising to a corporate member in any underwriting year directly from its membership of one or more syndicates shall be taken to be those of any previous year or years which are declared in that year; and
 - (b) the profits or losses arising to a corporate member in any underwriting year from assets forming part of a premiums trust fund shall be taken to be those allocated under the rules or practice of Lloyd’s to any previous year or years the profits or losses of which are declared in that year.
- (3) In this section “apportioned part”, in relation to the profits or losses of an underwriting year, means a part apportioned under section 72 of the Taxes Act 1988.

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221 Assessment and collection of tax. **U.K.**

- (1) Subject to subsection (2) below, Schedule 19 (Lloyd’s underwriters: assessment and collection of tax) to the ^{M116}Finance Act 1993 (“the 1993 Act”) shall apply in relation to corporate members as it applies in relation to other members.
- (2) In its application to a corporate member, paragraph 13 of that Schedule shall have effect as if—
 - (a) in sub-paragraph (3)(b), the reference to the members’ agent of each member were a reference to each corporate member itself;
 - (b) after sub-paragraph (3A) there were inserted the following sub-paragraph—

“(3B) The provisions of this paragraph relating to the payment of tax credits have effect notwithstanding anything in section 231(2) of the Taxes Act 1988.”;
 - (c) in sub-paragraph (4), the reference to section 824 of the Taxes Act 1988 were a reference to section 826 of that Act (interest on tax overpaid); and
 - (d) in sub-paragraph (4A), the reference to the members’ agent of a member were a reference to a corporate member itself, the reference to section 171 of the 1993 Act were a reference to section 219 of this Act and each reference to the Income Tax Acts were a reference to the Corporation Tax Acts.

Marginal Citations

M116 1993 c.34.

Trust funds

222 Premiums trust funds. **U.K.**

- (1) For the purposes of the Corporation Tax Acts—
 - (a) a corporate member shall be treated as absolutely entitled as against the trustees to the assets forming part of a premiums trust fund belonging to it; and
 - (b) where a deposit required by a regulatory authority in a country or territory outside the United Kingdom is paid out of such a fund, the money so paid shall be treated as still forming part of that fund.
- (2) Where an asset forms part of a corporate member’s premiums trust fund at the beginning of any underwriting year, for the purposes of the Corporation Tax Acts—
 - (a) the trustees of the fund shall be treated as acquiring it on that day, and
 - (b) they shall be treated as paying in respect of the acquisition an amount equal to the value of the asset at the time of the acquisition.
- (3) Where an asset forms part of a corporate member’s premiums trust fund at the end of any underwriting year, for the purposes of the Corporation Tax Acts—
 - (a) the trustees of the fund shall be treated as disposing of it on that day, and
 - (b) they shall be treated as obtaining in respect of the disposal an amount equal to the value of the asset at the time of the disposal.
- (4) Subsection (5) below applies where the following state of affairs exists at the beginning of any underwriting year or the end of any such year—

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- (a) securities have been transferred by the trustees of a corporate member’s premiums trust fund in pursuance of an arrangement mentioned in section 129(1), (2) or (2A) of the Taxes Act 1988,
 - (b) the transfer was made to enable another person to fulfil a contract or to make a transfer,
 - (c) securities have not been transferred in return, and
 - (d) section 129(3) of that Act applies to the transfer made by the trustees.
- (5) The securities transferred by the trustees shall be treated for the purposes of subsections (2) and (3) above as if they formed part of the corporate member’s premiums trust fund at the beginning or (as the case may be) the end of the underwriting year concerned.
- (6) Subsections (2) to (5) above do not apply to FOTRA securities forming part of a corporate member’s premiums trust fund at the beginning or end of any underwriting year if it is a non-resident United Kingdom trader in the year.
- (7) In subsection (6) above—
- “FOTRA securities” has the same meaning as in section 715 of the Taxes Act 1988 (exceptions from accrued income scheme);
 - “non-resident United Kingdom trader” shall be construed in accordance with subsection (5) of that section.

223 Ancillary trust funds. **U.K.**

A corporate member shall be treated for the purposes of the Corporation Tax Acts as absolutely entitled as against the trustees to the assets forming part of an ancillary trust fund belonging to it.

Modifications etc. (not altering text)

C26 S. 223 applied (with modifications) (1.12.1997) by S.I. 1997/2681, reg. 5(1)

Other special cases

224 Reinsurance to close. **U.K.**

- (1) Subject to subsection (2) below, section 177 of the 1993 Act (reinsurance to close) shall apply for the purposes of this Chapter as it applies for the purposes of Chapter III of Part II of that Act (Lloyd’s underwriters: individuals).
- (2) That section as so applied shall have effect as if—
- (a) the member by whom the premium is payable were required to be a corporate member;
 - (b) the member to whom the premium is payable might, but need not, be such a member; and
 - (c) any reference to the purposes of income tax were a reference to the purposes of corporation tax.

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225 Stop-loss and quota share insurance. **U.K.**

- (1) In computing for the purposes of corporation tax the profits of a corporate member’s underwriting business, each of the following shall be deductible as an expense, namely—
 - (a) any premium payable by it under a stop-loss insurance, and any repayment of insurance money paid to it under such an insurance; and
 - (b) any amount payable by it under a quota share contract, irrespective of the purpose for which the contract was entered into.
- (2) Subject to subsection (3) below, the following provisions apply where any insurance money is payable to a corporate member under a stop-loss insurance in respect of a loss in its underwriting business—
 - (a) if the underwriting year in which the loss is declared falls within two or more accounting periods, the apportioned part of the insurance money shall be treated as a trading receipt in computing the profits arising from the business for each of those periods; and
 - (b) if the underwriting year in which the loss is declared falls within a single accounting period, the insurance money shall be treated as a trading receipt in computing the profits arising from the business for that period.
- (3) Where, as respects the payment of any such insurance money as is mentioned in subsection (2) above—
 - (a) the inspector is not notified of the payment at least 30 days before the time after which any assessment or further assessment of profits for any of the accounting periods or (as the case may be) the accounting period is precluded by section 34 of the Management Act (ordinary time limit), and
 - (b) the inspector is not entitled, after that time, to make any such assessment or further assessment by virtue of section 36 (fraudulent or negligent conduct) of that Act,that subsection shall have effect in relation to the apportioned part of that insurance money or (as the case may be) that insurance money as if, instead of that accounting period, it referred to the accounting period in which the payment is made.
- (4) In this section—

“apportioned part”, in relation to any insurance money, means a part apportioned under section 72 of the Taxes Act 1988;

“quota share contract” means any contract between a corporate member and another person which—

 - (a) is made in accordance with the rules or practice of Lloyd’s; and
 - (b) provides for that other person to take over any rights and liabilities of the member under any of the syndicates of which it is a member.

Miscellaneous

226 Provisions which are not to apply. **U.K.**

- (1) Sections 92 to 95 of the 1993 Act (corporation tax: currency to be used) shall not apply for the purposes of computing for the purposes of corporation tax the profits or losses of a corporate member’s underwriting business.

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- (2) No asset forming part of or liability attaching to a premiums trust fund of a corporate member shall be a qualifying asset or liability for the purposes of Chapter II of Part II of the 1993 Act (exchange gains and losses); and no contract forming part of such a fund shall be a currency contract for those purposes.
- (3) No contract or option forming part of a premiums trust fund of a corporate member shall be a qualifying contract for the purposes of Chapter II of this Part of this Act (interest rate and currency contracts and options).

227 Cessation: final underwriting year. U.K.

- (1) This section applies where a corporate member ceases to carry on its underwriting business, whether by reason of being wound up or otherwise.
- (2) Subject to the provisions of any regulations made by the Board—
 - (a) the member’s final underwriting year shall be that in which its deposit at Lloyd’s is paid over to it or its liquidator, and
 - (b) the member’s underwriting business shall be treated as continuing until the end of that year.

Modifications etc. (not altering text)

C27 S. 227 excluded (1.12.1997) by S.I. 1997/2681, reg. 4(2)

228 Lloyd’s underwriters: individuals. U.K.

- (1) Chapter III of Part II of the 1993 Act (Lloyd’s underwriters: individuals) shall have effect subject to the amendments specified in Schedule 21 to this Act.
- (2) The following provisions shall cease to have effect, namely—
 - (a) section 627 of the Taxes Act 1988 (elections by Lloyd’s underwriters with respect to retirement annuities);
 - (b) in section 641 of that Act, subsection (2) (elections by Lloyd’s underwriters with respect to carry-back of contributions); and
 - (c) in section 183 of the 1993 Act, subsection (3) (amendments of sections 627(5) and 641(2) of the Taxes Act 1988).
- (3) Subject to any provision to the contrary, the provisions of Schedule 21 to this Act have effect for the year 1994-95 and subsequent years of assessment.
- (4) Subsection (2) above has effect for the year 1997-98 and subsequent years of assessment.

Supplemental

229 Regulations. U.K.

The Board may by regulations provide—

- (a) for the assessment and collection of tax charged in accordance with section 219 above (so far as not provided for by Schedule 19 to the 1993 Act as applied by section 221 above);

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.
Changes to legislation: Finance Act 1994 is up to date with all changes known to be in force on or before 27 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (b) for making, in the event of any changes in the rules or practice of Lloyd’s, such amendments of this Chapter as appear to the Board to be expedient having regard to those changes;
- (c) for modifying the application of this Chapter in cases where a syndicate continues after the end of its closing year or a corporate member becomes insolvent or otherwise ceases to carry on its underwriting business;
- (d) for giving credit for foreign tax.

230 Interpretation and commencement. **U.K.**

(1) In this Chapter, unless the context otherwise requires—

“the 1993 Act” means the ^{M117}Finance Act 1993;

“ancillary trust fund”, in relation to a corporate member, does not include a premiums trust fund but, subject to that, means any trust fund required or authorised by the rules of Lloyd’s, or required by a members’ agent or regulating trustee of the corporate member;

“closing year”—

(a) in relation to an underwriting year, means the underwriting year next but one following that year; and

(b) in relation to a syndicate, means the closing year of the underwriting year for which it was formed;

“corporate member” means a body corporate which is a member of Lloyd’s and is or has been an underwriting member;

“inspector” includes any officer of the Board;

“the Management Act” means the ^{M118}Taxes Management Act 1970;

“managing agent”, in relation to a syndicate and an underwriting year, means—

(a) the person registered as a managing agent at Lloyd’s who was acting as such an agent for the syndicate at the end of that year, or

(b) such other person as may be determined in accordance with regulations made by the Board;

“member” means a member of Lloyd’s who is or has been an underwriting member;

“members’ agent”, in relation to a corporate member, means a person registered as a members’ agent at Lloyd’s who has been appointed by the corporate member to act as its members’ agent in respect of all or any part of its underwriting business;

“premiums trust fund” means such a trust fund as is referred to in section 83 of the ^{M119}Insurance Companies Act 1982;

“prescribed” means prescribed by regulations made by the Board;

“profits” includes gains;

“regulating trustee”, in relation to a corporate member, means a person designated as such by the terms of any trust deed by which a premiums trust fund of the corporate member is constituted;

“stop-loss insurance” means any insurance taken out by a corporate member against losses in its underwriting business;

“syndicate” means a syndicate of underwriting members of Lloyd’s formed for an underwriting year;

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“underwriting business”, in relation to a corporate member, means its underwriting business as a member of Lloyd’s;

“underwriting year” means the calendar year.

- (2) For the purposes of this Chapter, unless the contrary intention appears—
- (a) the profits or losses of a corporate member’s underwriting business include profits or losses arising to it—
 - (i) from assets forming part of a premiums trust fund or an ancillary trust fund; or
 - (ii) from assets employed by it in, or in connection with, its underwriting business; and
 - (b) any charge made on a corporate member by the managing agent of a syndicate of which it is a member, and any expense incurred on its behalf by the managing agent of such a syndicate, shall be treated as expenses arising directly from its membership of that syndicate.
- (3) Subject to any provision to the contrary, the provisions of this Chapter have effect for accounting periods ending on or after 1st January 1994 or, as the case may require, for the underwriting year 1994 and subsequent underwriting years.

Modifications etc. (not altering text)

C28 S. 230 applied (1.5.1995) by 1995 c. 4, s. 127(16)(b)(19)

S. 230 applied (29.4.1996 with effect as mentioned in s. 105 of the applying Act) by 1996 c. 8, s. 99,

Sch. 11 para. 7(2) (with savings etc. in Pt. IV Chapter II (ss. 80-105))

Marginal Citations

M117 1993 c.34.

M118 1970 c.9.

M119 1982 c.50.

PART V **U.K.**

OIL TAXATION

CHAPTER I **U.K.**

ELECTION BY REFERENCE TO PIPE-LINE USAGE

231 Election by reference to pipe-line with excess capacity. **U.K.**

- (1) The provisions of this Chapter apply where, on or before 1st January 1996, a participator in a taxable field makes, in accordance with Part I of Schedule 22 to this Act, an election with respect to that field by reference to a pipe-line—
- (a) which is a qualifying asset;
 - (b) which is used or intended to be used for transporting oil in circumstances which give rise or are expected to give rise to tariff receipts;
 - (c) which, at the date of the election, is at least 25 kilometres in length; and
 - (d) for which the initial usage fraction does not exceed one-half.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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- (2) A participator may not make an election—
- (a) unless the field to which the election applies is (or, as the case may be, is intended to be) the chargeable field in relation to the tariff receipts referred to in subsection (1)(b) above; or
 - (b) if the first chargeable period of that field ended on or before 30th June 1982; or
 - (c) if the participator's net profit period with respect to that field ended on or before 30th June 1993;
- and for the purposes of paragraph (c) above no account shall be taken of the operation of section 113 of the ^{M120}Finance Act 1981 (loss following net profit period).
- (3) If there is more than one pipe-line by reference to which the electing participator could, apart from this subsection, make an election (with respect to the same field) he may make an election only by reference to that pipe-line which is the longer or longest.
- (4) In this Chapter, in relation to a pipe-line or an election made by reference to a pipe-line, “the initial usage fraction” means the fraction of which—
- (a) the numerator is the daily contracted and production throughput of oil in relation to the pipe-line on 16th March 1993; and
 - (b) the denominator is the design capacity of the pipe-line, expressed on a daily basis.
- (5) Subject to subsection (6) below, where an election is in operation it shall apply to all those assets which, by reference to the field to which the election applies, are at the date of the election or subsequently become—
- (a) qualifying assets in relation to the electing participator; and
 - (b) assets to which are or are expected to be referable any tariff receipts of the electing participator attributable to that field.
- (6) If the electing participator specifies in his election that the election is to be limited to oil which is, or is expected to be, transported by the pipe-line by reference to which the election is made, the election shall apply only to such of the assets referred to in subsection (5) above as, in whole or in part, are or subsequently become used in connection with that oil.
- (7) For the purposes of this Chapter, unless it is just and reasonable to determine some other quantity of oil, the daily contracted and production throughput of oil in relation to a pipe-line on 16th March 1993 is the aggregate of—
- (a) the maximum daily capacity specified in contracts then in force for the use of the pipe-line (whether at that date or in the future) for transporting oil won from any taxable field (including the field to which the election applies); and
 - (b) the maximum expected daily throughput, otherwise than pursuant to such contracts, of oil transported by the pipe-line and won from the field to which the election applies or any other taxable field, being the throughput ascertained by reference to what was at that date the most recent development plan applicable to the field to which the election applies or, as the case may be, the other taxable field.
- (8) For the purposes of this Chapter, unless it is just and reasonable to determine some other capacity, the design capacity of a pipe-line is that which is specified for the pipe-line as a whole in what was, on 16th March 1993, the most recent development plan applicable to the field to which the election applies or, as the case may be, the pipe-line itself.

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Marginal Citations

M120 1981 c. 35.

232 Restriction on electing participator's allowable expenditure on elected assets. **U.K.**

- (1) This section has effect in relation to expenditure which is incurred on an asset to which an election applies; and in this section “allowable or allowed”, in relation to any expenditure, means allowable or allowed under any of the expenditure relief provisions.
- (2) Subject to the following provisions of this section, in the case of expenditure incurred before the date of the election, the amount which, apart from this section, would be allowable or allowed in the case of the electing participator shall be reduced by multiplying it by the initial usage fraction.
- (3) Subject to subsection (5) below, in the case of expenditure incurred on or after the date of the election, the amount which, apart from this section, would be allowable or allowed in the case of the electing participator shall be reduced to nil.
- (4) Where, after 30th November 1993 and before the date of the election, expenditure was incurred on an asset to which the election applies and—
 - (a) apart from this section, that expenditure would have qualified for supplement by virtue of paragraph (c) or paragraph (d) of subsection (5) of section 3 of the principal Act, and
 - (b) the effect of the expenditure is to increase the maximum capacity of the pipe-line by reference to which the election was made above its design capacity or to increase the capacity of any asset used or to be used for the initial treatment or initial storage of oil transported by the pipe-line above its development plan capacity,
 that expenditure shall be treated for the purposes of the application of subsections (2) and (3) above as if it had been incurred after the date of the election.
- (5) Where, at the date of the election, an asset to which the election applies is for the time being leased or hired under a contract which was entered into before 16th March 1993, any expenditure—
 - (a) which is incurred on or after the date of the election on the leasing or hiring of the asset under the contract, and
 - (b) which is not of a description falling within paragraphs (a) and (b) of subsection (4) above,
 shall be treated for the purposes of the application of subsections (2) and (3) above as if it had been incurred before the date of the election.
- (6) For the purposes of subsection (4)(b) above, the development plan capacity of any asset used or to be used for the initial treatment or initial storage of oil transported by a pipe-line is—
 - (a) the maximum capacity of that asset as specified in what, on 16th March 1993, was the most recent development plan applicable to the field to which the election applies or, as the case may be, to the asset itself; or

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- (b) if no such maximum capacity was so specified in relation to an asset, its actual maximum capacity on that date or, if there was no such capacity on that date, nil.
- (7) Where a claim under Schedule 5 or Schedule 6 to the principal Act relates to the allowance of any expenditure to which subsection (2) above applies, the amount claimed shall take account of the operation of that subsection; and where subsection (3) above applies to any expenditure, no such claim shall be made with respect to it.
- (8) Where a claim has been made under Schedule 5 or Schedule 6 to the principal Act with respect to any expenditure and, subsequently, an election is made which has the effect of altering the amount of expenditure which is allowable or allowed,—
- (a) a notice of variation such as is mentioned in paragraph 9 of Schedule 5 to the principal Act may be served after the end of the period referred to in subparagraph (1) of that paragraph if it is served before the expiry of the period of three years beginning on the date of the election; and
 - (b) if the effect of such a notice is that the net profit period with respect to the field to which the election applies is changed, the change shall not (by virtue of section 231(2) above) affect the validity of the election.
- (9) Nothing in this section affects the determination of the question whether an asset is a qualifying asset for the purposes of the 1983 Act and, accordingly, for that purpose, the preceding provisions of this section shall be disregarded in determining whether any expenditure is allowable or allowed.

233 Tax relief for certain receipts of an electing participator. **U.K.**

- (1) If any sum—
- (a) is received or receivable by the electing participator on or after the date of an election, and
 - (b) is so received or receivable from a participator in a non-taxable field in respect of the use, in connection with that non-taxable field, of an asset to which the election applies or the provision of services or other business facilities of whatever kind in connection with that use, and
 - (c) would, apart from this section, constitute a tariff receipt attributable to the field to which the election applies,
- that sum shall not be regarded as a tariff receipt for the purposes of the Oil Taxation Acts.
- (2) If any sum—
- (a) is received or receivable by the electing participator on or after the date of an election, and
 - (b) is so received or receivable in respect of the disposal of an asset to which the election applies or of an interest in such an asset, and
 - (c) constitutes a disposal receipt of the electing participator attributable to the field to which to the election applies,
- that sum shall, for the purposes of the Oil Taxation Acts, be taken to be reduced in accordance with subsection (4) below.
- (3) Any reference in subsection (1) or subsection (2) above to a sum received or receivable includes a reference to an amount which (apart from this section) would be treated as

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a tariff receipt or disposal receipt by virtue of paragraph 5 of Schedule 2 to the 1983 Act (acquisition and disposal of qualifying assets otherwise than at arm's length).

- (4) Unless it is just and reasonable to make a different reduction, the reduction referred to in subsection (2) above shall be determined by reference to that applicable under subsection (2) or subsection (3) of section 232 above to the expenditure incurred on the asset concerned so that if, for the purposes of determining under those subsections the amount of that expenditure which was allowed or allowable,—
- (a) the whole or any part of that expenditure was reduced by multiplying it by the initial usage fraction, or
 - (b) the whole or any part of that expenditure was reduced to nil,
- a similar reduction shall apply to the whole or, as the case may require, to each correspondingly proportionate part of any sum falling within subsection (2) above.
- (5) In this section “the Oil Taxation Acts” means Parts I and III of the principal Act, the 1983 Act and any other enactment relating to petroleum revenue tax.

234 Interpretation of Chapter and supplementary provisions. **U.K.**

- (1) In this Chapter “the 1983 Act” means the ^{M121}Oil Taxation Act 1983 and expressions used in this Chapter have the same meaning as in that Act.
- (2) In this Chapter—
- (a) “election” means an election under section 231 above and “electing participator” means a participator who makes or has made an election;
 - (b) “the expenditure relief provisions” means sections 3 and 4 of the principal Act and section 3 of the 1983 Act; and
 - (c) “the initial usage fraction” shall be construed in accordance with section 231(4) above.
- (3) In this Chapter—
- (a) any reference to the assets to which an election applies is a reference to the pipe-line by reference to which the election is made together with the assets determined in accordance with subsections (5) and (6) of section 231 above;
 - (b) any reference to the net profit period is a reference to the chargeable period which is the net profit period for the purposes of section 111 of the ^{M122}Finance Act 1981 (restriction of expenditure supplement); and
 - (c) any reference to a development plan is a reference to a consent for, or programme of, development granted, served or approved by the Secretary of State.
- (4) Any reference in this Chapter to expenditure incurred on an asset is a reference to expenditure (whether or not of a capital nature) which—
- (a) is incurred in acquiring, bringing into existence or enhancing the value of the asset, or
 - (b) is incurred (for any of the purposes mentioned in section 3(1) of the principal Act) by reference to the use of the asset in connection with a taxable field, other than expenditure which, in the hands of the recipient, constitutes a tariff receipt.
- (5) For the purposes of this Chapter—
- (a) an election is “in operation” if it has been accepted by the Board; and

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- (b) the date of an election which is in operation is the date on which the election was received by the Board.
- (6) The provisions of Part II of Schedule 22 to this Act shall have effect for supplementing the preceding provisions of this Chapter.
- (7) The Board may make all such amendments of assessments or determinations or of decisions on claims as may be necessary in consequence of the provisions of this Chapter.

Marginal Citations

- M121 1983 c. 56.
- M122 1981 c. 35.

CHAPTER II **U.K.**

MISCELLANEOUS

235 Valuation of oil. **U.K.**

- (1) With respect to chargeable periods ending after 31st December 1993, subsection (5A) of section 2 of the ^{M123}Oil Taxation Act 1975 (special rules for valuation of oil consisting of gas which is disposed of in a sale at arm's length on terms including transportation costs etc.) shall be amended as follows—
 - (a) for the words “oil consisting of gas” there shall be substituted “ oil ”;
 - (b) for the word “gas”, in each place where it subsequently occurs, there shall be substituted “ oil ”;
 - (c) for the words “for delivery at a place” there shall be substituted “ or another country for delivery at another place in or ”; and
 - (d) in paragraph (ii) after the words “United Kingdom”, in the second place where they occur, there shall be inserted “ or, in the case of oil first landed in another country, at the place in that or any other country ”.
- (2) In Schedule 3 to that Act, in each of paragraphs 2(3) and 2A(3) for “(2)(e)” there shall be substituted “ (2)(f) ”.
- (3) In Schedule 10 to the ^{M124}Finance Act 1987 (nomination scheme for disposals and appropriations of oil), in paragraph 4 (timing of nominations)—
 - (a) in sub-paragraph (1) for the words “sub-paragraph (2)” there shall be substituted “ sub-paragraphs (2) and (2A) ”; and
 - (b) after sub-paragraph (2) there shall be inserted—
 - “(2A) Where the proposed transaction has a transaction base date later than 31st December 1993, sub-paragraph (1) above has effect with the substitution for the reference to the second business day of a reference to the first business day.”
- (4) In paragraph 11 of that Schedule (a participator's aggregate nominated proceeds for a month), in sub-paragraph (2) for the words “sub-paragraph (2A)” there shall be substituted “ sub-paragraphs (2A) and (2B) ” and after sub-paragraph (2A) there shall be inserted the following sub-paragraph—

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“(2B) In the case of a nominated transaction which is a disposal to which subsection (5A) of section 2 of the principal Act applies, for the amount which, apart from this sub-paragraph, would be the nominated price for the purposes of sub-paragraph (2) above there shall be substituted the amount which, under that subsection, is deemed to be the price received or receivable for the oil in question.”

Marginal Citations

M123 1975 c. 22.

M124 1987 c. 16.

236 Valuation of certain light gases. U.K.

- (1) Subject to subsection (2) below, the principal Act shall have effect subject to the amendments in Schedule 23 to this Act, being—
 - (a) amendments altering the rules for determining the market value of certain light gases for the purposes of petroleum revenue tax; and
 - (b) amendments consequential upon, or incidental to, those amendments.
- (2) The amendments in Schedule 23 to this Act do not have effect in relation to any light gases if, before 1st January 1994, an election was made under section 134 of the ^{M125}Finance Act 1982 (alternative valuation of certain ethane) or section 109 of the ^{M126}Finance Act 1986 (alternative valuation of certain light gases) and the election applies to those gases.
- (3) No election may be made after 31st December 1993 under section 134 of the Finance Act 1982 or section 109 of the Finance Act 1986; and, accordingly—
 - (a) in subsection (2) of the said section 134, after the word “section” there shall be inserted “ must be made before 1st January 1994 and ”; and
 - (b) in subsection (1) of the said section 109, after the word “section” there shall be inserted “ before 1st January 1994 ”.
- (4) In section 12 of the principal Act (interpretation), in subsection (1) after the definition of “licensee” there shall be inserted—

““light gases”, except in relation to an election under section 134 of the Finance Act 1982 or section 109 of the Finance Act 1986, means oil consisting of gas of which the largest component by volume over any chargeable period, measured at a temperature of 15 degrees centigrade and a pressure of one atmosphere, is methane or ethane or a combination of those gases”.

Marginal Citations

M125 1982 c. 39.

M126 1986 c. 41.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.
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237 Abortive exploration expenditure. **U.K.**

- (1) In section 5 of the principal Act (allowance of abortive exploration expenditure incurred before 16th March 1983), after subsection (2) there shall be inserted the following subsection—

“(2A) For the purpose only of determining under paragraph (c) of subsection (1) above whether expenditure is or is likely to become allowable for any oil field, it shall be assumed that any oil field which, apart from this subsection, would be a non-taxable field is or, as the case may be, will be a taxable field and, accordingly, that section 185(4)(e) of the Finance Act 1993 (no expenditure allowable for non-taxable fields) does not apply.”

- (2) Subsection (1) above shall be deemed to have come into force at the same time as Part III of the ^{M127}Finance Act 1993 (27th July 1993).
- (3) The Board may make all such amendments of assessments or determinations or of decisions on claims as may be necessary in consequence of the preceding provisions of this section.

Marginal Citations

M127 1993 c. 34.

238 Disposals of assets producing tariff receipts. **U.K.**

- (1) With respect to disposals made after 30th November 1993, paragraph 5 of Schedule 2 to the ^{M128}Oil Taxation Act 1983 (acquisition and disposal of qualifying assets otherwise than at arm’s length: limit on tariff and disposal receipts) shall be amended in accordance with subsections (2) and (3) below; and in this subsection “disposal” has the same meaning as in that paragraph.

- (2) In sub-paragraph (1) of paragraph 5, at the end of paragraph (c), and in place of the amendment made by section 190(5)(b) of the ^{M129}Finance Act 1993, there shall be inserted “and

(d) the use of the asset will be wholly by that person in connection with a taxable field in which he is a participator (and accordingly, and in particular, there will be no use giving rise to tariff receipts)”; and for the words “those receipts”, where they next occur, there shall be substituted “the receipts referred to in paragraphs (b) and (c) above”.

- (3) In sub-paragraph (3) of paragraph 5, for paragraph (b) there shall be substituted the following paragraph—

“(b) the disposal does not fall within sub-paragraph (1) above, and”.

- (4) The Board may make all such amendments of assessments or determinations or of decisions on claims as may be necessary in consequence of the preceding provisions of this section.

Marginal Citations

M128 1983 c. 56.

M129 1993 c. 34

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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PART VI U.K.

STAMP DUTY

239 Execution of deeds. U.K.

- (1) In section 122 of the ^{M130}Stamp Act 1891 (definitions)—
- (a) after subsection (1) there shall be inserted—

“(1A) For the purposes of this Act a deed (or, in Scotland, a deed for which delivery is required) shall be treated as executed when it is delivered or, if it is delivered subject to conditions, when the conditions are fulfilled”, and
 - (b) at the end of the definition of “executed” and “execution” in subsection (1) there shall be added “ (but subject to subsection (1A) of this section) ”.
- (2) In section 27 of the ^{M131}Stamp Duties Management Act 1891 (definitions), in the definition of “executed” and “execution”, for the words following “execution” there shall be substituted “ have the same meaning as in the Stamp Act 1891 ”.
- (3) This section shall apply to any instrument except one which, on or before 7th December 1993, has been executed for the purposes of the ^{M132}Stamp Act 1891 as that Act has effect before amendment by this section.

Marginal Citations

M130 1891 c. 39.

M131 1891 c. 38.

M132 1891 c. 39.

240 Time for presenting agreements for leases. U.K.

- (1) If there are presented for stamping at the same time in pursuance of the Stamp Act 1891—
- (a) an agreement for a lease or tack, and
 - (b) the lease or tack which gives effect to the agreement,
- and the duty (if any) chargeable on the agreement is paid, the agreement shall be treated for the purposes of section 15 of that Act (penalty upon stamping instruments after execution) as if it had been first executed when the lease or tack which gives effect to the agreement was first executed.
- (2) No lease or tack shall be treated as duly stamped unless—
- (a) it contains a certificate that there is no agreement to which it gives effect, or
 - (b) it is stamped with a stamp denoting—
 - (i) that there is an agreement to which it gives effect which is not chargeable with duty, or
 - (ii) the duty paid on the agreement to which it gives effect.
- (3) For the purposes of this section a lease or tack gives effect to an agreement if the lease or tack is granted subsequent to the agreement and either is in conformity with the agreement or relates to substantially the same property and term as the agreement.

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- (4) Subsection (1) above shall apply to agreements executed on or after 6th May 1994; and subsection (2) above shall apply to any lease or tack executed on or after that day.

VALID FROM 27/07/1999

F22 240A Requirements before lease treated as duly stamped. U.K.

- (1) A lease shall not be treated as duly stamped unless—
- (a) it contains a certificate that there is no agreement to which it gives effect, or
 - (b) it is stamped with a stamp denoting—
 - (i) that there is an agreement to which it gives effect which is not chargeable with duty, or
 - (ii) the duty paid on the agreement to which it gives effect.
- (2) For the purposes of this section a lease gives effect to an agreement if the lease is granted subsequent to the agreement and either is in conformity with the agreement or relates to substantially the same property and term as the agreement.
- (3) References in this section to a lease do not include, and references in this section to an agreement do include, missives of let in Scotland.

Textual Amendments

F22 Ss. 240, 240A substituted for s. 240 (27.7.1999 with application as mentioned in s. 109(4) of the amending Act) by 1999 c. 16, s. 109(3), 122, Sch. 12 para. 4

241 Exchange, partition, etc. U.K.

- (1) Where—
- (a) the consideration for the transfer or vesting of any estate or interest in land or the grant of any lease or tack consists of or includes any property, and
 - (b) for the purposes of stamp duty chargeable under or by reference to the heading “Conveyance or Transfer on sale” in Schedule 1 to the ^{M133}Stamp Act 1891 no amount or value is, apart from this section, attributed to that property on that transfer, vesting or grant,
- then, for those purposes, the consideration or, as the case may be, the consideration so far as relating to that property shall be taken to be the market value of the property immediately before the instrument in question is executed and accordingly the instrument shall be charged with ad valorem duty under that heading.
- (2) For the purposes of this section the market value of property at any time is the price which that property might reasonably be expected to fetch on a sale at that time in the open market.
- (3) Stamp duty shall not be chargeable under the heading “Exchange or Excambion” in Schedule 1 to the Stamp Act 1891, and section 73 of that Act (exchange and partition or division) shall cease to apply to the exchange of property; and, accordingly, in that section the words from first “upon” to “heritable property, or” and the words “exchange or” shall cease to have effect.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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- (4) In that section, as amended by subsection (3) above, for “real or heritable property” there shall be substituted “estate or interest in land”.
- (5) In Schedule 1 to that Act, in paragraph (3) of the heading “Lease or Tack” (consideration consisting of money, stock or security charged as on a conveyance on sale), for “or security” there shall be substituted “security or other property”.
- (6) This section shall apply to instruments executed after 7th December 1993, not being instruments executed in pursuance of a contract made before 30th November 1993.

Marginal Citations

M133 1891 c. 39.

242 Where consideration not ascertainable from conveyance or lease. U.K.

- (1) Where, for the purposes of stamp duty chargeable under or by reference to the heading “Conveyance or Transfer on sale” in Schedule 1 to the ^{M134}Stamp Act 1891, the consideration, or any part of the consideration, for—
 - (a) the transfer or vesting of any estate or interest in land, or
 - (b) the grant of any lease or tack,
 cannot, apart from this subsection, be ascertained at the time the instrument in question is executed, the consideration for the transfer, vesting or grant shall for those purposes be taken to be the market value immediately before the instrument is executed of the estate or interest transferred or vested or, as the case may be, the lease or tack granted.
- (2) Where, for the purposes of stamp duty chargeable under paragraph (3) of the heading “Lease or Tack” in Schedule 1 to that Act, the rent, or any part of the rent, payable under any lease or tack cannot, apart from this subsection, be ascertained at the time it is executed, the rent shall for those purposes be taken to be the market rent at that time.
- (3) For the purposes of this section—
 - (a) the cases where consideration or rent cannot be ascertained at any time do not include cases where the consideration or rent could be ascertained on the assumption that any future event mentioned in the instrument in question were or were not to occur, and
 - (b) the market rent of a lease or tack at any time is the rent which the lease or tack might reasonably be expected to fetch at that time in the open market, and in this section “market value” has the same meaning as in section 241 above.
- (4) This section shall apply to instruments executed after 7th December 1993.

Marginal Citations

M134 1891 c. 39.

243 Agreements to surrender leases. U.K.

- (1) Where, in pursuance of any agreement, any lease is surrendered (or, in Scotland, renounced) at any time otherwise than by deed, the agreement shall be treated for the

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purposes of any duty chargeable under the ^{M135}Stamp Act 1891 as if it were a deed executed at that time effecting the surrender (or, as the case may be, renunciation).

(2) This section shall apply to any agreement made after 7th December 1993.

Marginal Citations

M135 1891 c. 39.

244 Production of documents on transfer of land in Northern Ireland. U.K.

- (1) Subject to section 245 below, on the occasion of—
- (a) any transfer on sale of any freehold interest in land in Northern Ireland, or
 - (b) the grant, or any transfer on sale, of any lease of such land,
- the transferee, lessee or proposed lessee shall produce to the Commissioners the instrument by means of which the transfer is effected or the lease granted or agreed to be granted, as the case may be.
- (2) Any transferee, lessee or proposed lessee required to produce any instrument under subsection (1) above shall produce with it a document (signed by him or by some person on his behalf and showing his address) giving such particulars as may be prescribed.
- (3) Any person who, within thirty days—
- (a) after the execution of an instrument which he is required under subsection (1) above to produce, or
 - (b) in the case of such an instrument executed at a place outside Northern Ireland, after it is first received in Northern Ireland,
- fails to comply with that subsection or subsection (2) above shall be liable on summary conviction to a fine not exceeding level 1 on the standard scale.
- (4) Where any agreement for any lease of land in Northern Ireland is produced to the Commissioners together with a document (signed as mentioned in subsection (2) above) giving such particulars as may be prescribed—
- (a) it shall not be necessary to produce to them the instrument granting the lease, or any further such document as is referred to in that subsection, unless that instrument is inconsistent with the agreement, but
 - (b) the Commissioners shall, if any such instrument is produced to them and application is made for that purpose, denote on the instrument that it has been produced to them.
- (5) Notwithstanding anything in section 12 of the ^{M136}Stamp Act 1891, no instrument required by this section to be produced to the Commissioners shall be deemed, for the purposes of section 14 of that Act, to be duly stamped unless it is stamped with a stamp denoting that the instrument has been so produced.

Marginal Citations

M136 1891 c. 39.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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245 Production of documents: supplementary. **U.K.**

- (1) Section 244 above shall not apply to any instrument (an “exempt instrument”) falling within any prescribed class; but regulations may, in respect of exempt instruments or such descriptions of exempt instruments as may be prescribed, require such a document as is mentioned in subsection (2) of that section to be furnished in accordance with the regulations to the Commissioner of Valuation for Northern Ireland.
- (2) The information contained in any document produced to the Commissioners under section 244(2) above shall be available for use by the Commissioner of Valuation for Northern Ireland.
- (3) Any person who fails to comply with any requirement imposed by virtue of subsection (1) above shall be liable on summary conviction to a fine not exceeding level 3 on the standard scale.
- (4) Section 244 above shall also not apply to any instrument which relates solely to—
 - (a) incorporeal hereditaments or to a grave or right of burial, or
 - (b) land subject to land purchase annuities which are registered in the Land Registry in Northern Ireland.
- (5) In this section and section 244 above—

“lease”—

 - (a) includes an underlease or other tenancy and an agreement for a lease, underlease or tenancy, but
 - (b) does not include a mortgage, charge or lien on any property for securing money or money’s worth,

and “lessee” and “grant” shall be construed accordingly,
 “prescribed” means prescribed by regulations, and
 “regulations” means regulations made by the Commissioners under this section.
- (6) The power to make regulations under this section shall be exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.
- (7) Regulations under this section may make different provision for different cases.
- (8) This section and section 244 above shall come into force on such day as the Treasury may by order made by statutory instrument appoint.

PART VII **U.K.**

INHERITANCE TAX

246 Rate bands: no indexation in 1994. **U.K.**

The Table substituted by section 72(1) of the ^{M137}Finance (No. 2) Act 1992 shall apply to chargeable transfers made in the year beginning 6th April 1994, and accordingly section 8(1) of the ^{M138}Inheritance Tax Act 1984 (indexation of rate bands) shall not apply to such transfers.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.
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Marginal Citations

M137 1992 c. 48.

M138 1984 c. 51.

247 Business and agricultural relief. **U.K.**

- (1) In section 113B of the Inheritance Tax Act 1984 (replacement business property)—
 - (a) in subsections (2)(a) and (5)(b), for “twelve months” substitute, in each case, “ the allowed period ”; and
 - (b) in subsection (8), at the end add “ and “allowed period” means the period of three years or such longer period as the Board may allow ”.
- (2) In section 124B of the Act of 1984 (replacement agricultural property)—
 - (a) in subsections (2)(a) and (5)(b), for “twelve months” substitute, in each case, “ the allowed period ”; and
 - (b) in subsection (8), at the end add “ and “allowed period” means the period of three years or such longer period as the Board may allow ”.
- (3) This section applies in relation to transfers of value made, and other events occurring, on or after 30th November 1993.

248 Corporate Lloyd’s underwriters. **U.K.**

- (1) No property forming part of a premiums trust fund or ancillary trust fund of a corporate member shall be relevant property for the purposes of Chapter III of Part III of the Inheritance Tax Act 1984 (settlements without interests in possession).
- (2) In this section “ancillary trust fund”, “corporate member” and “premiums trust fund” have the same meanings as in Chapter V of Part IV of this Act (Lloyd’s underwriters: corporations etc.).

PART VIII **U.K.**

MISCELLANEOUS AND GENERAL

Companies treated as non-resident

249 Certain companies treated as non-resident. **U.K.**

- (1) A company which—
 - (a) would (apart from this section) be regarded as resident in the United Kingdom for the purposes of the Taxes Acts, and
 - (b) is regarded for the purposes of any double taxation relief arrangements as resident in a territory outside the United Kingdom and not resident in the United Kingdom,shall be treated for the purposes of the Taxes Acts as resident outside the United Kingdom and not resident in the United Kingdom.

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- (2) For the purpose of deciding whether the company is regarded as mentioned in subsection (1)(b) above it shall be assumed that—
- (a) the company has made a claim for relief under the arrangements, and
 - (b) in consequence of the claim it falls to be decided whether the company is to be regarded as mentioned in subsection (1)(b) above.
- (3) This section shall apply whether the company would otherwise be regarded as resident in the United Kingdom for the purposes of the Taxes Acts by virtue of section 66(1) of the ^{M139}Finance Act 1988 (company incorporated in UK to be regarded as resident there) or by virtue of some other rule of law.
- (4) In this section—
- (a) “double taxation relief arrangements” means arrangements having effect by virtue of section 788 of the Taxes Act 1988;
 - (b) “the Taxes Acts” has the same meaning as in the ^{M140}Taxes Management Act 1970.
- (5) This section shall be deemed to have come into force on 30th November 1993.

Marginal Citations

M139 1988 c. 39.

M140 1970 c. 9.

250 Companies treated as non-resident: supplementary. **U.K.**

- (1) Sections 130(1) to (6) and 131(1) to (5) of the Finance Act 1988 (securing payment of outstanding tax) shall not apply where the company concerned ceases to be resident in the United Kingdom on 30th November 1993 solely by virtue of the coming into force of section 249 above.
- (2) References in section 179 of the ^{M141}Taxation of Chargeable Gains Act 1992 to a company ceasing to be a member of a group of companies do not apply to cases where a company ceases to be a member of a group by virtue of that company, or another company, ceasing to be resident in the United Kingdom on 30th November 1993 solely by virtue of the coming into force of section 249 above.
- (3) Subsection (4) below applies where—
- (a) a company ceases to be resident in the United Kingdom on 30th November 1993 solely by virtue of the coming into force of section 249 above, and
 - (b) by virtue of section 185(2) of the ^{M142}Taxation of Chargeable Gains Act 1992 it is deemed to have disposed of assets immediately before the time it so ceases.
- (4) In such a case—
- (a) if the company makes an actual disposal of the assets on or before the day when (apart from this subsection) corporation tax is due and payable in respect of the deemed disposal, the tax shall be due and payable on that day;
 - (b) in any other case the tax shall be due and payable on the day the company makes an actual disposal of the assets or on 30th November 1999 (whichever falls first).

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- (5) Where subsection (4) above applies, for the purposes of section 87A of the ^{M143}Taxes Management Act 1970 (interest on overdue corporation tax) the tax shall be treated as becoming due and payable on the relevant day in accordance with section 10 of the Taxes Act 1988; and the relevant day is the day on which the tax is due and payable by virtue of subsection (4) above.
- (6) If the company makes an actual disposal of part of the assets subsections (4) and (5) above shall be applied separately as regards the different parts and the tax shall be apportioned (and carry interest) accordingly.

Marginal Citations

- M141 1992 c. 12.
- M142 1992 c. 12.
- M143 1970 c.9.

251 Companies treated as non-resident: repeals. **U.K.**

- (1) For the purposes of this section—
 - (a) the relevant date is 30th November 1993;
 - (b) the ^{M144}1992 Act is the Taxation of Chargeable Gains Act 1992.
- (2) In section 468F of the Taxes Act 1988 the following shall be omitted—
 - (a) in subsection (1)(c) the words “and not a dual resident”;
 - (b) in subsection (8) the definition of “dual resident”;and this subsection shall have effect where the date of payment is the relevant date or later.
- (3) In sections 742(8) and 745(4) of the Taxes Act 1988 the words “, or regarded for the purposes of any double taxation arrangements having effect by virtue of section 788 as resident in a territory outside the United Kingdom,” shall be omitted; and—
 - (a) subject to paragraph (b) below, the omissions shall apply in relation to transfers of assets and associated operations on or after the relevant date;
 - (b) in so far as the omission in subsection (4) of section 745 relates to subsections (3)(b) and (5) of that section, it shall be deemed to have come into force on the relevant date.
- (4) Sections 749(4A) and 751(2)(bb) of the Taxes Act 1988 shall be omitted; and this subsection shall be deemed to have come into force on the relevant date.
- (5) Section 139(3) of the 1992 Act shall be omitted; and this subsection shall have effect in relation to acquisitions on or after the relevant date.
- (6) Section 160 of the 1992 Act shall be omitted; and this subsection shall have effect where the disposal of the old assets (or of the interest in them) is made on or after the relevant date or the acquisition of the new assets is made (or the acquisition of the interest in them is made or the unconditional contract for their acquisition is entered into) on or after the relevant date.
- (7) The following provisions shall be omitted—
 - (a) in section 166(2) of the 1992 Act the words “or a company” and the words “or company”;

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- (b) in section 171(2) of that Act, paragraph (e) and the word “or” immediately preceding it;
 - (c) section 172(3)(a) of that Act;
- and this subsection shall have effect in relation to disposals on or after the relevant date.
- (8) In section 175(2) of the 1992 Act the words from “or a company which” to the end of paragraph (b) shall be omitted; and this subsection shall have effect where the disposal of the old assets (or of the interest in them) or the acquisition of the new assets (or of the interest in them) is made on or after the relevant date.
- (9) Section 186 of the 1992 Act shall be omitted together with the following in section 187—
- (a) in subsection (1)(a) the words “or 186”;
 - (b) in subsection (6) the words “or, as the case may be, section 186(2),” and the words “or, as the case may be, section 186(1)”;
- and this subsection shall have effect where the company concerned becomes on or after the relevant date a company which falls to be regarded as mentioned in section 186(1).
- (10) Section 188 of the 1992 Act shall be omitted; and this subsection shall be deemed to have come into force on the relevant date.
- (11) In section 211(3) of the 1992 Act the words “(and would not be a gain on which, under any double taxation relief arrangements, it would not be liable to tax)” shall be omitted; and this subsection shall have effect where the transfer is made on or after the relevant date.
- (12) Section 61(3) of the ^{M145}Finance Act 1993 shall be omitted; and this subsection shall be deemed to have come into force on the relevant date.

Commencement Information

I17 S. 251 partly in force retrospectively (to 30.11.1993) as mentioned in this section.

Marginal Citations

M144 1992 c. 12.

M145 1993 c. 34.

Privatisations

252 Railways. U.K.

- (1) Schedule 24 to this Act (which makes provision in connection with transfers and other disposals under or by virtue of the ^{M146}Railways Act 1993) shall have effect.
- (2) Paragraphs 4(1) and 17 of that Schedule, and this section so far as relating to those provisions, shall be taken to have come into force on 5th November 1993 (the date on which the ^{M147}Railways Act 1993 was passed).
- (3) Subject to subsection (2) above, this section and that Schedule shall be taken to have come into force on 11th January 1994.

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Commencement Information

I18 S. 252 in force retrospectively (partly 5.11.93 and partly 11.1.1994) as mentioned in s. 252(2)(3)

Marginal Citations

M146 1993 c. 43.

M147 1993 c. 43.

253 Northern Ireland Airports Limited. **U.K.**

Schedule 25 to this Act (which makes provision in connection with the transfer of the undertaking of Northern Ireland Airports Limited) shall have effect.

Management

254 Practice and procedure in connection with appeals. **U.K.**

- (1) Section 56B of the ^{M148}Taxes Management Act 1970 (regulations about practice and procedure in connection with appeals) shall be amended as follows.
- (2) In subsection (2)(b) (documents to be made available for inspection by Commissioners or by officers of the Board) for “the Commissioners or by officers of the Board” there shall be substituted “ specified persons ”.
- (3) The following subsection shall be inserted after subsection (2)—
 - “(2A) In subsection (2)(b) above “specified persons” means such of the following as may be specified in the regulations—
 - (a) the Commissioners;
 - (b) any party to the appeal;
 - (c) officers of the Board.”

Marginal Citations

M148 1970 c.9.

255 Calling for documents of taxpayers and others. **U.K.**

- (1) Section 20 of the ^{M149}Taxes Management Act 1970 (power to call for documents) shall be amended as follows.
- (2) The following subsections shall be inserted after subsection (7A)—
 - “(7AB) A Commissioner who has given his consent under subsection (7) above shall neither take part in, nor be present at, any proceedings on, or related to, any appeal brought—
 - (a) in the case of a notice under subsection (1) above, by the person to whom the notice applies, or
 - (b) in the case of a notice under subsection (3) above, by the taxpayer concerned,

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if the Commissioner has reason to believe that any of the required information is likely to be adduced in evidence in those proceedings.

(7AC) In subsection (7AB) above “required information” means any document or particulars which were the subject of the proposed notice with respect to which the Commissioner gave his consent.”

(3) The following subsections shall be inserted after subsection (8D)—

“(8E) An inspector who gives a notice under subsection (1) or (3) above shall also give to—

- (a) the person to whom the notice applies (in the case of a notice under subsection (1) above), or
- (b) the taxpayer concerned (in the case of a notice under subsection (3) above),

a written summary of his reasons for applying for consent to the giving of the notice.

(8F) Subsection (8E) above does not apply, in the case of a notice under subsection (3) above, if by virtue of section 20B(1B) a copy of that notice need not be given to the taxpayer.

(8G) Subsection (8E) above does not require the disclosure of any information—

- (a) which would, or might, identify any person who has provided the inspector with any information which he took into account in deciding whether to apply for consent; or
- (b) if the Commissioner giving the required consent has given a direction that that information is not to be subject to the obligation imposed by that subsection.

(8H) A General or Special Commissioner shall not give a direction under subsection (8G) above unless he is satisfied that the inspector has reasonable grounds for believing that disclosure of the information in question would prejudice the assessment or collection of tax.”

Marginal Citations

M149 1970 c. 9.

Assigned matters

256 Minor corrections. U.K.

(1) The provisions mentioned in subsection (2) below (which enable revenue traders and taxable persons to be required to keep records) shall be amended in accordance with subsections (3) and (4) below (which correct minor errors in those provisions so far as they relate to the admissibility in evidence of the recorded information).

(2) The provisions are—

- (a) in the ^{M150}Customs and Excise Management Act 1979, section 118A; and
- (b) in Schedule 7 to the ^{M151}Value Added Tax Act 1983, paragraph 7.

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- (3) In subsection (6) and sub-paragraph (5) of those provisions—
- (a) in paragraph (c) for the words “sections 13 and 14 of the ^{M152}Law Reform (Miscellaneous Provisions) (Scotland) Act 1968” there shall be substituted “sections 5 and 6 of the Civil Evidence (Scotland) Act 1988”; and
 - (b) in paragraph (d), for the words “except in accordance with the said sections 13 and 14” to the end there shall be substituted “except in accordance with Schedule 3 to the Prisoners and Criminal Proceedings (Scotland) Act 1993”.
- (4) Subsection (7) and sub-paragraph (6) of those provisions shall be omitted.

Marginal Citations

M150 1979 c. 2.
M151 1983 c. 55.
M152 1968 c. 70.

General

257 Interpretation and construction. **U.K.**

- (1) In this Act “the Taxes Act 1988” means the ^{M153}Income and Corporation Taxes Act 1988.
- (2) Part V of this Act shall be construed as one with Part I of the ^{M154}Oil Taxation Act 1975, and in Part V that Act is referred to as “the principal Act”.
- (3) Part VI of this Act shall be construed as one with the ^{M155}Stamp Act 1891.

Marginal Citations

M153 1988 c. 1.
M154 1975 c. 22.
M155 1891 c. 39.

258 Repeals. **U.K.**

The enactments specified in Schedule 26 to this Act (which include provisions which are already spent) are hereby repealed to the extent specified in the third column of that Schedule, but subject to any provision of that Schedule.

259 Short title. **U.K.**

This Act may be cited as the Finance Act 1994.

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SCHEDULES

SCHEDULE 1 U.K.

Section 1.

TABLE OF RATES OF DUTY ON WINE AND MADE-WINE

“PART I U.K.

WINE OR MADE-WINE OF A STRENGTH NOT EXCEEDING 22 PER CENT.

<i>Description of wine or made-wine</i>	<i>Rates of duty per hectolitre</i>
	£
Wine or made-wine of a strength not exceeding 2 per cent.	13.48
Wine or made-wine of a strength exceeding 2 per cent. but not exceeding 3 per cent.	22.46
Wine or made-wine of a strength exceeding 3 per cent. but not exceeding 4 per cent.	31.45
Wine or made-wine of a strength exceeding 4 per cent. but not exceeding 5 per cent.	40.44
Wine or made-wine of a strength exceeding 5 per cent. but not exceeding 5.5 per cent.	49.42
Wine or made-wine of a strength exceeding 5.5 per cent. but not exceeding 15 per cent. and not being sparkling	134.77
Sparkling wine or sparkling made-wine of a strength exceeding 5.5 per cent. but not exceeding 15 per cent.	222.55
Wine or made-wine of a strength exceeding 15 per cent. but not exceeding 22 per cent.	207.33

PART II U.K.

WINE OR MADE-WINE OF A STRENGTH EXCEEDING 22 PER CENT.

<i>Description of wine or made-wine</i>	<i>Rates of duty per litre of alcohol in the wine or made-wine</i>
	£

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Wine or made-wine of a strength exceeding 19.81”
22 per cent.

SCHEDULE 2 U.K.

Section 5.

VEHICLES EXCISE DUTY: MISCELLANEOUS PROVISIONS

- 1 (1) Section 1 of the ^{M156}Vehicles (Excise) Act 1971 (charge of duty) shall be amended as follows.
 - (2) In subsection (3) (charge in respect of keeping a vehicle on a road), for the words “be deemed” onwards there shall be substituted “be chargeable—
 - (a) where one or more vehicle licences have previously been issued under this Act for the use of the vehicle, by reference to the rate currently applicable to a vehicle of the same description as that of the vehicle on the occasion of the issue of that licence (or the last of those licences), and
 - (b) otherwise, by reference to whichever of the rates specified in Schedule 5 to this Act is applicable to a vehicle constructed at the same time as the vehicle.”
 - (3) Subsection (4) (which provides that section 1 does not make lawful the keeping of a vehicle which is unlawful apart from that section) shall be omitted.

Marginal Citations

M156 1971 c. 10.

- 2 In section 3(3) of that Act (collection of duty), the words “the restoration of any forfeiture and” shall be omitted.
- 3 In section 4(1)(b) of that Act (exemption for fire brigade vehicles), for “local authority” there shall be substituted “ fire authority ”.
- 4 In section 6(3) of that Act (recovery of duty by Secretary of State where VAT becomes chargeable on vehicle supplied for export), for the words from “there shall be recoverable” to the end of paragraph (b) there shall be substituted “duty shall be payable—
 - (a) by the person by whom the vehicle was acquired from its manufacturer in respect of the whole period since the registration of the vehicle; or
 - (b) by any other person who is for the time being the keeper of the vehicle in respect of the period since the vehicle was first kept by that other person.”.

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- 5 In section 7(2) of that Act (exemption for vehicles of disabled persons)—
- (a) after “physical” there shall be inserted “ or mental ”, and
 - (b) in paragraph (c), after “subsection” there shall be inserted “ or by reason of the continued operation of the provisions mentioned in section 12(1) of the Finance (No.2) Act 1992 ”.
- 6 In section 12(6) of that Act (regulations providing for issue of new licences), for “may be lost or destroyed” there shall be substituted “ are or may be lost, stolen, destroyed or damaged ”.
- 7 In section 16(4) of that Act (trade licences), the words following paragraph (b) shall be omitted.
- 8 (1) Section 18 of that Act (alteration of vehicle or of its use) shall be amended as follows.
- (2) Subsections (8) and (9) (power to exempt farmers’ goods vehicles from liability to pay duty at higher rate) shall be omitted.
 - (3) In subsection (10) (Northern Ireland), for the words from “as if” to “substituted” there shall be substituted “ as if after subsection (7) there were inserted ”.
- 9 Section 21 of that Act (hackney carriage signs) shall be omitted.
- 10 In section 22 of that Act (failure to fix mark etc.), in the version of paragraph (b) of the proviso to subsection (1) which is set out in subsection (4), for “no opportunity” there shall be substituted “ no reasonable opportunity ”.
- 11 (1) Section 23 of that Act as set out in paragraph 20 of Part I of Schedule 7 to that Act (registration regulations) shall be amended as follows.
- (2) In subsection (1)—
 - (a) in paragraph (b) (particulars of register), for “the prescribed fee” there shall be substituted “ a fee of such amount as appears to the Secretary of State reasonable in the circumstances of the case ”, and
 - (b) in paragraph (e) (registration documents), for “may be lost or destroyed” there shall be substituted “ are or may be lost, stolen, destroyed or damaged ”.
 - (3) In subsection (2)(c) (replacement plates), for the words “such plates” onwards there shall be substituted “ trade plates which are or may be lost, stolen, destroyed or damaged ”.
 - (4) The following subsection shall be inserted after subsection (4)—

“(5) Regulations under subsection (3) above which require a person to furnish information relating to vehicles exempted from duty by reason of the continued operation of the provisions mentioned in section 12(1) of the Finance (No.2) Act 1992 may require him to furnish in addition such

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evidence of the facts giving rise to the exemption as is prescribed by the regulations.”

- 12 In section 25(1) of that Act (review of Secretary of State’s decisions relating to motor traders etc.)—
- (a) in paragraph (c), for “motor trader or vehicle tester within the meaning of section 16 of this Act” there shall be substituted “ person entitled to make one ”, and
 - (b) for “dealer, trader, tester or other person” there shall be substituted “ person ”.
- 13 (1) Section 26A of that Act (dishonoured cheques) shall be amended as follows.
- (2) In subsection (2)(b)(iv), for the words “a new” onwards there shall be substituted “ there first had effect a new licence for the vehicle specified in the application for the licence or (in the case of a trade licence) a new trade licence to be used for the same description of vehicles. ”
 - (3) In subsection (3), for the words “period, was” onwards there shall be substituted “period—
 - (a) in the case of a vehicle licence, was applicable to a vehicle of the description specified in the application, and
 - (b) in the case of a trade licence, was applicable to a vehicle falling within paragraph 2 of Part II of Schedule 5 to this Act or, if the licence was to be used only for vehicles to which Schedule 1 to this Act applies, to a vehicle falling within paragraph 3 of Part II of that Schedule.”
 - (4) In subsection (4), after “section in the case of” there shall be inserted “ a vehicle licence for ”.
- 14 In section 28(1) of that Act (legal proceedings in England and Wales and Northern Ireland), for “, 18(4) or 26(1) or (2)” there shall be substituted “ or 18(4) ”.
- 15 In section 33 of that Act (burden of proof), after “16(7)” there shall be inserted “ , 18(4) ”.
- 16 Section 36 of that Act (fractions of a new penny) shall be omitted.
- 17 (1) Section 37 of that Act (regulations) shall be amended as follows.
- (2) In subsection (1) (matters which may be dealt with in regulations)—
 - (a) in paragraph (a), after “provision for different” there shall be inserted “ cases or ”, and
 - (b) in paragraph (c), after “incidental” there shall be inserted “ , consequential ”.
 - (3) In subsection (2) (fees), for “23(c)” there shall be substituted “ 23(2)(c) ”.

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- 18 (1) No order shall be made under section 39(2) of that Act (transitional modifications in Part I of Schedule 7 to that Act to cease to have effect on a day appointed by order) in relation to any of the provisions of that Part of that Schedule which are specified in sub-paragraph (2) below.
- (2) The provisions of Part I of Schedule 7 which are referred to in sub-paragraph (1) above are paragraphs 1 to 9, 11, 13, 16, 17, 17A, 20 and 24 and, so far as it relates to section 26(1) of that Act, paragraph 23.
- 19 (1) Schedule 4 to that Act (annual rates of duty on goods vehicles) shall be amended as follows.
- (2) In paragraph 1(1) (basic rate of duty), for “paragraphs 5 and” there shall be substituted “ paragraph ” and the following paragraph shall be inserted after paragraph (a)—
- “(aa) which has a plated gross weight or plated train weight exceeding 7,500 kilograms but has such a weight only by virtue of paragraph 9(2A)(c) below and is not a vehicle of a prescribed class; or”.
- (3) Paragraph 5 (special types) shall be omitted.
- (4) In paragraph 11 (exempted vehicles), the following sub-paragraph shall be inserted after sub-paragraph (c)—
- “(cc) a haulage vehicle within the meaning of that Schedule;”.
- (5) In paragraphs 14, 14A and 14B (no extra charge to duty where tractor unit used with semi-trailer with fewer axles than envisaged by licence), for “the tractor unit shall, when so used, be taken to be licensed in accordance with the requirements of this Act” there shall be substituted “ duty at a higher rate shall not become chargeable under section 18 of this Act ”.
- (6) In paragraph 15(1), in the definition of “goods vehicle”, the words “(including a tricycle as defined in Schedule 1 to this Act and weighing more than 425 kilograms unladen)” shall be omitted.

VALID FROM 01/06/1994

- 20 (1) Part I of Schedule 7 to that Act (transitional modifications) shall be amended as follows.
- (2) Paragraphs 1(c), 3(b), 18, 19, 21 and 22 and, so far as it relates to section 26(2) of that Act, paragraph 23 shall be omitted.
- (3) In paragraph 12, for “(4) and (5)” there shall be substituted “ (4) to (5) ” and the following subsections shall be substituted for the subsections set out in that paragraph—
- “(4) A trade licence may be taken out—
- (a) for one calendar year;
- (b) for a period of six months beginning with the first day of January or of July; or

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- (c) where subsection (4A) below applies, for a period of seven, eight, nine, ten or eleven months beginning with the first day of any month other than January or July.
- (4A) This subsection applies where the person taking out the licence—
 - (a) is not a motor trader or vehicle tester (having satisfied the Secretary of State as mentioned in subsection (1A) above); or
 - (b) does not hold any existing trade licence.
- (5) The rate of duty applicable to a trade licence—
 - (a) if the licence is taken out for a calendar year, shall be—
 - (i) the annual rate currently applicable to a vehicle falling within paragraph 3 of Part II of Schedule 1 to this Act if the licence is to be used only for vehicles to which that Schedule 1 applies; and
 - (ii) otherwise, the annual rate currently applicable to a vehicle falling within paragraph 2 of Part II of Schedule 5 to this Act;
 - (b) if the licence is taken out for a period of six months, shall be fifty-five per cent. of the rate applicable to the corresponding trade licence taken out for a calendar year; and
 - (c) if the licence is taken out for a period of seven, eight, nine, ten or eleven months, shall be the aggregate of—
 - (i) fifty-five per cent. of the rate applicable to the corresponding trade licence taken out for a calendar year, and
 - (ii) one-sixth of the amount arrived at under sub-paragraph (i) above in respect of each month in the period in excess of six.
- (5A) In determining a rate of duty under subsection (5)(b) or (c) any fraction of five pence—
 - (a) if it exceeds two and a half pence, shall be treated as five pence; and
 - (c) otherwise, shall be disregarded.”

Commencement Information

I19 Sch. 2 para. 20(2) in force retrospectively at 1.6.1994, see Sch. 2 para. 29; Sch. 2 para. 20(1)(3) in force at Royal Assent.

- 21 (1) Section 11 of the ^{M157}Finance Act 1976 (information about goods vehicles and trailers) shall be amended as follows.
- (2) In subsection (2), the following paragraph shall be substituted for paragraph (b) (details of plated weights etc.)—
- “(b) the vehicle’s plated gross weight or plated train weight, or (in Northern Ireland) relevant maximum weight or relevant maximum train weight, within the meaning of Schedule 4 to the said Act of 1971;”.

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- (3) In paragraph (c) of that subsection (details of laden weight)—
- (a) for “such plated weights” there shall be substituted “ such weight ”, and
 - (b) the words “or, if it falls” onwards shall be omitted.
- (4) In subsection (3) (trailers), for the words from the beginning to “Act)” there shall be substituted “ In section 23(3) of the said Act of 1971 as set out in paragraph 20 of Part I of Schedule 7 to that Act ”.

Marginal Citations

M157 1976 c. 40.

- 22 In section 12(2)(a) of that Act (inspection of vehicles to which a registration mark is requested to be assigned), the words “either” and “, or elsewhere” shall be omitted.
- 23 In section 8(4) of the ^{M158}Finance Act 1978 (offences in relation to exempt licences), after “above” there shall be inserted “ or any of the provisions mentioned in section 12(1) of the Finance (No.2) Act 1992 ”.

Marginal Citations

M158 1978 c. 42.

VALID FROM 01/06/1994

- 24 In Article 34 of the ^{M159}Road Traffic (Northern Ireland) Order 1981 (obligatory vehicle test certificates), the following paragraph shall be substituted for paragraph (3)—
- “(3) For the purposes of paragraph (2)(b) there shall be disregarded—
- (a) the use of a vehicle before it is sold or supplied by retail; and
 - (b) the use of a vehicle to which a motor dealer has assigned a mark under section 20 of the Vehicles (Excise) Act 1971 before it is registered by the Secretary of State under section 19(1)(b) of that Act.”

Marginal Citations

M159 S.I. 1981/154 (N.I.1).

VALID FROM 01/06/1994

- 25 In section 47 of the ^{M160}Road Traffic Act 1988 (obligatory test certificates), the following subsection shall be substituted for subsection (4)—
- “(4) For the purposes of subsection (2)(b) above there shall be disregarded—

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- (a) the use of a vehicle before it is sold or supplied by retail, and
- (b) the use of a vehicle to which a motor dealer has assigned a mark under section 20 of the Vehicles (Excise) Act 1971 before it is registered by the Secretary of State under section 19(1)(b) of that Act.”

Marginal Citations

M160 1988 c. 52.

26 (1) Section 11 of the ^{M161}Finance Act 1989 (power to make provision for retention of registration marks) shall be amended as follows.

(2) In subsection (2), the following paragraphs shall be inserted after paragraph (i)—

- “(ia) for allowing a person to be nominated when an application for the grant of a right of retention is made or to be nominated at a later time;
- (ib) for allowing a different person to be nominated in place of a person already nominated;
- (ic) for the manner in which a nomination is to be made and for the payment of a specified fee where a nomination is made in specified circumstances;”.

(3) The following subsection shall be inserted after subsection (3)—

“(3ZA) An extension or nomination shall be exempt from a fee payable by virtue of subsection (2)(f) or (ic) above if the Secretary of State considers it appropriate in the circumstances of the case.”

Marginal Citations

M161 1989 c. 26.

27 (1) Section 12 of that Act (provision for sale of registration marks) shall be amended as follows.

(2) In subsection (3), the following paragraphs shall be inserted after paragraph (i)—

- “(ia) for allowing a person to be nominated when a relevant right is acquired or to be nominated at a later time;
- (ib) for allowing a different person to be nominated in place of a person already nominated;
- (ic) for the manner in which a nomination is to be made and for the payment of a specified fee where a nomination is made in specified circumstances;”.

(3) The following subsection shall be inserted after subsection (5)—

“(5A) An extension or nomination shall be exempt from a fee payable by virtue of subsection (3)(f) or (ic) above if the Secretary of State considers it appropriate in the circumstances of the case.”

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- 28 Section 128 of the ^{M162}Finance Act 1990 (power to provide for repayment of fees and charges) shall apply to any power by virtue of this Schedule to make provision under section 11 or 12 of the ^{M163}Finance Act 1989 for the payment of any fee as it applies to powers conferred before the ^{M164}Finance Act 1990 was passed.

Marginal Citations

M162 1990 c. 29.

M163 1989 c. 26.

M164 1990 c. 29.

- 29 Paragraphs 20(2), 24 and 25 shall come into force on 1st June 1994.

SCHEDULE 3 U.K.

Section 6.

AMENDMENTS ABOUT GAMING MACHINE LICENCE DUTY

Licences for periods beginning on or after 1st May 1994

- 1 (1) The ^{M165}Betting and Gaming Duties Act 1981 shall be amended as follows.
- (2) For section 21(3) (period of gaming machine licences) there is substituted—
- “(3) A gaming machine licence may be granted for a period of a month, or of any number of months not exceeding twelve, beginning on any day of any month”.
- (3) Section 22(5) (rates of duty) is omitted.
- (4) For section 23 (amount of duty) there is substituted—

“23 Amount of duty.

- (1) The amount of duty payable on a gaming machine licence shall be—
- the appropriate amount for the machine which it authorises, or
 - if it authorises two or more machines, the aggregate of the appropriate amounts for each of those machines.
- (2) The appropriate amount for each machine shall be determined in accordance with the following Table by reference to—
- the period for which the licence is granted, and
 - whether the machine falls within column 2 or column 3 of the Table, and references in this Part to a rate of gaming machine licence duty are references to the rate in column 2 or the rate in column 3.

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TABLE

(1) Period (in months) for which licence granted	(2) Small prize or five- penny machines	(3) Other machines
1	50	125
2	90	230
3	130	335
4	170	435
5	210	540
6	245	630
7	290	735
8	330	840
9	365	930
10	405	1,035
11	425	1,090
12	450	1,150”

- (5) In section 24 (restrictions on number of licences)—
- subsection (2),
 - in subsections (3) and (4), “such”, and
 - in subsection (6)(a), the words from “or” at the end of sub-paragraph (i) to “greater”,
- are omitted.
- (6) In section 26 (supplementary provisions), in subsection (4)—
- “section 22(5) or” is omitted, and
 - for “those provisions” there is substituted “ that provision ”.
- (7) In Part II of Schedule 4 (supplementary provisions) for paragraphs 6 and 7 (applications and duration of licences) there is substituted—
- “6 An application for a gaming machine licence shall be made to the Commissioners in such form and manner as they may require.
- 7 The period for which a gaming machine licence is granted shall begin with the day on which application for the licence is received by the Commissioners or, if a later day is specified for that purpose in the application, with that day; and the licence shall expire at the end of that period.”
- (8) Paragraphs 9 to 11A of that Schedule (amendment, etc.) shall not apply at any time before 1st May 1994 to any licence in relation to which this paragraph has effect.
- (9) This paragraph shall have effect in relation to gaming machine licences granted for any period beginning on or after 1st May 1994.

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Marginal Citations

M165 1981 c. 63.

Special licences

- 2 No special licence (as defined in section 21(2) of the^{M166}Betting and Gaming Duties Act 1981) may be granted for any period beginning on or after 1st May 1994.

Marginal Citations

M166 1981 c. 63.

VALID FROM 01/05/1995

- 3 (1) Accordingly, that Act shall be amended as follows.
- (2) In section 21, for the words following “force” in subsection (1) to the end of subsection (2) there is substituted—
- “a licence granted under this Part of this Act with respect to the premises.
- (2) Such a licence shall be known as a gaming machine licence”.
- (3) Section 21A (special licences) is omitted.
- (4) In section 24—
- (a) in subsection (3), the words from “but” to the end are omitted, and
- (b) in subsection (4), the words “or there are special licences in force with respect to those machines” are omitted.
- (5) In paragraph 8 of Schedule 4 (transfer of licences), in sub-paragraph (1), for paragraphs (a) and (b) there is substituted “ transfer a gaming machine licence in respect of any premises to a successor in title to the interest in those premises of the person to whom the licence was granted ”.
- (6) Paragraph 11(2) of that Schedule is omitted.
- (7) In paragraph 12 of that Schedule (display of licence), for “an ordinary licence” there is substituted “ a gaming machine licence ”.
- (8) In paragraph 13(1) of that Schedule (labelling etc. of machines), for paragraphs (a) and (b) there is substituted “ gaming machines provided on any premises in respect of which a gaming machine licence is in force ”.
- (9) In paragraph 18 of that Schedule (forfeiture), for paragraphs (a) and (b) there is substituted “ those machines which are authorised by the gaming machine licence or licences produced to him ”.
- (10) Paragraph 4(2) below shall cease to have effect.

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(11) This paragraph shall come into force on 1st May 1995.

Seasonal licences

- 4 (1) In Part I of Schedule 4 to that Act (exemptions), for paragraph 4 (and the cross-heading preceding it) there shall be substituted—

Seasonal licences

- “4 (1) If at any time during March of any year there has previously been granted a seasonal licence for that year authorising the provision of any number of small-prize machines on any premises and that licence has not been surrendered, it shall be treated for the purposes of this Act as authorising the provision at that time of that number of small-prize machines on the premises.
- (2) Where a seasonal licence is granted for any year authorising the provision of any number of small-prize machines on any premises, and the licence is not surrendered, it shall be treated for the purposes of this Act as authorising during October of that year the provision of that number of small-prize machines on the premises.
- (3) Subject to sub-paragraph (4) below, in this Schedule “seasonal licence”, in relation to any year, means a gaming machine licence expressed to authorise only the provision of small-prize machines on any premises for the period of six months beginning with 1st April in that year.
- (4) A licence in respect of any premises is not a seasonal licence in relation to any year if any gaming machine licence has been granted in respect of those premises for any period which includes the whole or any part of the preceding winter period.
- (5) If in relation to any year—
- (a) a seasonal licence is granted in respect of any premises, and
 - (b) another gaming machine licence is granted (whether before or after the grant of the seasonal licence or after the surrender of the seasonal licence) in respect of those premises for any period which includes the whole or any part of the following winter period (and does not include the whole or any part of the preceding winter period),
- there shall (unless an amount has already become payable under this sub-paragraph in respect of the seasonal licence) be payable on the seasonal licence on the relevant date an additional amount of duty.
- (6) The additional amount is the difference between the duty payable (apart from this paragraph) on that licence at the time it was granted and the amount that would have been so payable if the licence had been granted for a period of eight months or, in a case where the seasonal licence has been surrendered before the beginning of September, seven months.
- (7) In sub-paragraph (5) above, the “relevant date” means—

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- (a) the date on which the seasonal licence is granted, or
 - (b) the date on which the other licence is granted,
- whichever is the later.

(8) In this paragraph “winter period” means November to February.”

- (2) The references in paragraph 4(4) and (5)(b) of that Schedule (as inserted by this paragraph) to a licence in respect of any premises include a reference to any special licence in respect of any machine on those premises.
- (3) Sections 21(3) and 23 of that Act (as inserted by this Schedule) shall have effect for the purposes of paragraph 4(6) of that Schedule (as so inserted) in relation to gaming machine licences granted for the period of six months beginning with 1st April 1994.
- (4) This paragraph shall have effect in relation to gaming machine licences granted for any period beginning on or after 1st April 1994.

Amendment and surrender of licences

- 5 (1) Part II of Schedule 4 to that Act shall be amended as follows.
- (2) Paragraphs 9 and 10 (amendment of licences) are omitted.
- (3) In paragraph 11 (surrender of licence), for sub-paragraph (1) there is substituted—
 - “(1) The holder of a gaming machine licence may surrender it to the proper officer at any time.
 - (1A) On the surrender of the licence the holder shall be entitled to repayment of duty of the following amount.
 - (1B) That amount is the difference between—
 - (a) the amount of duty actually paid on the licence, and
 - (b) the amount (if less) that would have been paid if the period for which the licence was granted had been reduced by the number of complete months in that period which have not expired,
 and for the purposes of this paragraph a seasonal licence is to be treated as granted for the period of eight months beginning with 1st March”.
- (4) Paragraph 11A (reduction of duty in certain cases) is omitted.
- (5) Sub-paragraph (3) above shall not apply to special licences; and sections 21(3) and 23 of that Act (as inserted by this Schedule) shall have effect for the purposes of paragraph 11(1B)(b) of that Schedule (as so inserted) in relation to gaming machine licences granted for any period beginning before 1st May 1994.
- (6) This paragraph shall come into force on 1st May 1994.

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VALID FROM 01/01/1995

SCHEDULE 4 **U.K.**

Section 9.

PENALTIES FOR STATUTORY CONTRAVENTIONS

VALID FROM 01/11/1994

SCHEDULE 5 **U.K.**

Section 14.

DECISIONS SUBJECT TO REVIEW AND APPEAL

Modifications etc. (not altering text)

C29 Sch. 5 applied (1.6.1995) by [S.I. 1995/1046, reg. 7\(3\)](#)

SCHEDULE 6 **U.K.**

Section 40.

AIR PASSENGER DUTY: ADMINISTRATION AND ENFORCEMENT

Application of excise enactments

- 1 (1) The ^{M181}Customs and Excise Management Act 1979 shall have effect for the purposes of Chapter IV of Part I of this Act in relation to—
- (a) any person who is or is liable to be registered,
 - (b) any fiscal representative, and
 - (c) any handling agent where a notice given to him under section 37 of this Act is effective,
- as it has effect in relation to revenue traders, but with the modifications mentioned in sub-paragraph (2), and paragraphs 3 and 4, below.
- (2) That Act shall have effect, in relation to any person to whom sub-paragraph (1) above applies, as if—
- (a) the reference in section 112(1) (power of entry) to vehicles included aircraft,
 - (b) section 116 (payment of duty) were omitted,
 - (c) in section 117 (execution and distress)—
 - (i) the references to goods liable to any excise duty included tickets, and

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- (ii) the references to the trade in respect of which duty is imposed were to the trade or business by virtue of which sub-paragraph (1) above applies to him, and
- (d) any power under section 118B(1)(b) to require any person who is or is liable to be registered to produce or cause to be produced any such documents as are referred to in that subsection included power to require his fiscal representative to produce them.

Marginal Citations

M181 1979 c. 2.

- 2 Section 118B of that Act shall have effect for the purposes of Chapter IV of Part I of this Act in relation to any person who, in the course of a trade or business carried on by him, issues or arranges for the issue of tickets as if—
- (a) he were a revenue trader, and
 - (b) the references to services supplied by or to him in the course or furtherance of a business were to services supplied by or to him in the course of issuing or arranging for the issue of tickets.
- 3 (1) A notice may require any person to whom paragraph 1 above applies to furnish, at specified times and in the specified form, any such information to the Commissioners as he could be required by the Commissioners to furnish under subsection (1) of section 118B; and any such requirement shall have effect as a requirement under that subsection.
- (2) A notice may require any person to whom paragraph 1 or 2 above applies to produce or cause to be produced for inspection by an officer, at specified places and times, any such documents as he could be required by the officer to produce under that subsection; and any such requirement shall have effect as a requirement under that subsection.
- (3) In this paragraph—
- “notice” means a notice published, and not withdrawn, by the Commissioners, and
 - “specified” means specified in such a notice.
- 4 In relation to any person to whom paragraph 1 or 2 above applies—
- (a) that Act shall have effect as if “document” had the same meaning as in Chapter IV of Part I of this Act, and
 - (b) that Act and this Schedule shall have effect as if any reference to the production of any document, in the case of information recorded otherwise than in legible form, were to producing a copy of the information in legible form.

Information

- 5 (1) Any person having the management of an airport shall, if required to do so by the Commissioners—
- (a) give notice to the Commissioners, within such time and in such form as they may reasonably require, stating whether or not he holds or has at any time held any information relating to the matters mentioned in sub-

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- paragraph (3) below and, if he does or has done, stating the general nature of the information, and
- (b) furnish to the Commissioners, within such time and in such form as they may reasonably require, such information relating to such matters as they may reasonably specify.
- (2) Any such person shall, if required to do so by an officer, produce any documents relating to those matters, or cause them to be produced, for inspection by that officer.
- (3) The matters referred to in sub-paragraphs (1) and (2) above are—
- (a) whether or not any aircraft is a chargeable aircraft,
- (b) who is the operator of any aircraft,
- (c) whether or not any person is a handling agent of the operator of any aircraft, and
- (d) whether or not any duty is payable on the carriage of any person and, if so, the amount of duty.
- (4) Documents produced under sub-paragraph (2) above shall be produced, at such time as the officer may reasonably require, at the principal place of business of the person required to produce them or cause them to be produced or at such other place as the officer may reasonably require.
- (5) An officer may take copies of, or make extracts from, any document produced under this paragraph.
- (6) If it appears to an officer to be necessary to do so, he may, at a reasonable time and for a reasonable period, remove any document produced under this paragraph.
- (7) Where an officer removes a document under sub-paragraph (6) above, then—
- (a) if the person from whom it is removed so requests, the officer shall give him a receipt for the document,
- (b) if the document is reasonably required for the proper conduct of any business, the officer shall, as soon as practicable, provide a copy of the document, free of charge, to the person by whom it was produced or caused to be produced, and
- (c) if the document is lost or damaged, the Commissioners shall be liable to compensate the owner for any expenses reasonably incurred by him in replacing or repairing it.
- (8) Any reference in this paragraph to the production of a document, in the case of information recorded otherwise than in legible form, is to producing a copy of the information in legible form.
- (9) Any failure by a person having the management of an airport to comply with a requirement imposed under this paragraph shall attract a penalty under section 9 of this Act.

Application of Chapter II

- 6 An appeal which relates to duty shall not be entertained under section 16 of this Act at any time if any return which the appellant is required by regulations made by virtue of section 38 of this Act to make has not at that time been made.

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Interest payable to Commissioners

- 7 (1) Where an assessment of duty due from any person (“the person assessed”) is made under section 12 of this Act and any of the conditions in sub-paragraph (2) below is fulfilled, the whole of the amount assessed shall, subject to paragraph 8 below, carry interest at the specified rate from the reckonable date until payment.
- (2) The conditions are—
- (a) that the assessment relates to an accounting period in respect of which either a return has previously been made or an earlier assessment has already been notified to the person assessed, or
 - (b) that the assessment relates to an accounting period which exceeds one month and begins on the date on which the person assessed was, or became liable to be, registered.
- (3) In a case where—
- (a) the circumstances are such that an assessment of duty due from any person could have been made and, if it had been made, the conditions in sub-paragraph (2) above would have been fulfilled, but
 - (b) before such an assessment was made the duty was paid (so that no such assessment was necessary),
- the whole of the amount paid shall carry interest at the specified rate from the reckonable date until the date on which it was paid.
- (4) In this paragraph and paragraph 8 below the “reckonable date” means the latest date on which a return is required to be made under Chapter IV of Part I of this Act for the accounting period to which the amount assessed or paid relates; and interest under this paragraph shall run from the reckonable date even if that date is a non-business day, within the meaning of section 92 of the ^{M182}Bills of Exchange Act 1882.
- (5) Interest under this paragraph shall be paid without any deduction of income tax.

Marginal Citations

M182 1882 c. 61.

- 8 (1) Where on an appeal by any person (“the appellant”) to a tribunal under section 16 of this Act against an assessment of duty—
- (a) it is found that the whole or any part of the duty was due from him, and
 - (b) the amount due, or any part of that amount, has not been paid and no cash security has been given for it,
- that amount or, as the case may be, that part of it shall carry interest at such rate as the tribunal may determine from the reckonable date until payment.
- (2) In sub-paragraph (1) above, “cash security” means such adequate security as enables the Commissioners to place the amount in question on deposit.
- (3) Interest under this paragraph shall be paid without any deduction of income tax.

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Interest payable by the Commissioners

- 9 (1) Where, due to an error on the part of the Commissioners, a person has paid by way of duty an amount which was not due and which the Commissioners are in consequence liable to repay to him, they shall (subject to the following provisions of this paragraph and paragraph 10) pay interest to him on that amount at the specified rate for the applicable period (if and to the extent that they would not be liable to do so apart from this paragraph).
- [^{F24}(1A) In sub-paragraph (1) above the reference to an amount which the Commissioners are liable to repay in consequence of the making of a payment that was not due is a reference to only so much of that amount as is the subject of a claim that the Commissioners are required to satisfy or have satisfied.]
- (2) For the purposes of this paragraph the applicable period is the period—
- (a) beginning with the date on which the payment is received by the Commissioners, and
 - (b) ending with the date on which they authorise payment of the amount on which the interest is payable;
- but in determining that period for those purposes there shall be left out of account any period referable to the raising and answering of any reasonable enquiry relating to any matter giving rise to, or otherwise connected with, the person's entitlement to interest under this paragraph.
- (3) In determining for the purposes of sub-paragraph (2) above whether any period is referable to the raising and answering of such an enquiry as is there mentioned, there shall be taken to be so referable any period which begins with the date on which the Commissioners first consider it necessary to make such an enquiry and ends with the date on which the Commissioners—
- (a) satisfy themselves that they have received a complete answer to the enquiry, or
 - (b) determine not to make the enquiry or (if they have made it) not to pursue it further;
- but excluding so much of that period as may be prescribed.
- (4) For the purposes of sub-paragraph (3) above it is immaterial—
- (a) whether any enquiry is in fact made, or
 - (b) whether any enquiry is or might have been made of the person referred to in sub-paragraph (1) above or of an authorised person or of some other person.
- (5) The Commissioners shall only be liable to pay interest under this paragraph on a claim made in writing for that purpose.
- [^{F25}(6) A claim under this paragraph shall not be made more than three years after the end of the applicable period to which it relates.]
- [^{F26}(7) Any reference in this paragraph to the authorisation by the Commissioners of the payment of any amount includes a reference to the discharge by way of set-off of the Commissioners' liability to pay that amount.]

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Textual Amendments

- F24** Sch. 6 para. 9(1A) inserted (*retrospectively*) by 1997 c. 16, s. 50(1), **Sch. 5 para. 7(1)(2)**
F25 Sch. 6 para. 9(6) substituted (*retrospectively*) by 1997 c. 16, s. 50(1), **Sch. 5 para. 7(1)(3)**
F26 Sch. 6 para. 9(7) substituted (*retrospectively*) by 1997 c. 16, s. 50(1), **Sch. 5 para. 7(1)(4)**

- 9 (1) Where, due to an error on the part of the Commissioners, a person has paid by way of duty an amount which was not due and which the Commissioners are in consequence liable to repay to him, they shall (subject to the following provisions of this paragraph and paragraph 10) pay interest to him on that amount at the specified rate for the applicable period (if and to the extent that they would not be liable to do so apart from this paragraph).
- (2) For the purposes of this paragraph the applicable period is the period—
- (a) beginning with the date on which the payment is received by the Commissioners, and
 - (b) ending with the date on which they authorise payment of the amount on which the interest is payable;
- but in determining that period for those purposes there shall be left out of account any period referable to the raising and answering of any reasonable enquiry relating to any matter giving rise to, or otherwise connected with, the person's entitlement to interest under this paragraph.
- (3) In determining for the purposes of sub-paragraph (2) above whether any period is referable to the raising and answering of such an enquiry as is there mentioned, there shall be taken to be so referable any period which begins with the date on which the Commissioners first consider it necessary to make such an enquiry and ends with the date on which the Commissioners—
- (a) satisfy themselves that they have received a complete answer to the enquiry, or
 - (b) determine not to make the enquiry or (if they have made it) not to pursue it further;
- but excluding so much of that period as may be prescribed.
- (4) For the purposes of sub-paragraph (3) above it is immaterial—
- (a) whether any enquiry is in fact made, or
 - (b) whether any enquiry is or might have been made of the person referred to in sub-paragraph (1) above or of an authorised person or of some other person.
- (5) The Commissioners shall only be liable to pay interest under this paragraph on a claim made in writing for that purpose.
- (6) No claim shall be made under this paragraph after the expiry of six years from the date on which the claimant discovered the error or could with reasonable diligence have discovered it.
- (7) Any reference in this paragraph to receiving a payment from the Commissioners includes a reference to the discharge, by way of set-off, of their liability to make it.

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- 10 (1) Where a person (“the appellant”) who appeals to a tribunal under section 16 of this Act against an assessment of duty has paid, or given cash security for, the whole or any part of the duty, sub-paragraph (2) below shall apply if the tribunal find that the whole or any part of the amount paid or secured is not due.
- (2) The Commissioners shall pay interest to the appellant, at such rate as the tribunal may determine, on—
- (a) so much of the duty paid as is found not to be due or,
 - (b) so much of the cash security as relates to duty found not to be due,
- for the period beginning with the payment of duty or, as the case may be, giving of the cash security and ending with its repayment.
- (3) In this paragraph “cash security” means such adequate security as enables the Commissioners to place the amount in question on deposit.

Interest: specified rate

- 11 (1) In paragraphs 7 and 9 above, “the specified rate” means such rate as may be specified in an order.
- (2) An order specifying rates of interest—
- (a) may specify different rates for different purposes,
 - (b) shall apply to interest for periods beginning on or after the date when the order is expressed to come into force, whether or not interest runs from before that date.

VALID FROM 01/05/1995

[^{F27} Assessment of interest]

Textual Amendments

F27 Sch. 6: Cross-heading and para. 11A inserted (1.5.1995 with application as mentioned in s. 16(4) of the amending Act) by 1995 c. 4, s. 16(1)

- ^{F28} 11A(1) Where by virtue of paragraph 7 above duty due from any person for an accounting period carries interest, the Commissioners may assess that person to an amount of interest in accordance with this paragraph.
- (2) Notice of the assessment shall be given to the person liable for the interest or a representative of his.
- (3) The amount of the interest shall be calculated by reference to a period ending on a date (“the due date”) no later than the date of the notice.
- (4) The notice shall specify—
- (a) the amount of the duty which carries the interest assessed (“the specified duty”);
 - (b) the amount of the interest assessed (“the specified interest”);

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- (c) the due date; and
 - (d) a date by which that amount is required to be paid (“the payment date”).
- (5) Sub-paragraphs (6) and (7) below apply where the specified duty or any part of it is unpaid on the date of the notice.
- (6) If the unpaid amount or any part of it is paid by the payment date, the payment shall be treated for the purposes of paragraph 7 above as made on the due date.
- (7) To the extent that the unpaid amount is not paid by the payment date, an assessment may be made under this paragraph in respect of any interest on the unpaid amount which accrues after the due date.
- (8) For the purposes of sub-paragraphs (6) and (7) above, a payment—
- (a) which purports to be a payment of the unpaid amount or any part of it, but
 - (b) which is insufficient to discharge both the liability to pay the unpaid amount and the liability to pay the specified interest,
- shall be treated as made in discharge (or partial discharge) of the liability to pay the specified interest before it is treated as discharging to any extent the liability to pay the unpaid amount.
- (9) A notice of interest assessed under this paragraph may be combined in one document with notification of an assessment under section 12 of this Act which relates to the specified duty.
- (10) A notice which is so combined must comply with the requirements of this paragraph which relate to a notice which is not so combined.
- (11) The specified interest shall be recoverable as if it were duty due from the person assessed to that interest.
- (12) For the purposes of this paragraph a person is a representative of another if—
- (a) he is that other’s personal representative;
 - (b) he is that other’s trustee in bankruptcy or is a receiver or liquidator appointed in relation to that other or in relation to any of his property; or
 - (c) he is a person acting in some other representative capacity in relation to that other.]

Textual Amendments

F28 Sch. 6: Cross-heading and para. 11A inserted (1.5.1995 with application as mentioned in s. 16(4) of the amending Act) by 1995 c. 4, s. 16(1) (with Sch. 8 paras. 55(2) 57(1))

Evidence by certificate

- 12 (1) A certificate of the Commissioners—
- (a) that a person was or was not, on any date specified in the certificate, registered or liable to be registered under section 33 of this Act,
 - (b) that the name of any person was or was not, on any date so specified, shown as the fiscal representative of any person in the register kept under that section,

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- (c) that any aircraft was or was not, on any date so specified, a chargeable aircraft,
 - (d) that any return required to be made under regulations made by virtue of section 38 of this Act had not, on any date so specified, been made, or
 - (e) that any duty shown as due in such a return, or in an assessment under section 12 of this Act, had not, on any date so specified, been paid,
- shall be sufficient evidence of that fact until the contrary is proved.
- (2) A photograph of any document furnished to the Commissioners for the purposes of Chapter IV of Part I of this Act and certified by them to be such a photograph shall be admissible in any proceedings, whether civil or criminal, to the same extent as the document itself.
 - (3) Any document purporting to be a certificate under sub-paragraph (1) or (2) above shall be taken to be such a certificate until the contrary is proved.

Preferential debt

- 13 (1) In Schedule 6 to the ^{M183}Insolvency Act 1986 (categories of preferential debts) in Category 2 (debts due to Customs and Excise) after paragraph 5B there shall be inserted—
- “5C Any amount which is due by way of air passenger duty from the debtor at the relevant date and which became due within the period of six months next before that date.”
- (2) In Schedule 3 to the ^{M184}Bankruptcy (Scotland) Act 1985 (list of preferred debts) at the end of paragraph 2 (debts due to Customs and Excise) there shall be added—
- “(6) Any amount which is due by way of air passenger duty from the debtor at the relevant date and which became due within the period of six months next before that date.”
- (3) In Schedule 4 to the ^{M185}Insolvency (Northern Ireland) Order 1989 (categories of preferential debts) in Category 2 (debts due to Customs and Excise) after paragraph 5B there shall be inserted—
- “5C Any amount which is due by way of air passenger duty from the debtor at the relevant date and which became due within the period of six months next before that date.”

Marginal Citations

M183 1986 c. 45.

M184 1985 c. 66.

M185 S.I. 1989/2405 (N.I. 19)

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VALID FROM 19/03/1997

[^{F29}SCHEDULE
6A U.K.]

Section 51A.

PREMIUMS LIABLE TO TAX AT THE HIGHER RATE

Textual Amendments

F29 Sch. 6A inserted (19.3.1997 with effect as mentioned in s. 24 of the amending Act) by 1997 c. 16, s. 22(3), Sch. 4

SCHEDULE 7 U.K.]

Section 64.

INSURANCE PREMIUM TAX

Modifications etc. (not altering text)

C30 Sch. 7 extended (19.3.1997) by 1997 c. 16, s. 50, Sch. 5 Pt. I paras. 1, 4(2)

PART I U.K.]

INFORMATION

Records

- 1 (1) Regulations may require registrable persons to keep records.
- (2) Regulations under sub-paragraph (1) above may be framed by reference to such records as may be specified in any notice published by the Commissioners in pursuance of the regulations and not withdrawn by a further notice.
- (3) Regulations may require any records kept in pursuance of the regulations to be preserved for such period not exceeding six years as may be specified in the regulations.
- (4) Any duty under regulations to preserve records may be discharged by the preservation of the information contained in them by such means as the Commissioners may approve; and where that information is so preserved a copy of any document forming part of the records shall (subject to the following provisions of this paragraph) be admissible in evidence in any proceedings, whether civil or criminal, to the same extent as the records themselves.

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- (5) The Commissioners may, as a condition of approving under sub-paragraph (4) above any means of preserving information contained in any records, impose such reasonable requirements as appear to them necessary for securing that the information will be as readily available to them as if the records themselves had been preserved.
- (6) A statement contained in a document produced by a computer shall not by virtue of sub-paragraph (4) above be admissible in evidence—
- (a) in civil proceedings in England and Wales, except in accordance with sections 5 and 6 of the ^{M188}Civil Evidence Act 1968;
 - (b) in criminal proceedings in England and Wales, except in accordance with sections 69 and 70 of the ^{M189}Police and Criminal Evidence Act 1984 and Part II of the ^{M190}Criminal Justice Act 1988;
 - (c) in civil proceedings in Scotland, except in accordance with sections 5 and 6 of the ^{M191}Civil Evidence (Scotland) Act 1988;
 - (d) in criminal proceedings in Scotland, except in accordance with Schedule 3 to the ^{M192}Prisoners and Criminal Proceedings (Scotland) Act 1993;
 - (e) in civil proceedings in Northern Ireland, except in accordance with sections 2 and 3 of the ^{M193}Civil Evidence Act (Northern Ireland) 1971;
 - (f) in criminal proceedings in Northern Ireland, except in accordance with Article 68 of the ^{M194}Police and Criminal Evidence (Northern Ireland) Order 1989 and Part II of the ^{M195}Criminal Justice (Evidence, Etc.) (Northern Ireland) Order 1988.

Marginal Citations

- M188** 1968 c. 64.
M189 1984 c. 60.
M190 1988 c. 33.
M191 1988 c. 32.
M192 1993 c. 9.
M193 1971 c. 36 (N.I.).
M194 S.I.1989/1341 (N.I.12).
M195 S.I.1988/1847 (N.I.17).

Other provisions

- 2 (1) Every person who is concerned (in whatever capacity) in a taxable business shall furnish to the Commissioners such information relating to taxable insurance contracts entered into in the course of the business as the Commissioners may reasonably require.
- (2) Every person who makes arrangements for other persons to enter into any taxable insurance contract shall furnish to the Commissioners such information relating to that contract as the Commissioners may reasonably require.
- (3) Every person who—
- (a) is concerned in a business that is not a taxable business, and

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- (b) has been involved in the entry into any taxable insurance contract providing cover for any matter associated with the business,
shall furnish to the Commissioners such information relating to that contract as the Commissioners may reasonably require.
- (4) The information mentioned in sub-paragraph (1), (2) or (3) above shall be furnished within such time and in such form as the Commissioners may reasonably require.
- 3 (1) Every person who is concerned (in whatever capacity) in a taxable business shall upon demand made by an authorised person produce or cause to be produced for inspection by that person any documents relating to taxable insurance contracts entered into in the course of the business.
- (2) Every person who makes arrangements for other persons to enter into any taxable insurance contract shall upon demand made by an authorised person produce or cause to be produced for inspection by that person any documents relating to that contract.
- (3) Every person who—
- (a) is concerned in a business that is not a taxable business, and
 - (b) has been involved in the entry into any taxable insurance contract providing cover for any matter associated with the business,
- shall upon demand made by an authorised person produce or cause to be produced for inspection by that person any documents relating to that contract.
- (4) Where, by virtue of any of sub-paragraphs (1) to (3) above, an authorised person has power to require the production of any documents from any person, he shall have the like power to require production of the documents concerned from any other person who appears to the authorised person to be in possession of them; but where any such other person claims a lien on any document produced by him, the production shall be without prejudice to the lien.
- (5) The documents mentioned in sub-paragraphs (1) to (4) above shall be produced—
- (a) at the principal place of business of the person on whom the demand is made or at such other place as the authorised person may reasonably require, and
 - (b) at such time as the authorised person may reasonably require.
- (6) An authorised person may take copies of, or make extracts from, any document produced under any of sub-paragraphs (1) to (4) above.
- (7) If it appears to him to be necessary to do so, an authorised person may, at a reasonable time and for a reasonable period, remove any document produced under any of sub-paragraphs (1) to (4) above and shall, on request, provide a receipt for any document so removed; and where a lien is claimed on a document produced under sub-paragraph (4) above the removal of the document under this sub-paragraph shall not be regarded as breaking the lien.
- (8) Where a document removed by an authorised person under sub-paragraph (7) above is reasonably required for the proper conduct of a business he shall, as soon as practicable, provide a copy of the document, free of charge, to the person by whom it was produced or caused to be produced.

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- (9) Where any documents removed under the powers conferred by this paragraph are lost or damaged the Commissioners shall be liable to compensate their owner for any expenses reasonably incurred by him in replacing or repairing the documents.

PART II U.K.

POWERS

Entry, arrest, etc.

- 4 (1) For the purpose of exercising any powers under this Part of this Act an authorised person may at any reasonable time enter premises used in connection with the carrying on of a business.
- (2) In a case where—
- (a) a justice of the peace is satisfied on information on oath that there is reasonable ground for suspecting that a fraud offence which appears to be of a serious nature is being, has been or is about to be committed on any premises or that evidence of the commission of such an offence is to be found there, or
 - (b) in Scotland a justice, within the meaning of section 462 of the ^{M196}Criminal Procedure (Scotland) Act 1975, is satisfied by evidence on oath as mentioned in paragraph (a) above,
- he may issue a warrant in writing authorising any authorised person to enter those premises, if necessary by force, at any time within one month from the time of the issue of the warrant and search them.
- (3) A person who enters the premises under the authority of the warrant may—
- (a) take with him such other persons as appear to him to be necessary;
 - (b) seize and remove any documents or other things whatsoever found on the premises which he has reasonable cause to believe may be required as evidence for the purposes of proceedings in respect of a fraud offence which appears to him to be of a serious nature;
 - (c) search or cause to be searched any person found on the premises whom he has reasonable cause to believe to be in possession of any such documents or other things;
- but no woman or girl shall be searched except by a woman.
- (4) The powers conferred by a warrant under this paragraph shall not be exercisable—
- (a) by more than such number of authorised persons as may be specified in the warrant,
 - (b) outside such times of day as may be so specified, or
 - (c) if the warrant so provides, otherwise than in the presence of a constable in uniform.
- (5) An authorised person seeking to exercise the powers conferred by a warrant under this paragraph or, if there is more than one such authorised person, that one of them who is in charge of the search shall provide a copy of the warrant endorsed with his name as follows—

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- (a) if the occupier of the premises concerned is present at the time the search is to begin, the copy shall be supplied to the occupier;
 - (b) if at that time the occupier is not present but a person who appears to the authorised person to be in charge of the premises is present, the copy shall be supplied to that person;
 - (c) if neither paragraph (a) nor paragraph (b) above applies, the copy shall be left in a prominent place on the premises.
- (6) Where an authorised person has reasonable grounds for suspecting that a fraud offence has been committed he may arrest anyone whom he has reasonable grounds for suspecting to be guilty of the offence.
- (7) In this paragraph “a fraud offence” means an offence under any provision of paragraph 9(1) to (5) below.

Marginal Citations

M196 1975 c. 21.

VALID FROM 01/05/1995

[^{F30} Order for access to recorded information etc.]

Textual Amendments

F30 Sch. 7 para. 4A and the preceding cross-heading inserted (1.5.1995) by 1995 c. 4, s. 34, Sch. 5 para. 8(1)

- ^{F31}4A (1) Where, on an application by an authorised person, a justice of the peace or, in Scotland, a justice (within the meaning of section 462 of the ^{M197}Criminal Procedure (Scotland) Act 1975) is satisfied that there are reasonable grounds for believing—
- (a) that an offence in connection with tax is being, has been or is about to be committed, and
 - (b) that any recorded information (including any document of any nature whatsoever) which may be required as evidence for the purpose of any proceedings in respect of such an offence is in the possession of any person,
- he may make an order under this paragraph.
- (2) An order under this paragraph is an order that the person who appears to the justice to be in possession of the recorded information to which the application relates shall—
- (a) give an authorised person access to it, and
 - (b) permit an authorised person to remove and take away any of it which he reasonably considers necessary,
- not later than the end of the period of 7 days beginning on the date of the order or the end of such longer period as the order may specify.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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- (3) The reference in sub-paragraph (2)(a) above to giving an authorised person access to the recorded information to which the application relates includes a reference to permitting the authorised person to take copies of it or to make extracts from it.
- (4) Where the recorded information consists of information contained in a computer, an order under this paragraph shall have effect as an order to produce the information in a form in which it is visible and legible and, if the authorised person wishes to remove it, in a form in which it can be removed.
- (5) This paragraph is without prejudice to paragraphs 3 and 4 above.

Textual Amendments

F31 Sch. 7 para. 4A and the preceding cross-heading inserted (1.5.1995) by 1995 c. 4, s. 34, Sch. 5 para. 8(1)

Marginal Citations

M197 1975 c. 21.

Removal of documents etc.

- 5 (1) An authorised person who removes anything in the exercise of a power conferred by or under paragraph 4 above shall, if so requested by a person showing himself—
 - (a) to be the occupier of premises from which it was removed, or
 - (b) to have had custody or control of it immediately before the removal,provide that person with a record of what he removed.
- (2) The authorised person shall provide the record within a reasonable time from the making of the request for it.
- (3) Subject to sub-paragraph (7) below, if a request for permission to be allowed access to anything which—
 - (a) has been removed by an authorised person, and
 - (b) is retained by the Commissioners for the purposes of investigating an offence,is made to the officer in overall charge of the investigation by a person who had custody or control of the thing immediately before it was so removed or by someone acting on behalf of such a person, the officer shall allow the person who made the request access to it under the supervision of an authorised person.
- (4) Subject to sub-paragraph (7) below, if a request for a photograph or copy of any such thing is made to the officer in overall charge of the investigation by a person who had custody or control of the thing immediately before it was so removed, or by someone acting on behalf of such a person, the officer shall—
 - (a) allow the person who made the request access to it under the supervision of an authorised person for the purpose of photographing it or copying it, or
 - (b) photograph or copy it, or cause it to be photographed or copied.

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- (5) Subject to sub-paragraph (7) below, where anything is photographed or copied under sub-paragraph (4)(b) above the officer shall supply the photograph or copy, or cause it to be supplied, to the person who made the request.
- (6) The photograph or copy shall be supplied within a reasonable time from the making of the request.
- (7) There is no duty under this paragraph to allow access to, or to supply a photograph or copy of, anything if the officer in overall charge of the investigation for the purposes of which it was removed has reasonable grounds for believing that to do so would prejudice—
- (a) that investigation,
 - (b) the investigation of an offence other than the offence for the purposes of the investigation of which the thing was removed, or
 - (c) any criminal proceedings which may be brought as a result of the investigation of which he is in charge or any such investigation as is mentioned in paragraph (b) above.
- (8) Any reference in this paragraph to the officer in overall charge of the investigation is a reference to the person whose name and address are endorsed on the warrant concerned as being the officer so in charge.
- 6 (1) Where, on an application made as mentioned in sub-paragraph (2) below, the appropriate judicial authority is satisfied that a person has failed to comply with a requirement imposed by paragraph 5 above, the authority may order that person to comply with the requirement within such time and in such manner as may be specified in the order.
- (2) An application under sub-paragraph (1) above shall be made—
- (a) in the case of a failure to comply with any of the requirements imposed by sub-paragraphs (1) and (2) of paragraph 5 above, by the occupier of the premises from which the thing in question was removed or by the person who had custody or control of it immediately before it was so removed, and
 - (b) in any other case, by the person who had such custody or control.
- (3) In this paragraph “the appropriate judicial authority” means—
- (a) in England and Wales, a magistrates’ court;
 - (b) in Scotland, the sheriff;
 - (c) in Northern Ireland, a court of summary jurisdiction, as defined in Article 2(2)(a) of the ^{M198}Magistrates’ Court (Northern Ireland) Order 1981.
- (4) In England and Wales and Northern Ireland, an application for an order under this paragraph shall be made by way of complaint; and sections 21 and 42(2) of the ^{M199}Interpretation Act (Northern Ireland) 1954 shall apply as if any reference in those provisions to any enactment included a reference to this paragraph.

Marginal Citations

M198 S.I. 1981/1675 (N.I.26).

M199 1954 c. 33 (N.I.).

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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PART III U.K.

RECOVERY

Recovery of tax etc.

- 7 (1) Tax due from any person shall be recoverable as a debt due to the Crown.
- (2) In the ^{M200}Insolvency Act 1986, in section 386(1) (preferential debts) the words “insurance premium tax,” shall be inserted after “VAT,” and in Schedule 6 (categories of preferential debts) the following paragraph shall be inserted after paragraph 3—
- “3A Any insurance premium tax which is referable to the period of 6 months next before the relevant date (which period is referred to below as “the 6-month period”).
- For the purposes of this paragraph—
- (a) where the whole of the accounting period to which any insurance premium tax is attributable falls within the 6-month period, the whole amount of that tax is referable to that period; and
- (b) in any other case the amount of any insurance premium tax which is referable to the 6-month period is the proportion of the tax which is equal to such proportion (if any) of the accounting period in question as falls within the 6-month period;
- and references here to accounting periods shall be construed in accordance with Part III of the Finance Act 1994.”
- (3) In the ^{M201}Bankruptcy (Scotland) Act 1985, Schedule 3 (preferred debts) shall be amended as mentioned in sub-paragraphs (4) and (5) below.
- (4) In paragraph 2 the following sub-paragraph shall be inserted after sub-paragraph (1) —
- “(1A) Any insurance premium tax which is referable to the period of six months next before the relevant date.”
- (5) The following shall be inserted after paragraph 8—

Periods to which insurance premium tax referable

- “8A (1) For the purpose of paragraph 2(1A) of Part I of this Schedule—
- (a) where the whole of the accounting period to which any insurance premium tax is attributable falls within the period of six months next before the relevant date (“the relevant period”), the whole amount of that tax shall be referable to the relevant period; and
- (b) in any other case the amount of any insurance premium tax which shall be referable to the relevant period shall be the proportion of the tax which is equal to such proportion (if any) of the accounting period in question as falls within the relevant period.

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- (2) In sub-paragraph (1) above “accounting period” shall be construed in accordance with Part III of the Finance Act 1994.”
- (6) In the ^{M202}Insolvency (Northern Ireland) Order 1989, in Article 346(1) (preferential debts) the words “ insurance premium tax ” shall be inserted after “VAT” and in Schedule 4 (categories of preferential debts) the following paragraph shall be inserted after paragraph 3—
- “3A Any insurance premium tax which is referable to the period of 6 months next before the relevant date (which period is referred to below as “the 6-month period”).
- For the purposes of this paragraph—
- (a) where the whole of the accounting period to which any insurance premium tax is attributable falls within the 6-month period, the whole amount of that tax is referable to that period; and
- (b) in any other case the amount of any insurance premium tax which is referable to the 6-month period is the proportion of the tax which is equal to such proportion (if any) of the accounting period in question as falls within the 6-month period;
- and references here to accounting periods shall be construed in accordance with Part III of the Finance Act 1994.”
- (7) Regulations may make provision in respect of England and Wales and Northern Ireland—
- (a) for authorising distress to be levied on the goods and chattels of any person refusing or neglecting to pay any tax due from him or any amount recoverable as if it were tax due from him;
- (b) for the disposal of any goods or chattels on which distress is levied in pursuance of the regulations;
- (c) for the imposition and recovery of costs, charges, expenses and fees in connection with anything done under the regulations.
- (8) Regulations may make provision in respect of Scotland—
- (a) for obtaining a summary warrant for the poinding, sale and disposal of proceeds of sale, in accordance with Schedule 5 to the ^{M203}Debtors (Scotland) Act 1987, of the moveable property of any person refusing or neglecting to pay any tax due from him or any amount recoverable as if it were tax due from him;
- (b) for the imposition and recovery of expenses, charges and fees in connection with anything done under the regulations.

Marginal Citations

M200 1986 c. 45.

M201 1985 c. 66.

M202 S.I. 1989/2405 (N.I. 19).

M203 1987 c. 18.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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Recovery of overpaid tax

- 8
- (1) Where a person has paid an amount to the Commissioners by way of tax which was not tax due to them, they shall be liable to repay the amount to him.
 - (2) The Commissioners shall only be liable to repay an amount under this paragraph on a claim being made for the purpose.
 - (3) It shall be a defence, in relation to a claim under this paragraph, that repayment of an amount would unjustly enrich the claimant.
 - (4) No amount may be claimed under this paragraph after the expiry of six years from the date on which it was paid, except where sub-paragraph (5) below applies.
 - (5) Where an amount has been paid to the Commissioners by reason of a mistake, a claim for the repayment of the amount under this paragraph may be made at any time before the expiry of six years from the date on which the claimant discovered the mistake or could with reasonable diligence have discovered it.
 - (6) A claim under this paragraph shall be made in such form and manner and shall be supported by such documentary evidence as may be prescribed by regulations.
 - (7) Except as provided by this paragraph, the Commissioners shall not be liable to repay an amount paid to them by way of tax by virtue of the fact that it was not tax due to them.

PART IV U.K.

PENALTIES

Criminal offences

- 9
- (1) A person is guilty of an offence if—
 - (a) being a registrable person, he is knowingly concerned in, or in the taking of steps with a view to, the fraudulent evasion of tax by him or another registrable person, or
 - (b) not being a registrable person, he is knowingly concerned in, or in the taking of steps with a view to, the fraudulent evasion of tax by a registrable person.
 - (2) Any reference in sub-paragraph (1) above to the evasion of tax includes a reference to the obtaining of a payment under regulations under section 55(3)(c) or (d) or (f) of this Act.
 - (3) A person is guilty of an offence if with the requisite intent—
 - (a) he produces, furnishes or sends, or causes to be produced, furnished or sent, for the purposes of this Part of this Act any document which is false in a material particular, or
 - (b) he otherwise makes use for those purposes of such a document;and the requisite intent is intent to deceive or to secure that a machine will respond to the document as if it were a true document.

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- (4) A person is guilty of an offence if in furnishing any information for the purposes of this Part of this Act he makes a statement which he knows to be false in a material particular or recklessly makes a statement which is false in a material particular.
- (5) A person is guilty of an offence by virtue of this sub-paragraph if his conduct during any specified period must have involved the commission by him of one or more offences under the preceding provisions of this paragraph; and the preceding provisions of this sub-paragraph apply whether or not the particulars of that offence or those offences are known.
- (6) A person is guilty of an offence if—
- (a) he enters into a taxable insurance contract, or
 - (b) he makes arrangements for other persons to enter into a taxable insurance contract,
- with reason to believe that tax in respect of the contract will be evaded.
- (7) A person is guilty of an offence if he enters into taxable insurance contracts without giving security (or further security) he has been required to give under paragraph 24 below.

Criminal penalties

- 10 (1) A person guilty of an offence under paragraph 9(1) above shall be liable—
- (a) on summary conviction, to a penalty of the statutory maximum or of three times the amount of the tax, whichever is the greater, or to imprisonment for a term not exceeding six months or to both;
 - (b) on conviction on indictment, to a penalty of any amount or to imprisonment for a term not exceeding seven years or to both.
- (2) The reference in sub-paragraph (1) above to the amount of the tax shall be construed, in relation to tax itself or a payment falling within paragraph 9(2) above, as a reference to the aggregate of—
- (a) the amount (if any) falsely claimed by way of credit, and
 - (b) the amount (if any) by which the gross amount of tax was falsely understated.
- (3) A person guilty of an offence under paragraph 9(3) or (4) above shall be liable—
- (a) on summary conviction, to a penalty of the statutory maximum or, where sub-paragraph (4) below applies, to the alternative penalty there specified if it is greater, or to imprisonment for a term not exceeding six months or to both;
 - (b) on conviction on indictment, to a penalty of any amount or to imprisonment for a term not exceeding seven years or to both.
- (4) In a case where—
- (a) the document referred to in paragraph 9(3) above is a return required under this Part of this Act, or
 - (b) the information referred to in paragraph 9(4) above is contained in or otherwise relevant to such a return,
- the alternative penalty is a penalty equal to three times the aggregate of the amount (if any) falsely claimed by way of credit and the amount (if any) by which the gross amount of tax was understated.

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- (5) A person guilty of an offence under paragraph 9(5) above shall be liable—
- (a) on summary conviction, to a penalty of the statutory maximum or (if greater) three times the amount of any tax that was or was intended to be evaded by his conduct, or to imprisonment for a term not exceeding six months or to both;
 - (b) on conviction on indictment, to a penalty of any amount or to imprisonment for a term not exceeding seven years or to both;
- and paragraph 9(2) and sub-paragraph (2) above shall apply for the purposes of this sub-paragraph as they apply respectively for the purposes of paragraph 9(1) and sub-paragraph (1) above.
- (6) A person guilty of an offence under paragraph 9(6) above shall be liable on summary conviction to a penalty of level 5 on the standard scale or three times the amount of the tax, whichever is the greater.
- (7) A person guilty of an offence under paragraph 9(7) above shall be liable on summary conviction to a penalty of level 5 on the standard scale.
- (8) In this paragraph—
- (a) “credit” means credit for which provision is made by regulations under section 55 of this Act;
 - (b) “the gross amount of tax” means the total amount of tax due before taking into account any deduction for which provision is made by regulations under section 55(3) of this Act.

Criminal proceedings etc.

- 11 Sections 145 to 155 of the ^{M204}Customs and Excise Management Act 1979 (proceedings for offences, mitigation of penalties and certain other matters) shall apply in relation to offences under paragraph 9 above and penalties imposed under paragraph 10 above as they apply in relation to offences and penalties under the customs and excise Acts as defined in that Act.

Marginal Citations

M204 1979 c. 2.

Civil penalties

- 12 (1) In a case where—
- (a) for the purpose of evading tax, a registrable person does any act or omits to take any action, and
 - (b) his conduct involves dishonesty (whether or not it is such as to give rise to criminal liability),
- he shall be liable to a penalty equal to the amount of tax evaded, or (as the case may be) sought to be evaded, by his conduct; but this is subject to sub-paragraph (7) below.
- (2) The reference in sub-paragraph (1)(a) above to evading tax includes a reference to obtaining a payment under regulations under section 55(3)(c) or (d) or (f) of this Act in circumstances where the person concerned is not entitled to the sum.

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- (3) The reference in sub-paragraph (1) above to the amount of tax evaded or sought to be evaded is a reference to the aggregate of—
- (a) the amount (if any) falsely claimed by way of credit, and
 - (b) the amount (if any) by which the gross amount of tax was falsely understated.
- (4) In this paragraph—
- (a) “credit” means credit for which provision is made by regulations under section 55 of this Act;
 - (b) “the gross amount of tax” means the total amount of tax due before taking into account any deduction for which provision is made by regulations under section 55(3) of this Act.
- (5) Statements made or documents produced by or on behalf of a person shall not be inadmissible in any such proceedings as are mentioned in sub-paragraph (6) below by reason only that it has been drawn to his attention—
- (a) that, in relation to tax, the Commissioners may assess an amount due by way of a civil penalty instead of instituting criminal proceedings and, though no undertaking can be given as to whether the Commissioners will make such an assessment in the case of any person, it is their practice to be influenced by the fact that a person has made a full confession of any dishonest conduct to which he has been a party and has given full facilities for investigation, and
 - (b) that the Commissioners or, on appeal, an appeal tribunal have power under paragraph 13 below to reduce a penalty under this paragraph,
- and that he was or may have been induced thereby to make the statements or produce the documents.
- (6) The proceedings referred to in sub-paragraph (5) above are—
- (a) any criminal proceedings against the person concerned in respect of any offence in connection with or in relation to tax, and
 - (b) any proceedings against him for the recovery of any sum due from him in connection with or in relation to tax.
- (7) Where, by reason of conduct falling within sub-paragraph (1) above, a person is convicted of an offence (whether under this Part of this Act or otherwise) that conduct shall not also give rise to liability to a penalty under this paragraph.
- 13 (1) Where a person is liable to a penalty under paragraph 12 above the Commissioners or, on appeal, an appeal tribunal may reduce the penalty to such amount (including nil) as they think proper.
- (2) In the case of a penalty reduced by the Commissioners under sub-paragraph (1) above an appeal tribunal, on an appeal relating to the penalty, may cancel the whole or any part of the reduction made by the Commissioners.
- (3) None of the matters specified in sub-paragraph (4) below shall be matters which the Commissioners or any appeal tribunal shall be entitled to take into account in exercising their powers under this paragraph.
- (4) Those matters are—
- (a) the insufficiency of the funds available to any person for paying any tax due or for paying the amount of the penalty;
 - (b) the fact that there has, in the case in question or in that case taken with any other cases, been no or no significant loss of tax.

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- 14 (1) A person who fails to comply with section 53(2) of this Act shall be liable to a penalty equal to 5 per cent. of the relevant tax or, if it is greater or the circumstances are such that there is no relevant tax, to a penalty of £250; but this is subject to sub-paragraphs (3) and (4) below.
- (2) In sub-paragraph (1) above “relevant tax” means the tax (if any) for which the person concerned is liable for the period which—
- (a) begins on the date with effect from which he is, in accordance with section 53 of this Act, required to be registered, and
 - (b) ends on the date on which the Commissioners received notification of his liability to be registered.
- (3) Conduct falling within sub-paragraph (1) above shall not give rise to liability to a penalty under this paragraph if the person concerned satisfies the Commissioners or, on appeal, an appeal tribunal that there is a reasonable excuse for his conduct.
- (4) Where, by reason of conduct falling within sub-paragraph (1) above—
- (a) a person is convicted of an offence (whether under this Part of this Act or otherwise), or
 - (b) a person is assessed to a penalty under paragraph 12 above,
- that conduct shall not also give rise to liability to a penalty under this paragraph.
- (5) If it appears to the Treasury that there has been a change in the value of money since the passing of this Act or, as the case may be, the last occasion when the power conferred by this sub-paragraph was exercised, they may by order substitute for the sum for the time being specified in sub-paragraph (1) above such other sum as appears to them to be justified by the change.
- (6) An order under sub-paragraph (5) above shall not apply in relation to a failure which ended on or before the date on which the order comes into force.
- 15 (1) This paragraph applies if a person fails to comply with—
- (a) a requirement imposed by regulations made under section 54 of this Act to pay the tax due in respect of any period within the time required by the regulations, or
 - (b) a requirement imposed by regulations made under that section to furnish a return in respect of any period within the time required by the regulations;
- and sub-paragraphs (2) and (3) below shall have effect subject to sub-paragraphs (5) and (6) below and paragraph 25(7) below.
- (2) The person shall be liable to a penalty equal to 5 per cent. of the tax due or, if it is greater, to a penalty of £250.
- (3) The person—
- (a) shall be liable, in addition to an initial penalty under sub-paragraph (2) above, to a penalty of £20 for every relevant day when he fails to pay the tax or furnish the return, but
 - (b) shall not in respect of the continuation of the failure be liable to further penalties under sub-paragraph (2) above;
- and a relevant day is any day falling after the time within which the tax is required to be paid or the return is required to be furnished.
- (4) For the purposes of sub-paragraph (2) above the tax due—

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- (a) shall, if the person concerned has furnished a return, be taken to be the tax shown in the return as that for which he is accountable in respect of the period in question, and
 - (b) shall, in any other case, be taken to be such tax as has been assessed for that period and notified to him under section 56(1) of this Act.
- (5) A failure falling within sub-paragraph (1) or (3) above shall not give rise to liability to a penalty under this paragraph if the person concerned satisfies the Commissioners or, on appeal, an appeal tribunal that there is a reasonable excuse for the failure.
- (6) Where, by reason of a failure falling within sub-paragraph (1) or (3) above—
- (a) a person is convicted of an offence (whether under this Part of this Act or otherwise), or
 - (b) a person is assessed to a penalty under paragraph 12 above,
- that failure shall not also give rise to liability to a penalty under this paragraph.
- (7) If it appears to the Treasury that there has been a change in the value of money since the passing of this Act or, as the case may be, the last occasion when the power conferred by this sub-paragraph was exercised, they may by order substitute for the sums for the time being specified in sub-paragraphs (2) and (3) above such other sums as appear to them to be justified by the change.
- (8) An order under sub-paragraph (7) above shall not apply in relation to a failure which began before the date on which the order comes into force.
- 16 (1) This paragraph applies where—
- (a) by virtue of regulations made under section 65 of this Act a liability notice (within the meaning of that section) is served on an insured person,
 - (b) by virtue of such regulations that person is liable to pay an amount of tax which has been assessed in accordance with the regulations, and
 - (c) that tax is not paid within the time required by the regulations;
- and sub-paragraphs (2) and (3) below shall have effect subject to sub-paragraphs (4) and (5) below and paragraph 25(7) below.
- (2) The person shall be liable to a penalty equal to 5 per cent. of the tax assessed as mentioned in sub-paragraph (1) above or, if it is greater, to a penalty of £250.
- (3) The person—
- (a) shall be liable, in addition to an initial penalty under sub-paragraph (2) above, to a penalty of £20 for every relevant day when the tax is unpaid, but
 - (b) shall not in respect of the continuation of the non-payment of the tax be liable to further penalties under sub-paragraph (2) above;
- and a relevant day is any day falling after the time within which the tax is required to be paid.
- (4) A person shall not be liable to a penalty by virtue of this paragraph if he satisfies the Commissioners or, on appeal, an appeal tribunal that he took all reasonable steps to ensure that the tax mentioned in sub-paragraph (1)(b) above was paid within the time required by the regulations.
- (5) Where, by reason of a failure to pay tax, a person is convicted of an offence (whether under this Part of this Act or otherwise), that failure shall not also give rise to liability to a penalty under this paragraph.

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- (6) If it appears to the Treasury that there has been a change in the value of money since the passing of this Act or, as the case may be, the last occasion when the power conferred by this sub-paragraph was exercised, they may by order substitute for the sums for the time being specified in sub-paragraphs (2) and (3) above such other sums as appear to them to be justified by the change.
- (7) An order under sub-paragraph (6) above shall not apply in relation to any failure to pay tax that was required to be paid before the date on which the order comes into force.
- 17 (1) If a person fails to comply with—
- (a) section 53(3) of this Act,
 - (b) any provision of paragraph 2 or 3 above, or
 - (c) a requirement imposed by any regulations made under this Part of this Act, other than a requirement falling within sub-paragraph (2) below,
- he shall be liable to a penalty of £250; but this is subject to sub-paragraphs (3) and (4) below.
- (2) A requirement falls within this sub-paragraph if it is—
- (a) a requirement imposed by regulations made under section 54 of this Act to pay the tax due in respect of any period within the time required by the regulations,
 - (b) a requirement imposed by regulations made under that section to furnish a return in respect of any period within the time required by the regulations,
 - (c) a requirement imposed by regulations made under section 65 of this Act to pay tax within the time required by the regulations, or
 - (d) a requirement specified for the purposes of this sub-paragraph by regulations.
- (3) A failure falling within sub-paragraph (1) above shall not give rise to liability to a penalty under this paragraph if the person concerned satisfies the Commissioners or, on appeal, an appeal tribunal that there is a reasonable excuse for the failure.
- (4) Where by reason of a failure falling within sub-paragraph (1) above—
- (a) a person is convicted of an offence (whether under this Part of this Act or otherwise), or
 - (b) a person is assessed to a penalty under paragraph 12 above,
- that failure shall not also give rise to liability to a penalty under this paragraph.
- (5) If it appears to the Treasury that there has been a change in the value of money since the passing of this Act or, as the case may be, the last occasion when the power conferred by this sub-paragraph was exercised, they may by order substitute for the sum for the time being specified in sub-paragraph (1) above such other sum as appears to them to be justified by the change.
- (6) An order under sub-paragraph (5) above shall not apply in relation to a failure which began before the date on which the order comes into force.
- 18 (1) A person who—
- (a) by virtue of subsection (3), (7) or (9) of section 57 of this Act becomes subject to a duty to take action as mentioned in subsection (4) of that section, and
 - (b) fails to take action as so mentioned,

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shall be liable to a penalty of £10,000; but this is subject to sub-paragraph (2) below.

- (2) A failure falling within sub-paragraph (1) above shall not give rise to liability to a penalty under this paragraph if the person concerned satisfies the Commissioners or, on appeal, an appeal tribunal that there is a reasonable excuse for the failure.
 - (3) If it appears to the Treasury that there has been a change in the value of money since the passing of this Act or, as the case may be, the last occasion when the power conferred by this sub-paragraph was exercised, they may by order substitute for the sum for the time being specified in sub-paragraph (1) above such other sum as appears to them to be justified by the change.
 - (4) An order under sub-paragraph (3) above shall not apply in relation to a case where the duty mentioned in sub-paragraph (1) above was imposed before the date on which the order comes into force.
- 19 (1) This paragraph applies where—
- (a) in accordance with regulations under paragraph 7(7) above a distress is authorised to be levied on the goods and chattels of a person (a person in default) who has refused or neglected to pay any tax due from him or any amount recoverable as if it were tax due from him, and
 - (b) the person levying the distress and the person in default have entered into a walking possession agreement.
- (2) For the purposes of this paragraph a walking possession agreement is an agreement under which, in consideration of the property distrained upon being allowed to remain in the custody of the person in default and of the delaying of its sale, the person in default—
- (a) acknowledges that the property specified in the agreement is under distraint and held in walking possession, and
 - (b) undertakes that, except with the consent of the Commissioners and subject to such conditions as they may impose, he will not remove or allow the removal of any of the specified property from the premises named in the agreement.
- (3) Subject to sub-paragraph (4) below, if the person in default is in breach of the undertaking contained in a walking possession agreement, he shall be liable to a penalty equal to half of the tax or other amount referred to in sub-paragraph (1)(a) above.
- (4) The person in default shall not be liable to a penalty under sub-paragraph (3) above if he satisfies the Commissioners or, on appeal, an appeal tribunal that there is a reasonable excuse for the breach in question.
- (5) This paragraph does not extend to Scotland.
- 20 For the purposes of paragraphs 14(3), 15(5), 17(3), 18(2) and 19(4) above—
- (a) an insufficiency of funds available for paying any amount is not a reasonable excuse, and
 - (b) where reliance is placed on any other person to perform any task, neither the fact of that reliance nor any conduct of the person relied upon is a reasonable excuse.

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PART V **U.K.**

INTEREST

Interest on tax etc.

- 21 (1) Where an assessment is made under any provision of section 56 of this Act, the whole of the amount assessed shall carry interest at the prescribed rate from the reckonable date until payment; but this is subject to sub-paragraph (2) and paragraph 25(7) below.
- (2) Sub-paragraph (1) above shall not apply in relation to an assessment under section 56(1) of this Act unless at least one of the following conditions is fulfilled, namely—
- (a) that the assessment relates to an accounting period in respect of which either a return has previously been made, or an earlier assessment has already been notified to the person concerned;
 - (b) that the assessment relates to an accounting period which exceeds three months and begins on the date with effect from which the person was, or was required to be, registered under this Part of this Act.
- (3) In a case where—
- (a) the circumstances are such that a relevant assessment could have been made, but
 - (b) before such an assessment was made the tax due or other amount concerned was paid (so that no such assessment was necessary),
- the whole of the amount paid shall carry interest at the prescribed rate from the reckonable date until the date on which it was paid; and for the purposes of this sub-paragraph a relevant assessment is an assessment in relation to which sub-paragraph (1) above would have applied if the assessment had been made.
- (4) The references in sub-paragraphs (1) and (3) above to the reckonable date shall be construed as follows—
- (a) where the amount assessed or paid is such an amount as is referred to in subsection (2) of section 56 of this Act, the reckonable date is the seventh day after the day on which a written instruction was issued by the Commissioners directing the making of the payment of the amount which ought not to have been paid to the person concerned;
 - (b) in all other cases the reckonable date is the latest date on which (in accordance with regulations under this Part of this Act) a return is required to be made for the accounting period to which the amount assessed or paid relates;
- and interest under this paragraph shall run from the reckonable date even if that date is a non-business day, within the meaning of section 92 of the ^{M205}Bills of Exchange Act 1882.
- (5) In this paragraph “the prescribed rate” means such rate as may be prescribed by order; and such an order—
- (a) may prescribe different rates for different purposes;

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(b) shall apply to interest for periods beginning on or after the date when the order is expressed to come into force, whether or not interest runs from before that date.

(6) Interest under this paragraph shall be paid without any deduction of income tax.

Marginal Citations

M205 1882 c. 61.

Interest payable by Commissioners

- 22 (1) Where, due to an error on the part of the Commissioners, a person—
- (a) has paid to them by way of tax an amount which was not tax due and which they are in consequence liable to repay to him,
 - (b) has failed to claim payment of an amount to the payment of which he was entitled in pursuance of provision made under section 55(3)(c), (d) or (f) of this Act, or
 - (c) has suffered delay in receiving payment of an amount due to him from them in connection with tax,

then, if and to the extent that they would not be liable to do so apart from this paragraph, they shall (subject to the following provisions of this paragraph) pay interest to him on that amount for the applicable period.

[^{F32}(1A) In sub-paragraph (1) above—

- (a) the reference in paragraph (a) to an amount which the Commissioners are liable to repay in consequence of the making of a payment that was not due is a reference to only so much of that amount as is the subject of a claim that the Commissioners are required to satisfy or have satisfied; and
- (b) the amounts referred to in paragraph (c) do not include any amount payable under this paragraph.]

- (2) Interest under this paragraph shall be payable at such rate as may from time to time be prescribed by order, and—
 - (a) any such order may prescribe different rates for different purposes;
 - (b) any such order shall apply to interest for periods beginning on or after the date on which the order is expressed to come into force, whether or not interest runs from before that date.
- (3) The applicable period, in a case falling within sub-paragraph (1)(a) above, is the period—
 - (a) beginning with the date on which the payment is received by the Commissioners, and
 - (b) ending with the date on which they authorise payment of the amount on which the interest is payable.
- (4) The applicable period, in a case falling within sub-paragraph (1)(b) or (c) above, is the period—

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- (a) beginning with the date on which, apart from the error, the Commissioners might reasonably have been expected to authorise payment of the amount on which the interest is payable, and
 - (b) ending with the date on which they in fact authorise payment of that amount.
- (5) In determining the applicable period for the purposes of this paragraph, there shall be left out of account any period referable to the raising and answering of any reasonable enquiry relating to any matter giving rise to, or otherwise connected with, the person's entitlement to interest under this paragraph.
- (6) In determining for the purposes of sub-paragraph (5) above whether any period is referable to the raising and answering of such an enquiry as is there mentioned, there shall be taken to be so referable any period which begins with the date on which the Commissioners first consider it necessary to make such an enquiry and ends with the date on which the Commissioners—
- (a) satisfy themselves that they have received a complete answer to the enquiry, or
 - (b) determine not to make the enquiry or (if they have made it) not to pursue it further;
- but excluding so much of that period as may be prescribed by regulations.
- (7) For the purposes of sub-paragraph (6) above it is immaterial—
- (a) whether any enquiry is in fact made;
 - (b) whether any enquiry is or might have been made of the person referred to in sub-paragraph (1) above or of an authorised person or of some other person.
- (8) The Commissioners shall only be liable to pay interest under this paragraph on a claim made in writing for that purpose.
- [^{F33}(9) A claim under this paragraph shall not be made more than three years after the end of the applicable period to which it relates.]
- [^{F34}(10) References in this paragraph to the authorisation by the Commissioners of the payment of any amount include references to the discharge by way of set-off of the Commissioners' liability to pay that amount.]

Textual Amendments

- F32** Sch. 7 para. 22(1A) inserted (*retrospectively*) by 1997 c. 16, s. 50(1), **Sch. 5 para. 9(1)(2)**
- F33** Sch. 7 para. 22(9) substituted (*retrospectively*) by 1997 c. 16, s. 50(1), **Sch. 5 para. 9(1)(3)**
- F34** Sch. 7 para. 22(10) substituted (*retrospectively*) by 1997 c. 16, s. 50(1), **Sch. 5 para. 9(1)(4)**

- 22 (1) Where, due to an error on the part of the Commissioners, a person—
- (a) has paid to them by way of tax an amount which was not tax due and which they are in consequence liable to repay to him,
 - (b) has failed to claim payment of an amount to the payment of which he was entitled in pursuance of provision made under section 55(3)(c), (d) or (f) of this Act, or
 - (c) has suffered delay in receiving payment of an amount due to him from them in connection with tax,

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then, if and to the extent that they would not be liable to do so apart from this paragraph, they shall (subject to the following provisions of this paragraph) pay interest to him on that amount for the applicable period.

- (2) Interest under this paragraph shall be payable at such rate as may from time to time be prescribed by order, and—
 - (a) any such order may prescribe different rates for different purposes;
 - (b) any such order shall apply to interest for periods beginning on or after the date on which the order is expressed to come into force, whether or not interest runs from before that date.
- (3) The applicable period, in a case falling within sub-paragraph (1)(a) above, is the period—
 - (a) beginning with the date on which the payment is received by the Commissioners, and
 - (b) ending with the date on which they authorise payment of the amount on which the interest is payable.
- (4) The applicable period, in a case falling within sub-paragraph (1)(b) or (c) above, is the period—
 - (a) beginning with the date on which, apart from the error, the Commissioners might reasonably have been expected to authorise payment of the amount on which the interest is payable, and
 - (b) ending with the date on which they in fact authorise payment of that amount.
- (5) In determining the applicable period for the purposes of this paragraph, there shall be left out of account any period referable to the raising and answering of any reasonable enquiry relating to any matter giving rise to, or otherwise connected with, the person's entitlement to interest under this paragraph.
- (6) In determining for the purposes of sub-paragraph (5) above whether any period is referable to the raising and answering of such an enquiry as is there mentioned, there shall be taken to be so referable any period which begins with the date on which the Commissioners first consider it necessary to make such an enquiry and ends with the date on which the Commissioners—
 - (a) satisfy themselves that they have received a complete answer to the enquiry, or
 - (b) determine not to make the enquiry or (if they have made it) not to pursue it further;but excluding so much of that period as may be prescribed by regulations.
- (7) For the purposes of sub-paragraph (6) above it is immaterial—
 - (a) whether any enquiry is in fact made;
 - (b) whether any enquiry is or might have been made of the person referred to in sub-paragraph (1) above or of an authorised person or of some other person.
- (8) The Commissioners shall only be liable to pay interest under this paragraph on a claim made in writing for that purpose.
- (9) No claim shall be made under this paragraph after the expiry of six years from the date on which the claimant discovered the error or could with reasonable diligence have discovered it.

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- (10) Any reference in this paragraph to receiving a payment from the Commissioners includes a reference to the discharge, by way of set-off, of their liability to make it.
- 23 (1) In a case where—
- (a) any interest is payable by the Commissioners to a person on a sum due to him under this Part of this Act, and
 - (b) he is a person to whom regulations under section 55 of this Act apply,
- the interest shall be treated as an amount to which he is entitled by way of credit in pursuance of the regulations.
- (2) Sub-paragraph (1) above shall be disregarded for the purpose of determining a person's entitlement to interest or the amount of interest to which he is entitled.

PART VI U.K.

MISCELLANEOUS

Security for tax

- 24 Where it appears to the Commissioners requisite to do so for the protection of the revenue they may require a registrable person, as a condition of his entering into taxable insurance contracts, to give security (or further security) of such amount and in such manner as they may determine for the payment of any tax which is or may become due from him.

Assessments to penalties etc.

- 25 (1) Where a person is liable—
- (a) to a penalty under any of paragraphs 12 to 19 above, or
 - (b) for interest under paragraph 21 above,
- the Commissioners may, subject to sub-paragraph (2) below, assess the amount due by way of penalty or interest (as the case may be) and notify it to him accordingly; and the fact that any conduct giving rise to a penalty under any of paragraphs 12 to 19 above may have ceased before an assessment is made under this paragraph shall not affect the power of the Commissioners to make such an assessment.
- (2) In the case of the penalties and interest referred to in the following paragraphs of this sub-paragraph, the assessment under this paragraph shall be of an amount due in respect of the accounting period which in the paragraph concerned is referred to as the relevant period—
- (a) in the case of a penalty under paragraph 12 above relating to the evasion of tax, the relevant period is the accounting period for which the tax evaded was due;
 - (b) in the case of a penalty under paragraph 12 above relating to the obtaining of a payment under regulations under section 55(3)(c) or (d) or (f) of this Act, the relevant period is the accounting period in respect of which the payment was obtained;
 - (c) in the case of interest under paragraph 21 above, the relevant period is the accounting period in respect of which the tax (or amount assessed as tax) was due.

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- (3) In a case where the amount of any penalty or interest falls to be calculated by reference to tax which was not paid at the time it should have been and that tax cannot be readily attributed to any one or more accounting periods, it shall be treated for the purposes of this Part of this Act as tax due for such period or periods as the Commissioners may determine to the best of their judgment and notify to the person liable for the tax and penalty or interest.
- (4) Where a person is assessed under this paragraph to an amount due by way of any penalty or interest falling within sub-paragraph (2) above and is also assessed under subsection (1) or (2) of section 56 of this Act for the accounting period which is the relevant period under sub-paragraph (2) above, the assessments may be combined and notified to him as one assessment, but the amount of the penalty or interest shall be separately identified in the notice.
- (5) Sub-paragraph (6) below applies in the case of—
- (a) an amount due by way of penalty under paragraph 15 or 16 above;
 - (b) an amount due by way of interest under paragraph 21 above.
- (6) Where this sub-paragraph applies in the case of an amount—
- (a) a notice of assessment under this paragraph shall specify a date, being not later than the date of the notice, to which the aggregate amount of the penalty or, as the case may be, the amount of interest which is assessed is calculated, and
 - (b) if the penalty or interest continues to accrue after that date, a further assessment or further assessments may be made under this paragraph in respect of amounts which so accrue.
- (7) If, within such period as may be notified by the Commissioners to the person liable to the penalty under paragraph 15 or 16 above or for the interest under paragraph 21 above—
- (a) a failure falling within paragraph 15(3) above is remedied,
 - (b) the tax referred to in paragraph 16(1) above is paid, or
 - (c) the amount referred to in paragraph 21(1) above is paid,
- it shall be treated for the purposes of paragraph 15, 16 or 21 above (as the case may be) as remedied or paid on the date specified as mentioned in sub-paragraph (6)(a) above.
- (8) Where an amount has been assessed and notified to any person under this paragraph it shall be recoverable as if it were tax due from him unless, or except to the extent that, the assessment has subsequently been withdrawn or reduced.
- (9) Subsection (8) of section 56 of this Act shall apply for the purposes of this paragraph as it applies for the purposes of that section.

Assessments: time limits

- 26 (1) Subject to the following provisions of this paragraph, an assessment under—
- (a) any provision of section 56 of this Act, or
 - (b) paragraph 25 above,
- shall not be made more than six years after the end of the accounting period concerned or, in the case of an assessment under paragraph 25 above of an amount

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due by way of a penalty which is not a penalty referred to in sub-paragraph (2) of that paragraph, six years after the event giving rise to the penalty.

- (2) An assessment under paragraph 25 above of—
- (a) an amount due by way of any penalty referred to in sub-paragraph (2) of that paragraph, or
 - (b) an amount due by way of interest,
- may be made at any time before the expiry of the period of two years beginning with the time when the amount of tax due for the accounting period concerned has been finally determined.
- (3) In relation to an assessment under paragraph 25 above, any reference in sub-paragraph (1) or (2) above to the accounting period concerned is a reference to that period which, in the case of the penalty or interest concerned, is the relevant period referred to in sub-paragraph (2) of that paragraph.
- (4) If tax has been lost—
- (a) as a result of conduct falling within paragraph 12(1) above or for which a person has been convicted of fraud, or
 - (b) in circumstances giving rise to liability to a penalty under paragraph 14 above,
- an assessment may be made as if, in sub-paragraph (1) above, each reference to six years were a reference to twenty years.

Supplementary assessments

- 27 If, otherwise than in circumstances falling within subsection (5)(b) of section 56 of this Act, it appears to the Commissioners that the amount which ought to have been assessed in an assessment under any provision of that section or under paragraph 25 above exceeds the amount which was so assessed, then—
- (a) under the like provision as that assessment was made, and
 - (b) on or before the last day on which that assessment could have been made,
- the Commissioners may make a supplementary assessment of the amount of the excess and shall notify the person concerned accordingly.

Disclosure of information

- 28 (1) Notwithstanding any obligation not to disclose information that would otherwise apply, the Commissioners may disclose information—
- (a) to the Secretary of State, or
 - (b) to an authorised officer of the Secretary of State,
- for the purpose of assisting the Secretary of State in the performance of his duties.
- (2) Notwithstanding any such obligation as is mentioned in sub-paragraph (1) above—
- (a) the Secretary of State, or
 - (b) an authorised officer of the Secretary of State,
- may disclose information to the Commissioners or to an authorised officer of the Commissioners for the purpose of assisting the Commissioners in the performance of duties in relation to tax.
- (3) Information that has been disclosed to a person by virtue of this paragraph shall not be disclosed by him except—

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- (a) to another person to whom (instead of him) disclosure could by virtue of this paragraph have been made, or
 - (b) for the purpose of any proceedings connected with the operation of any provision of, or made under, any enactment in relation to insurance or to tax.
- (4) References in the preceding provisions of this paragraph to an authorised officer of the Secretary of State are to any person who has been designated by the Secretary of State as a person to and by whom information may be disclosed under this paragraph.
- (5) The Secretary of State shall notify the Commissioners in writing of the name of any person designated under sub-paragraph (4) above.

Modifications etc. (not altering text)

C31 Sch. 7 para. 28: certain functions of the Secretary of State made exercisable concurrently with the Treasury (5.1.1998) by S.I. 1997/2781, arts. 4(3) (with art. 7)

VALID FROM 05/01/1998

- [^{F35}28A(1) Notwithstanding any obligation not to disclose information that would otherwise apply, the Commissioners may disclose information—
- (a) to the Treasury, or
 - (b) to an authorised officer of the Treasury,
- for the purpose of assisting the Treasury in the performance of their duties.
- (2) Notwithstanding any such obligation as is mentioned in sub-paragraph (1) above—
- (a) the Treasury, or
 - (b) an authorised officer of the Treasury,
- may disclose information to the Commissioners or to an authorised officer of the Commissioners for the purpose of assisting the Commissioners in the performance of duties in relation to tax.
- (3) Information that has been disclosed to a person by virtue of this paragraph shall not be disclosed by him except—
- (a) to another person to whom (instead of him) disclosure could by virtue of this paragraph have been made, or
 - (b) for the purpose of any proceedings connected with the operation of any provision of, or made under, any enactment in relation to insurance or to tax.
- (4) References in the preceding provisions of this paragraph to an authorised officer of the Treasury are to any person who has been designated by the Treasury as a person to and by whom information may be disclosed under this paragraph.
- (5) The Treasury shall notify the Commissioners in writing of the name of any person designated under sub-paragraph (4) above.]

Textual Amendments

F35 Sch. 7 para. 28A inserted (5.1.1998) by S.I. 1997/2781, art. 8(1), Sch. Pt. II para. 124 (with art. 7)

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Evidence by certificate

- 29 (1) A certificate of the Commissioners—
- (a) that a person was or was not at any time registered under section 53 of this Act,
 - (b) that any return required by regulations under section 54 of this Act has not been made or had not been made at any time, or
 - (c) that any tax shown as due in a return made in pursuance of regulations made under section 54 of this Act, or in an assessment made under section 56 of this Act, has not been paid,
- shall be sufficient evidence of that fact until the contrary is proved.
- (2) Any document purporting to be a certificate under sub-paragraph (1) above shall be taken to be such a certificate until the contrary is proved.

Service of notices etc.

- 30 Any notice, notification or requirement to be served on, given to or made of any person for the purposes of this Part of this Act may be served, given or made by sending it by post in a letter addressed to that person or his tax representative at the last or usual residence or place of business of that person or representative.

No deduction of penalties or interest

- 31 In section 827 of the Taxes Act 1988 (no deduction for penalties etc.) the following subsection shall be inserted after subsection (1A)—
- “(1B) Where a person is liable to make a payment by way of—
- (a) penalty under any of paragraphs 12 to 19 of Schedule 7 to the Finance Act 1994 (insurance premium tax), or
 - (b) interest under paragraph 21 of that Schedule,
- the payment shall not be allowed as a deduction in computing any income, profits or losses for any tax purposes.”

Destination of receipts

- 32 All money and securities for money collected or received for or on account of the tax shall—
- (a) if collected or received in Great Britain, be placed to the general account of the Commissioners kept at the Bank of England under section 17 of the ^{M206}Customs and Excise Management Act 1979;
 - (b) if collected or received in Northern Ireland, be paid into the Consolidated Fund of the United Kingdom in such manner as the Treasury may direct.

Marginal Citations

[M206 1979 c. 2.](#)

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Provisional collection of tax

- 33 In section 1(1) of the ^{M207}Provisional Collection of Taxes Act 1968 after “value added tax,” there shall be inserted “ insurance premium tax, ”.

Marginal Citations

M207 1968 c. 2.

- 34 (1) In a case where—
- (a) by virtue of a resolution having effect under the Provisional Collection of Taxes Act 1968 tax has been paid at a rate specified in the resolution, and
 - (b) by virtue of section 1(6) or (7) or 5(3) of that Act any of that tax is repayable in consequence of the restoration in relation to the premium concerned of a lower rate,
- the amount repayable shall be the difference between the tax paid by reference to the actual chargeable amount at the rate specified in the resolution and the tax that would have been payable by reference to the actual chargeable amount at the lower rate.
- (2) In sub-paragraph (1) above the “actual chargeable amount” means the chargeable amount by reference to which tax was paid.
- (3) In a case where—
- (a) by virtue of a resolution having effect under the ^{M208}Provisional Collection of Taxes Act 1968 tax is chargeable at a rate specified in the resolution, but
 - (b) before the tax is paid it ceases to be chargeable at that rate in consequence of the restoration in relation to the premium concerned of a lower rate,
- the tax chargeable at the lower rate shall be charged by reference to the same chargeable amount as that by reference to which tax would have been chargeable at the rate specified in the resolution.

Marginal Citations

M208 1968 c. 2.

Adjustment of contracts

- 35 (1) Where, after the making of a contract of insurance and before a given premium is received by the insurer under the contract, there is a change in the tax chargeable on the receipt of the premium, then, unless the contract otherwise provided, there shall be added to or deducted from the amount payable as the premium an amount equal to the difference between—
- (a) the tax chargeable had the change not been made, and
 - (b) the tax in fact chargeable.
- (2) References in sub-paragraph (1) above to a change in the tax chargeable include references to a change to or from no tax being chargeable.
- (3) Where this paragraph applies, the amount of the premium shall not be treated as altered for the purposes of calculating tax.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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VALID FROM 01/10/1994

[^{F36}SCHEDULE
7A U.K.]

INSURANCE PREMIUM TAX: CONTRACTS THAT ARE NOT TAXABLE

Textual Amendments

F36 Sch. 7A inserted (1.10.1994) by S.I. 1994/1698, art. 5

SCHEDULE 8 U.K.

Section 77.

SUPPLEMENTAL PROVISIONS RELATING TO PERSONAL RELIEFS

The Taxes Act 1988

- 1 In section 257A(6) of the Taxes Act 1988 (relief confined to one deduction), for “deduction” there shall be substituted “income tax reduction”.
- 2 (1) In subsections (1) and (2) of section 257BA of that Act (elections as to transfer of relief under section 257A)—
- (a) for the words “to deduct from her total income”, in each place where they occur, there shall be substituted “to an income tax reduction calculated by reference to”; and
 - (b) for the words “that he is entitled to deduct under section 257A”, in each place where they occur, there shall be substituted “by reference to which the calculation of the income tax reduction to which he is entitled under section 257A is to be made”.
- (2) In subsection (3) of that section—
- (a) for “to deduct from his total income” there shall be substituted “to an income tax reduction calculated by reference to”;
 - (b) for “the amount, if any, that he is already entitled to deduct” there shall be substituted “any income tax reduction to which he is already entitled”; and
 - (c) for “that she is entitled to deduct by virtue of that election” there shall be substituted “by reference to which the calculation of the income tax reduction to which she is entitled by virtue of that election is to be made”.
- (3) Any election made for the purposes of section 257BA of the Taxes Act 1988 which—
- (a) has been made before the coming into force of this paragraph, and
 - (b) apart from this paragraph, would have effect in accordance with that section for the year 1994-95 or any subsequent year,
- shall so have effect as if it were an election for the purposes of that section as amended by this paragraph.

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- 3 (1) In subsection (1) of section 257BB of that Act (transfer of relief where it is not all used), for paragraph (b) and the words after that paragraph there shall be substituted—
- “(b) the amount of the reduction to which he is entitled is determined in accordance with section 256(2)(b) or, by virtue of his having no income tax liability to which that reduction is applicable, is nil,
- his wife shall be entitled (in addition to any reduction to which she is entitled by virtue of an election under section 257BA) to an income tax reduction calculated by reference to an amount equal to the unused part of the amount by reference to which her husband’s income tax reduction fell to be calculated in pursuance of section 257A and any election under section 257BA. ”
- (2) In subsection (3) of that section, for paragraph (b) and the words after that paragraph there shall be substituted—
- “(b) the amount of the reduction to which she is entitled is determined in accordance with section 256(2)(b) or, by virtue of her having no income tax liability to which that reduction is applicable, is nil,
- her husband shall be entitled (in addition to any other reduction to which he is entitled by virtue of section 257A) to an income tax reduction calculated by reference to an amount equal to the unused part of the amount by reference to which his wife’s income tax reduction fell to be calculated in pursuance of that election. ”
- (3) After that subsection there shall be inserted the following subsection—
- “(3A) In this section references, in relation to such an amount as is mentioned in subsection (1)(b) or (3)(b), to the unused part of an amount by reference to which any income tax reduction fell to be calculated are references to so much of it (including, where the amount so mentioned is nil, all of it) as has no practical effect on the determination of the amount so mentioned.”
- (4) Subsection (6) of that section (calculation of amount left after deductions of a person’s total income) shall cease to have effect.
- 4 (1) Where the year in question for the purposes of subsection (5) of section 257D of the Taxes Act 1988 (transitional relief in the case of a husband with excess allowances) is the year 1994-95, deductions by virtue of any of sections 257A to 262 of that Act shall be disregarded in determining the deductions which a wife is taken for the purposes of paragraph (c) of that subsection to have been entitled to make from her total income for the year immediately preceding the year in question.
- (2) In section 257D(5)(d) of that Act, the words “section 257A and” shall be omitted.
- 5 In section 257F(c) of that Act, after “257A” there shall be inserted “ or, as the case may be, an income tax reduction under that section ”.
- 6 (1) In subsection (1)(b) of section 259 of that Act (additional personal allowance not available to a person entitled to the married couple’s allowance), for “to a deduction from his total income” there shall be substituted “ to an income tax reduction ”.

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- (2) In subsection (3) of that section (entitlement confined to only one deduction), for “deduction” there shall be substituted “ income tax reduction ”.
 - (3) In subsection (4A) of that section—
 - (a) for the words “a deduction”, in the first and third places where they occur, there shall be substituted “ an income tax reduction ”; and
 - (b) for the words “a deduction”, in the second place where they occur, there shall be substituted “ a reduction ”.
- 7
 - (1) In subsection (1)(b) of section 260 of that Act (apportionment of relief under section 259), for the words from “the deduction” to “equal” there shall be substituted “ the income tax reduction to which each of them is entitled under that section shall be calculated, subject to subsection (2) below, by reference ”.
 - (2) In subsection (2) of that section, for the words from “the deduction” to “equal” there shall be substituted “ the income tax reduction to which he is entitled for that year under section 259 shall be calculated by reference ”.
- 8
 - (1) In subsection (2) of section 261A of that Act (additional personal allowance for a year in which spouses separate), for the words from “that he is entitled to deduct” onwards there shall be substituted “ by reference to which the income tax reduction to which he is entitled under subsection (1) above is calculated shall be treated as reduced by the amount by reference to which the income tax reduction in which that relief consists is, or but for section 256(2)(b) would be, calculated (or to nil where the latter amount is equal to or exceeds the amount which is to be treated as reduced). ”
 - (2) In subsection (4) of that section, for “deduction” there shall be substituted “ income tax reduction ”.
 - (3) In subsection (5) of that section —
 - (a) in paragraph (a), for “relief to which those persons are entitled shall not exceed” there shall be substituted “ income tax reductions to which those persons are entitled shall not exceed an amount equal to an income tax reduction calculated (in accordance with section 256(2)(a)) by reference to ”; and
 - (b) in paragraph (c), for the words from “the deduction” to “equal” there shall be substituted “ the income tax reduction to which each of them is entitled under section 259 or this section shall be calculated by reference ”.
- 9
 - (1) In subsection (2) of section 262 of that Act (widow’s bereavement allowance)—
 - (a) for the words “a deduction from her total income”, where they occur in paragraphs (a) and (b), there shall be substituted “ an income tax reduction ”; and
 - (b) for the words after paragraph (b) there shall be substituted— “ the income tax reduction mentioned in paragraph (b) above shall instead be made (without a claim being made and in accordance with section 257A) in relation to her late husband’s liability to tax for that year as if there had been no such election. ”
 - (2) For subsections (3) and (4) of that section (cases where allowance transferred back to deceased would be unused) there shall be substituted the following subsections—

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- “(3) If the amount of an income tax reduction falling to be made by virtue of subsection (2) above in relation to the liability of a widow’s late husband—
- (a) is less by virtue of section 256(2)(b) than the income tax reduction which, but for subsection (2) above, would have been made in her case by virtue of the election mentioned in that subsection, or
 - (b) by virtue of his having no income tax liability to which that reduction is applicable, is nil,

the widow shall be entitled (in addition to any reduction to which she is entitled by virtue of subsection (1) above and without making a further claim) to an income tax reduction calculated by reference to an amount equal to the unused part of the amount by reference to which the income tax reduction transferred to the late husband in pursuance of subsection (2) above would have fallen to be calculated.

- (3A) In subsection (3) above the references, in relation to an amount to which paragraph (a) or (b) of that subsection applies, to the unused part of an amount by reference to which any income tax reduction would have fallen to be calculated are references to so much of it (including, where paragraph (b) of that subsection applies, all of it) as has no practical effect on the determination of the amount to which that paragraph applies.”

10 In section 265(3)(b) of that Act (blind person’s allowance), the words from “section 257A” to “or under” shall be omitted.

11 In section 276 of that Act (effect of relief on charges on income), after subsection (1) there shall be inserted the following subsection—

“(1A) In subsection (1) above the references to relief under this Chapter do not include references to relief consisting in such an income tax reduction as is mentioned in section 256(2).”

12 In section 796(1) of that Act (limits on credit for foreign tax), after the words “foreign tax”, in the second place where they occur, there shall be inserted “ but allowing for the making of any other income tax reduction under the Income Tax Acts ”.

The Taxes Management Act 1970 (c. 9)

13 In section 37A of the Taxes Management Act 1970 (effect of assessment where allowances transferred)—

- (a) after the word “person’s”, in the first place where it occurs, there shall be inserted “ liability to income tax or ”;
- (b) for the words from “any deduction made” to “spouse” there shall be substituted “ any income tax reduction or deduction from total income made in the case of that person’s spouse ”; and
- (c) for the words from “and where” onwards there shall be substituted “ and the entitlement in that case of the first-mentioned person for the year in question to any income tax reduction or deduction from total income shall be treated as correspondingly reduced. ”

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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SCHEDULE 9 **U.K.**

Section 81.

MORTGAGE INTEREST RELIEF ETC.

The Taxes Act 1988

- 1 For paragraph (o) of section 74 of the Taxes Act 1988 (deduction of relevant loan interest in computing profits and gains) there shall be substituted the following paragraph—
 - “(o) any interest in so far as the payment of that interest is or would be, otherwise than by virtue of section 375(2), either—
 - (i) a payment of interest to which section 369 applies, or
 - (ii) a payment of interest to which that section would apply but for section 373(5);”.
- 2 In section 237(5)(b) of the Taxes Act 1988 (no deduction for interest from or against income consisting of bonus issues etc.), for “under section 353” there shall be substituted “ in accordance with section 353(1B) ”.
- 3 Subsections (4) and (5) of section 353 of the Taxes Act 1988 (restriction of relief to basic rate tax) shall cease to have effect.
- 4 In section 355(4) of the Taxes Act 1988 (relief where eligibility is by virtue only of section 355(1)(b))—
 - (a) for the words from “where” to “but” there shall be substituted “ falling within subsection (1)(b) above shall be given only against income from the letting of any land, caravan or house-boat (whether or not the land, caravan or house-boat in question), but ”; and
 - (b) for the words “the first-mentioned land, caravan or house-boat” there shall be substituted “ the land, caravan or house-boat in question ”.
- 5 In section 356(1) of the Taxes Act 1988 (job-related accommodation), for “Section 355(1)” there shall be substituted “ Section 355(1)(a) ”.
- 6 In section 356A(3) of the Taxes Act 1988 (“the sharer’s limit”) after “is”, in the second place where it occurs, there shall be inserted “ or but for section 353(1C)(a) would be ”.
- 7 (1) In sections 356D(1) and 357(1) of the Taxes Act 1988, for “eligible for relief under section 353 by virtue of section 355(1)(a) or 356(1)” there shall, in each case, be substituted “ , in a case falling or treated as falling within section 355(1)(a), 356 or 358, eligible for relief under section 353 by virtue of section 354 ”.
(2) In sections 357A(7) and 357B(1)(c) and (6) of that Act, for “by virtue of section 355(1)(a) or 356(1)” there shall, in each case, be substituted “ and is such that the conditions for the case to fall, or be treated as falling, within section 355(1)(a), 356 or 358 are satisfied ”.

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- (3) In section 357C(1)(e) of that Act, for “by virtue of section 355(1)(a) or 356(1)” there shall be substituted “ and would have been such that the conditions for the case to fall, or be treated as falling, within section 355(1)(a), 356 or 358 were satisfied ”.
- (4) In section 357C(2) of that Act, for “by virtue of section 355(1)(a) or 356(1)” there shall be substituted “ and was such that the conditions for the case to fall, or be treated as falling, within section 355(1)(a), 356 or 358 were satisfied ”.
- 8 In section 358 of the Taxes Act 1988 (relief where borrower deceased), after subsection (4) there shall be inserted the following subsection—
- “(4A) References in this Act to a case falling within this section shall not include references to a case falling within section 355(1)(b) where the interest paid by the personal representatives or trustees is eligible for relief under section 353 apart from the assumptions for which subsection (3) above provides.”
- 9 In section 368(1) of the Taxes Act 1988 (interest in respect of which relief given not allowable as deduction for any other purpose), for “for any other purpose of the Income Tax Acts” there shall be substituted “ for any purpose of the Income Tax Acts except so far as it is so allowable in accordance with subsection (1B) of that section. ”
- 10 (1) In subsection (2) of section 370 of the Taxes Act 1988 (conditions for interest to be treated as relevant loan interest)—
- (a) after “section 353(2)” there shall be inserted “ and any other provision applying to interest falling to be treated as relevant loan interest ”; and
- (b) for “from section 74(o) and, where applicable,” there shall be substituted “ (where applicable) from ”.
- (2) After subsection (6) of that section there shall be inserted the following subsection—
- “(6A) In disregarding section 353(2) for the purposes of subsection (2)(c) above, section 353(1C) and (1D) shall apply for determining whether or not the condition in section 355(1) or 356(1) is fulfilled as (but for section 353(2)) they would apply for the purpose of determining whether or not the case falls, or is treated as falling, within section 355(1)(a) or 356.”
- 11 In section 375(3) of the Taxes Act 1988 (liability of borrower for excess where deduction should not have been made), for the words from “entitles” to “been allowed” there shall be substituted “ shall be taken as regards the borrower as entitling him to any deduction or to retain any amount deducted and, accordingly, where any amount that has been deducted exceeds the amount which ought to have been deducted ”.
- The Finance Act 1993 (c. 34)*
- 12 Subsection (7) of section 57 of the Finance Act 1993 (transitional provision for bridging loans made before 6th April 1991) shall cease to have effect.

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SCHEDULE 10 **U.K.**

Section 83.

MEDICAL INSURANCE

Introductory

1 In this Schedule “the 1989 Act” means the ^{M216}Finance Act 1989.

Marginal Citations

M216 1989 c. 26.

Reduction of relief

- 2 (1) Section 54 of the 1989 Act (relief on premiums for medical insurance) shall be amended as follows.
- (2) In subsection (3) (relief by deduction from income) for the words from “it shall be deducted” to the end of the subsection there shall be substituted “the individual shall be entitled to relief under this subsection in respect of the payment; and (except where subsections (4) to (6) below apply) relief under this subsection shall be given—
- (a) in accordance with subsections (3A) to (3C) below, and
 - (b) only on a claim made for the purpose.”
- (3) The following subsections shall be inserted after subsection (3)—
- “(3A) Where an individual is entitled to relief under subsection (3) above in respect of one or more payments made in a given year of assessment, the amount of his liability for that year of assessment to income tax on his total income shall be the amount to which he would be liable apart from this section less whichever is the smaller of—
- (a) the amount found under subsection (3B) below, and
 - (b) the amount which reduces his liability to nil.
- (3B) The amount referred to in subsection (3A)(a) above is an amount found by—
- (a) taking the amount of the payment referred to in subsection (3A) above or (as the case may be) the aggregate amount of the payments there referred to, and
 - (b) finding an amount equal to tax on the amount taken under paragraph (a) above at the basic rate for the year of assessment concerned.
- (3C) In determining for the purposes of subsection (3A) above the amount of income a person would be liable apart from this section, no account shall be taken of—
- (a) any income tax reduction under Chapter I of Part VII of the Taxes Act 1988 or under section 347B of that Act;
 - (b) any income tax reduction under section 353(1A) of the Taxes Act 1988;

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- (c) any relief by way of a reduction of liability to tax which is given in accordance with any arrangements having effect by virtue of section 788 of the Taxes Act 1988 or by way of a credit under section 790(1) of that Act;
 - (d) any tax at the basic rate on so much of that person's income as is income the income tax on which he is entitled to charge against any other person or to deduct, retain or satisfy out of any payment.”
- (4) This paragraph shall apply in relation to payments made on or after 6th April 1994.
- 3 (1) In sections 257D(8) and 265(3) of the Taxes Act 1988 (total income after deductions) paragraph (d) (deduction on account of payments to which section 54(5) of the 1989 Act applies to be disregarded) shall be omitted.
- (2) This paragraph shall apply in relation to payments made on or after 6th April 1994.

Surviving spouse

- 4 (1) In section 54 of the 1989 Act the following subsection shall be inserted after subsection (2)—
- “(2A) In a case where—
- (a) a payment is made in respect of a premium under a contract at a time when the contract meets the requirement in subsection (2) above by virtue of paragraph (c) of that subsection, and
 - (b) a payment is made under the same contract at a time after one of the individuals has died and when the contract does not (apart from this subsection) meet the requirement in subsection (2) above by virtue only of the fact that the surviving spouse is not aged 60 or over at the time,
- for the purposes of subsection (2) above in its application to the contract the surviving spouse shall be deemed to be aged 60 or over at the time mentioned in paragraph (b) above.”
- (2) This paragraph shall apply where the first or only payment to be made in respect of a premium under the contract after the death occurs is made on or after 6th April 1994.

Small benefits and abolition of certification

- 5 (1) Section 55 of the 1989 Act (eligible contracts) shall be amended as follows.
- (2) In subsection (2) (conditions for contract's being eligible) the following paragraphs shall be inserted after paragraph (b)—
- “(ba) at the relevant time the contract satisfies the conditions set out in subsection (2A) below,
 - (bb) the contract is not one in the case of which subsection (2D) below applies.”.
- (3) Also in subsection (2)—

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- (a) after paragraph (c) there shall be inserted “ and ”, and
- (b) paragraph (e) and the word “and” immediately preceding it shall be omitted.

(4) The following subsections shall be inserted after subsection (2)—

“(2A) The conditions referred to in subsection (2)(ba) above are that—

- (a) the contract either provides indemnity in respect of all or any of the costs of all or any of the treatments, medical services and other matters for the time being specified in regulations made by the Treasury, or in addition to providing indemnity of that description provides cash benefits falling within rules for the time being so specified,
- (b) the contract does not confer any right other than such a right as is mentioned in paragraph (a) above or is for the time being specified in regulations made by the Treasury,
- (c) the premium under the contract is reasonable, and
- (d) the contract satisfies such other requirements as are for the time being specified in regulations made by the Treasury.

(2B) In a case where—

- (a) at the relevant time the contract confers a material right, or more than one such right, but
- (b) the total cost to the insurer of providing benefits in pursuance of the material right or (as the case may be) in pursuance of all the material rights would not exceed the prescribed sum,

the contract shall not thereby be regarded as failing to satisfy at the relevant time the condition set out in subsection (2A)(b) above.

(2C) For the purposes of subsection (2B) above a material right is a right which—

- (a) is not a right such as is mentioned in subsection (2A)(a) above or such as is for the time being specified in regulations made under subsection (2A)(b) above, and
- (b) is not a right to a cash benefit.

(2D) This subsection applies in the case of a contract (the main contract) if—

- (a) at least one other contract is entered into which is a contract (a collateral contract) under which a benefit is provided in consideration of the insured’s entering into the main contract, and
- (b) the cost to the insurer of fulfilling his obligations under the collateral contract (or, if there is more than one collateral contract, of fulfilling his obligations under all of them) exceeds the prescribed sum.”

(5) Subsections (3) to (6) shall be omitted.

(6) In subsection (9) (approved benefit) for “mentioned in section 56(3)(a) below” there shall be substituted the following paragraphs—

- “(a) mentioned in subsection (2A)(a) above, or
- (b) for the time being specified in regulations made under subsection (2A)(b) above.”

(7) The following subsections shall be inserted after subsection (9)—

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“(10) For the purposes of this section a benefit is also an approved benefit if it is not a cash benefit and—

- (a) it is a single benefit provided otherwise than as mentioned in subsection (9) above and the cost to the insurer of providing it does not exceed the prescribed sum, or
- (b) it is one of a number of benefits provided otherwise than as mentioned in subsection (9) above and the total cost to the insurer of providing the benefits does not exceed the prescribed sum.

(11) In this section the reference to a premium, in relation to a contract of insurance, is to any amount payable under the contract to the insurer.

(12) For the purposes of this section the prescribed sum is £30.

(13) The Treasury may by order substitute for the sum for the time being specified in subsection (12) above such sum as may be specified in the order; and any such substitution shall have effect in relation to cases where the relevant time falls on or after such date as is specified in the order.”

(8) This paragraph shall apply where the time which is the relevant time for the purposes of section 55 falls on or after 1st July 1994.

6 The Board shall not certify a contract under section 56 of the 1989 Act in such a way that the certification is expressed to take effect on or after 1st July 1994.

SCHEDULE 11 U.K.

Section 91.

EXTENSION OF ROLL-OVER RELIEF ON RE-INVESTMENT

1 Chapter IA of Part V of the ^{M217}Taxation of Chargeable Gains Act 1992 shall be amended as follows.

Marginal Citations

M217 1992 c. 12.

Disposals on which relief available

2 In section 164A—

- (a) in subsection (1)(a), for the words following “(“the re-investor”)” there is substituted “ on any disposal by him of any asset (“the asset disposed of”); and ”,
- (b) in subsection (2), “Subject to section 164C” is omitted and for “initial holding” (in three places) there is substituted “ asset disposed of ”,
- (c) subsections (3) to (7) are omitted,
- (d) in subsection (9), for “initial holding” there is substituted “ asset disposed of ”, and
- (e) for subsection (12) there is substituted—

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“(12) Without prejudice to section 52(4), where consideration is given for the acquisition of any assets some of which are shares to the acquisition of which a claim under this section relates and some of which are not, the consideration shall be apportioned in such manner as is just and reasonable”.

3 For section 164B there is substituted—

“164B Roll-over relief on re-investment by trustees.

- (1) Subject to the following provisions of this section, section 164A shall apply, as it applies in such a case as is mentioned in subsection (1) of that section, where there is—
 - (a) a disposal by the trustees of a settlement of any asset comprised in any settled property to which this section applies, and
 - (b) such an acquisition by those trustees of eligible shares in a qualifying company as would for the purposes of that section be an acquisition of a qualifying investment at a time in the qualifying period.
- (2) This section applies—
 - (a) to any settled property in which the interests of the beneficiaries are not interests in possession, if all the beneficiaries are individuals, and
 - (b) to any settled property in which the interests of the beneficiaries are interests in possession, if any of the beneficiaries are individuals, and references in this section to individuals include any charity.
- (3) If, at the time of the disposal of the asset mentioned in subsection (1) (a) above, the settled property comprising that asset is property to which this section applies by virtue of subsection (2)(b) above but not all the beneficiaries are individuals, then—
 - (a) only the relevant proportion of the gain which would accrue to the trustees on the disposal shall be taken into account for the purposes of section 164A(2)(a)(i), and
 - (b) no reduction under section 164A(2) shall be made in respect of the whole or any part of the balance of the gain.
- (4) Section 164A shall not apply by virtue of this section in a case where, at the time of the disposal of the asset mentioned in subsection (1)(a) above, the settled property which comprises that asset is property to which this section applies by virtue of subsection (2)(a) above unless, immediately after the acquisition of shares mentioned in subsection (1)(b) above, the settled property comprising the shares is also property to which this section applies by virtue of subsection (2)(a) above.
- (5) Section 164A shall not apply by virtue of this section in a case where, at the time of the disposal of the asset mentioned in subsection (1)(a) above, the settled property which comprises that asset is property to which this section applies by virtue of subsection (2)(b) above unless, immediately after the acquisition of shares mentioned in subsection (1)(b) above—
 - (a) the settled property comprising the shares is also property to which this section applies by virtue of subsection (2)(b) above, and

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- (b) if not all the beneficiaries are individuals, the relevant proportion is not less than the proportion which was the relevant proportion at the time of the disposal of the asset mentioned in subsection (1)(a) above.
 - (6) If, at any time, in the case of settled property to which this section applies by virtue of subsection (2)(b) above, both individuals and others have interests in possession, the relevant proportion at that time is the proportion which the amount specified in paragraph (a) below bears to the amount specified in paragraph (b) below, that is—
 - (a) the total amount of the income of the settled property, being income the interests in which are held by beneficiaries who are individuals, and
 - (b) the total amount of all the income of the settled property.
 - (7) Where, in the case of any settled property in which any beneficiary holds an interest in possession, one or more beneficiaries (“the relevant beneficiaries”) hold interests not in possession, this section shall apply as if—
 - (a) the interests of the relevant beneficiaries were a single interest in possession, and
 - (b) that interest were held, where all the relevant beneficiaries are individuals, by an individual and, in any other case, by a person who is not an individual.
 - (8) In this section references to interests in possession do not include interests for a fixed term.”
- 4 Sections 164C to 164E are omitted.
- 5 In section 164H(1), “within the meaning of section 164C” is omitted.
- 6 In section 164L(10), for the words following “trustees or” there is substituted “any individual or charity by virtue of whose interest, at the time of the acquisition, section 164B applies to the settled property”.

Acquisitions on which relief available

- 7 For section 164A(8) there is substituted—
- “(8) For the purposes of this section, a person who acquires any eligible shares in a qualifying company shall be regarded as acquiring a qualifying investment unless, where the asset disposed of consisted of shares in or other securities of any company (“the initial holding”), the qualifying company—
- (a) is the company in which the initial holding subsisted, or
 - (b) is a company that was, at the time of the disposal of the initial holding, or is, at the time of the acquisition of the qualifying investment, a member of the same group of companies as the company in which the initial holding subsisted.”

Retirement relief

- 8 Section 164A(11) is omitted and after section 164B there is inserted—

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“164BA Interaction with retirement relief

- (1) The provisions of section 164A for making any reduction shall apply before any provisions for calculating the amount of, or giving effect to, any relief under section 163 or 164; and references in that section and this to a chargeable gain (except the second reference in subsection (4)(a) below) shall be construed accordingly.
- (2) Subsection (3) below applies where—
 - (a) any claim for relief is made under section 164A in respect of any chargeable gain, and
 - (b) apart from this Chapter, the whole or any part of that gain would be relieved under section 163 or 164.
- (3) For the purpose of giving relief under section 163 or 164, any reduction under section 164A shall be treated as having been made first against the unrelieved part of the chargeable gain; and only the amount (if any) which is equal to the unrelieved part of the chargeable gain after that reduction shall be treated as exceeding the amount available for relief.
- (4) For the purposes of this section—
 - (a) the unrelieved part of a chargeable gain is so much of that gain as, apart from this Chapter, would constitute a chargeable gain after the application of the appropriate paragraph of Schedule 6,
 - (b) “amount available for relief” has the same meaning as in the appropriate paragraph of that Schedule, and
 - (c) the “appropriate paragraph” means, as the case may be, paragraph 6, 7(1)(b) or 8(1)(b).”

Clawback

- 9 (1) In section 164F—
 - (a) for subsection (1) there is substituted—

“(1) This section shall apply where a person has acquired any eligible shares in a qualifying company (“the acquired holding”) for a consideration which is treated as reduced, under section 164A or this section, by any amount (“the held-over gain”),
 - (b) in subsection (3), for the words from “either” to the end of paragraph (b) there is substituted “charged on any disposal or under this section”,
 - (c) for subsection (4) there is substituted—

“(4) For the purposes of this section the whole or a part of any held-over gain on the acquisition of the acquired holding shall be treated—

 - (a) in accordance with subsection (4A) below as charged on any disposal in relation to which the whole or any part of the held-over gain falls to be taken into account in determining the chargeable gain or allowable loss accruing on the disposal, and
 - (b) as charged under this section so far as it falls to be disregarded in accordance with subsection (11) below.

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- (4A) In the case of any such disposal as is mentioned in subsection (4)(a) above, the amount of the held-over gain charged on that disposal—
- (a) shall, except in the case of a part disposal, be the amount taken into account as so mentioned, and
 - (b) in the case of a part disposal, shall be calculated by multiplying the following, that is to say—
 - (i) so much of the amount of the held-over gain as has not already been charged on a previous disposal, and
 - (ii) the fraction used in accordance with section 42(2) for determining, subject to any deductions in pursuance of this Chapter, the amount allowable as a deduction in the computation of the gain accruing on the disposal in question”,
- (d) in subsection (5)—
- (i) in paragraph (a) “or 164D” is omitted, and
 - (ii) in paragraph (c), for the words from “section 164D(4)” to the end there is substituted “ subsections (4) and (4A) above ”,
- (e) in subsection (10), “(within the meaning of section 164D)” is omitted, and
- (f) after that subsection there is inserted—
- “(10A) Where (apart from this subsection) a chargeable gain of any amount would by virtue of subsection (2) above accrue to the person who acquired the acquired holding but, within the period mentioned in subsection (10B) below, that person acquires a qualifying investment (within the meaning of section 164A), that person shall, on making a claim as respects the qualifying investment, be treated—
- (a) as if the amount of the gain were reduced by whichever is the smallest of the following—
 - (i) the actual amount or value of the consideration for the acquisition of the qualifying investment,
 - (ii) in the case of a qualifying investment acquired otherwise than by a transaction at arm’s length, the market value of that investment at the time of its acquisition,
 - (iii) the amount specified for the purposes of this subsection in the claim, and
 - (b) as if the amount or value of the consideration for the acquisition of the qualifying investment were reduced by the amount of the reduction made under paragraph (a) above;
- but paragraph (b) above shall not affect the treatment for the purposes of this Act of the other party to the transaction involving the qualifying investment.
- (10B) The period referred to in subsection (10A) above is the period (not including any period before the acquisition of the acquired holding) which begins 12 months before and ends 3 years after the time when the chargeable gain accrues or would but for that subsection accrue,

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together with any such further period after the disposal as the Board may by notice allow.”

- (2) Section 164F as amended by sub-paragraph (1) above shall have effect as follows—
- (a) the reference in subsection (1) to consideration treated as reduced under section 164A includes consideration treated as reduced under section 164D,
 - (b) the reference in subsection (3) to a gain having been charged on any disposal includes any gain having been carried forward from any disposal of shares, and
 - (c) the amounts referred to in subsection (4A)(a) and (b)(i) shall be treated as reduced by any amounts carried forward from any disposal of shares.
- (3) References in sub-paragraph (2) above to an amount being carried forward from a disposal of shares are references to the reduction by that amount, in accordance with section 164D(3)(a), of the amount of the consideration for the disposal of those shares.

Anti-avoidance

10 In section 164L—

- (a) after subsection (10) there is inserted—

“(10A) For the purposes of this Chapter, where—

- (a) a person has acquired any eligible shares in a qualifying company (“the acquired holding”) for a consideration which is treated as reduced under this Chapter by any amount (“the held-over gain”), and
- (b) after that acquisition, he acquires eligible shares in a relevant company,

he shall not be regarded in relation to his acquisition of those shares in the relevant company as acquiring a qualifying investment for the purposes of section 164A.

(10B) For the purposes of subsection (10A) above a company is a relevant company if—

- (a) where that person has disposed of any of the acquired holding, it is the company in which the acquired holding has subsisted or a company which was a member of the same group of companies as that company at any time since the acquisition of the acquired holding,
 - (b) it is a company in relation to the disposal of any shares in which there has been a claim under this Chapter such that, without that or an equivalent claim, there would have been no held-over gain in relation to the acquired holding, or
 - (c) it is a company which, at the time of the disposal or acquisition to which the claim relates, was a member of the same group of companies as a company falling within paragraph (b) above”, and
- (b) in subsection (11), for the definition of “chargeable business assets” there is substituted—

““chargeable business asset”, in relation to any company, means a chargeable asset (including goodwill but not including shares or

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securities or other assets held as investments) which is, or is an interest in, an asset used for the purposes of a trade, profession, vocation, office or employment carried on by—

- (a) the individual acquiring the shares,
- (b) any personal company of that individual,
- (c) a member of a trading group of which the holding company is a personal company of that individual, or
- (d) a partnership of which that individual is a member”.

Miscellaneous

11 In section 164N, after subsection (1) there is inserted—

“(1A) Every asset of a company is for the purposes of this Chapter a chargeable asset of that company at any time, except one on the disposal of which by the company at that time no gain accruing to the company would be a chargeable gain”.

SCHEDULE 12 **U.K.**

Section 93.

INDEXATION LOSSES: TRANSITIONAL RELIEF

Introductory

- 1 This Schedule applies in relation to chargeable gains and allowable losses accruing to—
- (a) an individual, or
 - (b) the trustees of a settlement made before 30th November 1993;
- (referred to in this Schedule as “the taxpayer”).
- 2 (1) This paragraph applies for the purposes of this Schedule, and the determinations required by this paragraph to be made shall be made without regard to paragraphs 4 to 7 below.
- (2) If an allowable loss accrues on a disposal made on or after 30th November 1993 and, under the old indexation rules, a greater allowable loss would have accrued, there is an indexation loss in respect of the disposal equal to the amount by which the allowable loss which would have accrued under the old indexation rules exceeds the allowable loss accruing on the disposal.
- (3) If a disposal made on or after 30th November 1993 is one on which neither a gain nor a loss accrues and, under the old indexation rules, an allowable loss would have accrued, there is an indexation loss in respect of the disposal equal to the amount of the allowable loss that would have accrued under the old indexation rules.
- (4) If the total amount of chargeable gains accruing to the taxpayer in any year of assessment for which this Schedule has effect exceeds the allowable losses accruing in that year, there is a relevant gain for that year equal to the amount of the excess.
- 3 (1) The cases in which the appropriation of an asset by the taxpayer is treated under section 161(1) of the 1992 Act (appropriations to and from stock) as a disposal of the

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asset include cases in which, if he had sold the asset for its market value, an allowable loss would have accrued to him under the old indexation rules.

- (2) Where, but for an election under subsection (3) of section 161 of the 1992 Act—
 - (a) an asset appropriated by the taxpayer would have been treated as disposed of as mentioned in subsection (1) of that section, and
 - (b) paragraph 2(2) or (3) above would have applied on the disposal, paragraphs 1 and 2 above and 6 and 7 below shall apply, as if the asset had been so treated, to determine for the purposes of subsection (3) of that section any increase to be made in the amount of any allowable loss; and the appropriation of the asset is referred to below as a “relevant appropriation”.
- (3) Sections 574 to 576 of the Taxes Act (relief for individual on disposal of shares in qualifying trading company) shall apply if an individual who has subscribed for shares as mentioned in section 574(1) disposes of them in circumstances where paragraph 2(3) above applies as they apply in other cases.
- (4) Where a person makes a claim for relief under subsection (1) of section 574 in the case of a disposal in respect of which there is an indexation loss (referred to below as a “section 574 disposal”)—
 - (a) paragraphs 6 and 7 below shall apply to determine any increase to be made, for the purposes of that subsection, in the amount of the allowable loss, and
 - (b) paragraphs 4 and 5 below shall apply to so much only of the indexation loss as is not relieved under that section.
- (5) References in this paragraph and paragraphs 6 and 7 below to an increase in any loss include, in circumstances where paragraph 2(3) above applies, a reference to the creation of the loss.

Capital gains tax

- 4 (1) Where in the case of any taxpayer—
 - (a) there is a relevant gain for the year 1993-94,
 - (b) the relevant gain exceeds the exempt amount for that year, and
 - (c) there are indexation losses in respect of any disposals made in that year,then, for the purposes of the 1992 Act, the amount by which the total amount of chargeable gains accruing to the taxpayer in that year exceeds the allowable losses accruing in the year shall be reduced by the amount mentioned in sub-paragraph (2) below, and shall be so reduced before the deduction of any allowable losses carried forward from any previous year or carried back under section 62 from any subsequent year.
 - (2) The amount referred to in sub-paragraph (1) above is so much of the total of indexation losses in respect of disposals made in that year as does not exceed—
 - (a) £10,000, or
 - (b) the amount by which the relevant gain exceeds the exempt amount for the year,whichever is the smaller.
- 5 (1) Where in the case of any taxpayer—
 - (a) there is a relevant gain for the year 1994-95,
 - (b) the relevant gain exceeds the exempt amount for that year, and

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- (c) there are indexation losses in respect of any disposals made in that year or unused indexation losses for the previous year,
- then, for the purposes of the 1992 Act, the amount by which the total amount of chargeable gains accruing to the taxpayer in the year 1994-95 exceeds the allowable losses accruing in that year shall be reduced by the amount mentioned in sub-paragraph (2) below, and shall be so reduced before the deduction of any allowable losses carried forward from any previous year or carried back under section 62 from any subsequent year.
- (2) The amount referred to in sub-paragraph (1) above is so much of the total of indexation losses in respect of disposals made in the year 1994-95, plus any unused indexation losses for the previous year, as does not exceed—
- (a) £10,000 less the aggregate of—
- (i) the amount of any reduction made under paragraph 4(1) above for the previous year, and
- (ii) any increase made under paragraph 6(2) below for the previous year, or
- (b) the amount by which the relevant gain exceeds the exempt amount for the year 1994-95,
- whichever is the smaller.
- (3) For the purposes of this paragraph, if the total amount of indexation losses in respect of disposals made by the taxpayer in the year 1993-94 exceeds the aggregate of—
- (a) the amount of any reduction made under paragraph 4(1) above for that year, and
- (b) any increase made under paragraph 6(2) below for that year,
- there are unused indexation losses for that year of an amount equal to the excess.

Income tax

- 6 (1) This paragraph applies where, at any time in the period beginning with 30th November 1993 and ending with 5th April 1994, the taxpayer makes any relevant appropriation or any section 574 disposal; and for the purposes of this paragraph there shall be determined—
- (a) the amount of any reduction for the year 1993-94 which (disregarding relevant appropriations and section 574 disposals) would be made under paragraph 4(1) above, and
- (b) the amounts of any indexation losses in respect of relevant appropriations or section 574 disposals made in that period.
- (2) If the aggregate of the amounts referred to in sub-paragraph (1)(a) and (b) above does not exceed £10,000, the amount of any allowable loss referable to such an appropriation or disposal shall be increased by any indexation loss in respect of it.
- (3) In any other case, notwithstanding anything in paragraphs 4 and 5 above—
- (a) the aggregate of—
- (i) the amount of any reduction for the year 1993-94 to be made under paragraph 4(1) above, and
- (ii) the amount of any indexation losses in respect of relevant appropriations or section 574 disposals made in the period referred to in sub-paragraph (1) above,

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- shall be equal to £10,000 and shall be allocated as the taxpayer may determine between that reduction and increases in allowable losses referable to such appropriations or disposals, and
- (b) no reduction shall be made under paragraph 5 above or 7 below for the year 1994-95.
- 7 (1) This paragraph applies where, at any time in the year 1994-95, the taxpayer makes any relevant appropriation or any section 574 disposal; and for the purposes of this paragraph there shall be determined—
- (a) the amount of any reduction for that year which (disregarding relevant appropriations and section 574 disposals) would be made under paragraph 5(1) above, and
- (b) the amounts of any indexation losses in respect of relevant appropriations or section 574 disposals made in that year.
- (2) If the aggregate of the amounts referred to in sub-paragraph (1)(a) and (b) above does not exceed the limit for 1994-95, that is—
- (a) £10,000, less
- (b) the aggregate of the amount of any reduction made under paragraph 4(1) above for the year 1993-94 and of any increases made under paragraph 6(2) above for that year,
- the amount of any allowable loss referable to such an appropriation or disposal shall be increased by any indexation loss in respect of it.
- (3) In any other case, notwithstanding anything in paragraph 5 above, the aggregate of the amount of any reduction for the year 1994-95 to be made under paragraph 5(1) above and of the amount of any indexation losses in respect of relevant appropriations or section 574 disposals made in that year—
- (a) shall be equal to the limit for 1994-95, and
- (b) shall be allocated as the taxpayer may determine between that reduction and increases in allowable losses referable to such appropriations or disposals.

Supplementary

- 8 (1) In this Schedule—
- “the 1992 Act” means the ^{M218}Taxation of Chargeable Gains Act 1992, and
- “the old indexation rules” means the 1992 Act as it would have effect if—
- (a) the amendments made by subsections (1) to (5) of section 93 of this Act, and
- (b) the repeal of section 103 (collective investment schemes, etc.) and section 111 (building societies) of the 1992 Act by subsection (7) of section 93 of this Act,
- had not come into force.
- (2) Other expressions not defined in this Schedule but used both in it and in the 1992 Act have the same meaning as in that Act.
- (3) References in this Schedule to the reduction of any amount include its reduction to nil.

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Marginal Citations

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SCHEDULE 13 U.K.

Section 102.

EMPLOYEE SHARE OWNERSHIP TRUSTS

Introduction

1 The Finance Act 1989 shall be amended as provided in this Schedule.

Trustees

2 In Schedule 5, in paragraph 3 (trustees) the following sub-paragraph shall be inserted after sub-paragraph (4)—

“(5) This paragraph applies in relation to trusts established on or before the day on which the Finance Act 1994 was passed.”

3 In Schedule 5, the following paragraphs shall be inserted after paragraph 3—

“3A Where a trust is established after the day on which the Finance Act 1994 was passed, the trust deed must make provision as mentioned in one of paragraphs (a) to (c) below—

- (a) provision for the establishment of a body of trustees and complying with paragraph 3(2) to (4) above;
- (b) provision for the establishment of a body of trustees and complying with paragraph 3B(2) to (9) below;
- (c) provision that at any time while the trust subsists there must be a single trustee.

3B (1) The following are the provisions that must be complied with under paragraph 3A(b) above.

- (2) The trust deed must—
 - (a) appoint the initial trustees;
 - (b) contain rules for the retirement and removal of trustees;
 - (c) contain rules for the appointment of replacement and additional trustees.

(3) The trust deed must be so framed that at any time while the trust subsists the conditions set out in sub-paragraph (4) below are fulfilled as regards the persons who are then trustees; and in that sub-paragraph “the relevant time” means that time.

- (4) The conditions are that—
 - (a) the number of trustees is not less than three;
 - (b) all the trustees are resident in the United Kingdom;

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- (c) the trustees include at least one person who is a professional trustee and at least two persons who are non-professional trustees;
 - (d) at least half of the non-professional trustees were, before being appointed as trustees, selected in accordance with sub-paragraph (7) or (8) below;
 - (e) all the trustees so selected are persons who are employees of companies which fall within the founding company's group at the relevant time, and who do not have and have never had a material interest in any such company.
- (5) For the purposes of this paragraph a trustee is a professional trustee at a particular time if—
- (a) the trustee is then a trust corporation, a solicitor, or a member of such other professional body as the Board may at that time allow for the purposes of this sub-paragraph,
 - (b) the trustee is not then an employee or director of any company then falling within the founding company's group, and
 - (c) the trustee meets the requirements of sub-paragraph (6) below;
- and for the purposes of this paragraph a trustee is a non-professional trustee at a particular time if the trustee is not then a professional trustee for those purposes.
- (6) A trustee meets the requirements of this sub-paragraph if—
- (a) he was appointed as an initial trustee and, before being appointed as trustee, was selected by (and only by) the persons who later became the non-professional initial trustees, or
 - (b) he was appointed as a replacement or additional trustee and, before being appointed as trustee, was selected by (and only by) the persons who were the non-professional trustees at the time of the selection.
- (7) Trustees are selected in accordance with this sub-paragraph if the process of selection is one under which—
- (a) all the persons who are employees of the companies which fall within the founding company's group at the time of the selection, and who do not have and have never had a material interest in any such company, are (so far as is reasonably practicable) given the opportunity to stand for selection,
 - (b) all the employees of the companies falling within the founding company's group at the time of the selection are (so far as is reasonably practicable) given the opportunity to vote, and
 - (c) persons gaining more votes are preferred to those gaining less.
- (8) Trustees are selected in accordance with this sub-paragraph if they are selected by persons elected to represent the employees of the companies falling within the founding company's group at the time of the selection.
- (9) For the purposes of this paragraph a company falls within the founding company's group at a particular time if—
- (a) it is at that time resident in the United Kingdom, and

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- (b) it is the founding company or it is at that time controlled by the founding company.
- 3C
- (1) This paragraph applies where the trust deed provides that at any time while the trust subsists there must be a single trustee.
 - (2) The trust deed must—
 - (a) be so framed that at any time while the trust subsists the trustee is a company which at that time is resident in the United Kingdom and controlled by the founding company;
 - (b) appoint the initial trustee;
 - (c) contain rules for the removal of any trustee and for the appointment of a replacement trustee.
 - (3) The trust deed must be so framed that at any time while the trust subsists the company which is then the trustee is a company so constituted that the conditions set out in sub-paragraph (4) below are then fulfilled as regards the persons who are then directors of the company; and in that sub-paragraph “the relevant time” is that time and “the trust company” is that company.
 - (4) The conditions are that—
 - (a) the number of directors is not less than three;
 - (b) all the directors are resident in the United Kingdom;
 - (c) the directors include at least one person who is a professional director and at least two persons who are non-professional directors;
 - (d) at least half of the non-professional directors were, before being appointed as directors, selected in accordance with sub-paragraph (7) or (8) below;
 - (e) all the directors so selected are persons who are employees of companies which fall within the founding company’s group at the relevant time, and who do not have and have never had a material interest in any such company.
 - (5) For the purposes of this paragraph a director is a professional director at a particular time if—
 - (a) the director is then a solicitor or a member of such other professional body as the Board may at that time allow for the purposes of this sub-paragraph,
 - (b) the director is not then an employee of any company then falling within the founding company’s group,
 - (c) the director is not then a director of any such company (other than the trust company), and
 - (d) the director meets the requirements of sub-paragraph (6) below;
 and for the purposes of this paragraph a director is a non-professional director at a particular time if the director is not then a professional director for those purposes.
 - (6) A director meets the requirements of this sub-paragraph if—

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- (a) he was appointed as an initial director and, before being appointed as director, was selected by (and only by) the persons who later became the non-professional initial directors, or
 - (b) he was appointed as a replacement or additional director and, before being appointed as director, was selected by (and only by) the persons who were the non-professional directors at the time of the selection.
- (7) Directors are selected in accordance with this sub-paragraph if the process of selection is one under which—
 - (a) all the persons who are employees of the companies which fall within the founding company's group at the time of the selection, and who do not have and have never had a material interest in any such company, are (so far as is reasonably practicable) given the opportunity to stand for selection,
 - (b) all the employees of the companies falling within the founding company's group at the time of the selection are (so far as is reasonably practicable) given the opportunity to vote, and
 - (c) persons gaining more votes are preferred to those gaining less.
- (8) Directors are selected in accordance with this sub-paragraph if they are selected by persons elected to represent the employees of the companies falling within the founding company's group at the time of the selection.
- (9) For the purposes of this paragraph a company falls within the founding company's group at a particular time if—
 - (a) it is at that time resident in the United Kingdom, and
 - (b) it is the founding company or it is at that time controlled by the founding company."
- 4 In Schedule 5, the following shall be inserted at the end of paragraph 12 (position after trust's establishment)— " This paragraph applies in relation to trusts established on or before the day on which the Finance Act 1994 was passed. "
- 5 In Schedule 5, the following paragraph shall be inserted after paragraph 12—

"12A (1) Subject to sub-paragraphs (2) and (3) below, a trust which was at the time it was established a qualifying employee share ownership trust shall continue to be one.

 - (2) If the trust deed makes provision under paragraph 3A(a) above, the trust shall not be a qualifying employee share ownership trust at any time when the requirements mentioned in paragraph 3(3)(a) to (f) above are not satisfied.
 - (3) If the trust deed makes provision under paragraph 3A(b) above, the trust shall not be a qualifying employee share ownership trust at any time when the conditions mentioned in paragraph 3B(4)(a) to (e) above are not satisfied.
 - (4) If the trust deed makes provision under paragraph 3A(c) above, the trust shall not be a qualifying employee share ownership trust at any time when—
 - (a) there is not a single trustee,

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- (b) the trustee is not a company which is resident in the United Kingdom and controlled by the founding company, or
- (c) the conditions mentioned in paragraph 3C(4)(a) to (e) above are not satisfied as regards the directors of the trustee.

(5) This paragraph applies in relation to trusts established after the day on which the Finance Act 1994 was passed.”

Securities

- 6 (1) Section 69 (chargeable events) shall be amended as follows.
- (2) In subsection (1)(c) (retention of securities at expiry of seven years from acquisition) for “period of seven years” there shall be substituted “qualifying period”.
- (3) After subsection (4) there shall be inserted—
- “(4A) For the purposes of subsection (1)(c) above the qualifying period is—
- (a) seven years, in the case of trusts established on or before the day on which the Finance Act 1994 was passed;
 - (b) twenty years, in the case of other trusts;
- and for this purpose a trust is established when the deed under which it is established is executed.”
- 7 (1) Paragraph 9 of Schedule 5 (transfer of securities) shall be amended as follows.
- (2) In sub-paragraph (1)(b) for “period of seven years” there shall be substituted “qualifying period”.
- (3) After sub-paragraph (2) there shall be inserted—
- “(2A) For the purposes of sub-paragraph (1) above the qualifying period is—
- (a) seven years, in the case of trusts established on or before the day on which the Finance Act 1994 was passed;
 - (b) twenty years, in the case of other trusts.”

Interpretation

- 8 In Schedule 5, the following paragraph shall be inserted after paragraph 16—
- “17 For the purposes of this Schedule a trust is established when the deed under which it is established is executed.”

DISTRIBUTIONS OF AUTHORISED UNIT TRUSTS

- 1 Chapter III of Part XII of the Taxes Act 1988 shall be amended in accordance with paragraphs 2 to 5 of this Schedule.

The new sections

- 2 The following sections shall be inserted immediately before section 469—

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“ Distributions of authorised unit trusts: general

468H Interpretation.

- (1) This section has effect for the interpretation of sections 468I to 468R.
- (2) The making of a distribution by an authorised unit trust to a unit holder includes investing an amount on behalf of the unit holder in respect of his accumulation units.
- (3) In relation to an authorised unit trust—
 - (a) “distribution period” means a period by reference to which the total amount available for distribution to unit holders is ascertained; and
 - (b) “distribution accounts” means accounts showing how that total amount is computed.
- (4) The distribution date for a distribution period of an authorised unit trust is—
 - (a) the date specified by or in accordance with the terms of the trust for any distribution for that distribution period; or
 - (b) if no date is so specified, the last day of that distribution period.
- (5) In this Chapter references to foreign income dividends shall be construed in accordance with Chapter VA of Part VI.
- (6) Sections 468I to 468R do not apply to an authorised unit trust which is also an approved personal pension scheme (within the meaning of Chapter IV of Part XIV).

468I Distribution accounts.

- (1) The total amount shown in the distribution accounts as available for distribution to unit holders shall be shown as available for distribution in one of the ways set out below.
- (2) It may be shown as available for distribution as dividends which are not foreign income dividends.
- (3) It may be shown as available for distribution as foreign income dividends.
- (4) It may be shown as available for distribution as yearly interest.
- (5) It may be divided into—
 - (a) a part shown as available for distribution as dividends which are not foreign income dividends; and
 - (b) a part shown as available for distribution as foreign income dividends.
- (6) Amounts deriving from income under Schedule A may not be included in any amount shown in the distribution accounts as available for distribution as yearly interest.
- (7) Where distribution accounts show an amount as available for distribution to unit holders in the way set out in subsection (5) above there shall not

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be any discrimination between unit holders having accumulation units and other unit holders (or between unit holders on other grounds).

Dividend and foreign income distributions

468J Dividend distributions.

- (1) Subsection (2) below applies where the total amount or a part of the total amount shown in the distribution accounts as available for distribution to unit holders is shown as available for distribution as dividends which are not foreign income dividends.
- (2) The Tax Acts shall have effect as if the total amount or, as the case may be, the part were dividends on shares paid on the distribution date by the company referred to in section 468(1) to the unit holders in proportion to their rights.
- (3) The trustees of an authorised unit trust may not make an election under section 246A in respect of dividends paid by virtue of this section.
- (4) In the following provisions of this Chapter “a dividend distribution” means a dividend treated as paid by virtue of subsection (2) above.

468K Foreign income distributions.

- (1) Subsection (2) below applies where the total amount or a part of the total amount shown in the distribution accounts as available for distribution to unit holders is shown as available for distribution as foreign income dividends.
- (2) The Tax Acts shall have effect (subject to what follows) as if the total amount or, as the case may be, the part were foreign income dividends on shares paid on the distribution date by the company referred to in section 468(1) to the unit holders in proportion to their rights.
- (3) In relation to the paying of foreign income dividends by authorised unit trusts Chapter VA of Part VI shall have effect as if the following provisions were omitted—
 - (a) sections 246A and 246B (provisions with respect to election to pay foreign income dividends);
 - (b) sections 246K to 246M (special provisions for subsidiaries); and
 - (c) sections 246S to 246W (international headquarters companies).
- (4) In the following provisions of this Chapter “a foreign income distribution” means a foreign income dividend treated as paid by virtue of subsection (2) above.

Interest distributions

468L Interest distributions.

- (1) Subsection (2) below applies where the total amount shown in the distribution accounts as available for distribution to unit holders is shown as available for distribution as yearly interest.

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- (2) The Tax Acts shall have effect (subject to what follows) as if the total amount were payments of yearly interest made on the distribution date by the company referred to in section 468(1) to the unit holders in proportion to their rights.
- (3) In the following provisions of this Chapter “an interest distribution” means a payment of yearly interest treated as made by virtue of subsection (2) above.
- (4) The obligation under section 349(2) to deduct a sum in its application to an interest distribution is subject to sections 468M and 468N (and, in its application to an interest distribution to a unit holder in respect of his accumulation units, is an obligation to deduct a sum out of the amount being invested on the unit holder’s behalf).
- (5) Interest distributions shall not be a charge on income for the purposes of section 338(1) but any interest distributions for a distribution period which are interest distributions with respect to which the obligation under section 349(2) (if and to the extent that it applies) is complied with shall be allowed as a deduction against the profits of the authorised unit trust for the accounting period in which the last day of that distribution period falls.
- (6) The deduction mentioned in subsection (5) above may be made—
 - (a) in computing the total profits for the accounting period, after the deduction of any expenses deductible in computing profits apart from section 75 and either before or after the deduction under that section of sums disbursed as expenses of management; or
 - (b) against total profits as reduced by any other relief from tax or against total profits not so reduced.
- (7) Where in any accounting period the amount deductible by virtue of subsection (5) above exceeds the amount from which the deduction is made—
 - (a) the excess may be carried forward to the succeeding accounting period; and
 - (b) the amount so carried forward shall be treated as if it were deductible in that succeeding accounting period by virtue of subsection (5) above.

468M Deduction of tax (simple case).

- (1) Subsection (2) below applies where—
 - (a) an interest distribution is made for a distribution period to a unit holder; and
 - (b) the gross income entered in the distribution accounts for the purpose of computing the total amount available for distribution to unit holders derives from eligible income entirely.
- (2) Where this subsection applies, the obligation to deduct under section 349(2) shall not apply to the interest distribution to the unit holder if the residence condition is on the distribution date fulfilled with respect to him.
- (3) Section 468O makes provision with respect to the circumstances in which the residence condition is fulfilled with respect to a unit holder.

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- (4) Subject to subsection (5) below, in this Chapter “eligible income” means—
- (a) any interest on a security which falls within paragraph 5(5)(d) of Schedule 19AA;
 - (b) any interest on a security which is a quoted Eurobond for the purposes of section 124;
 - (c) any dividends falling within section 17(1)3;
 - (d) any proceeds or other realisation falling within section 17(1)4;
 - (e) any amount taxable by virtue of section 123;
 - (f) any other amount, if it is not subject to income tax by deduction.
- (5) “Eligible income” does not include—
- (a) franked investment income;
 - (b) income under Schedule A;
 - (c) any foreign income dividend;
 - (d) any amount afforded relief from taxation imposed under the laws of a territory outside the United Kingdom under arrangements having effect by virtue of section 788 in relation to that territory.

468N Deduction of tax (mixed funds).

- (1) Subsection (2) below applies where—
- (a) an interest distribution is made for a distribution period to a unit holder; and
 - (b) the gross income entered in the distribution accounts for the purposes of computing the total amount available for distribution to unit holders does not derive from eligible income entirely.
- (2) Where this subsection applies, the obligation to deduct under section 349(2) shall not apply to the relevant amount of the interest distribution to the unit holder if the residence condition is on the distribution date fulfilled with respect to him.
- (3) Section 468O makes provision with respect to the circumstances in which the residence condition is fulfilled with respect to a unit holder.
- (4) This is how to calculate the relevant amount of the interest distribution—

$$R = A \times \frac{B}{C}$$

Where—

R = the relevant amount;

A = the amount of the interest distribution before deduction of tax to the unit holder in question;

B = such amount of the gross income as derives from eligible income;

C = the amount of the gross income.

- (5) In subsection (4) above the references to the gross income are references to the gross income entered as mentioned in subsection (1)(b) above.

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468O Residence condition.

- (1) For the purposes of sections 468M and 468N, the residence condition is fulfilled with respect to a unit holder if—
 - (a) there is a valid declaration made by him that he is not ordinarily resident in the United Kingdom; or
 - (b) he holds the rights as a personal representative of a unit holder and—
 - (i) before his death the deceased made a declaration valid at the time of his death that he was not ordinarily resident in the United Kingdom; or
 - (ii) the personal representative has made a declaration that the deceased, immediately before his death, was not ordinarily resident in the United Kingdom.
- (2) For the purposes of sections 468M and 468N, the residence condition is also fulfilled with respect to a unit holder if the unit holder is a company and there is a valid declaration made by the company that it is not resident in the United Kingdom.
- (3) The Board may by regulations make such provision as appears to them to be necessary or expedient modifying the application of this section and section 468P in relation to interest distributions made to or received under a trust.
- (4) Regulations under subsection (3) above may—
 - (a) make different provision for different cases; and
 - (b) contain such supplementary, incidental, consequential or transitional provision as appears to the Board to be appropriate.

468P Residence declarations.

- (1) A declaration made for the purposes of section 468O must—
 - (a) be in such form as may be required or authorised by the Board;
 - (b) be made in writing to the trustees of the authorised unit trust in question; and
 - (c) contain any details or undertakings required by subsections (2) to (4) below.
- (2) A declaration made as mentioned in section 468O(1)(a) or (b)(i) must contain—
 - (a) the name and principal residential address of the person making it; and
 - (b) an undertaking that he will notify the trustees if he becomes ordinarily resident in the United Kingdom.
- (3) A declaration made as mentioned in section 468O(1)(b)(ii) must contain the name of the deceased and his principal residential address immediately before his death.
- (4) A declaration made as mentioned in section 468O(2) must contain—
 - (a) the name of the company making it and the address of its registered or principal office; and

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- (b) an undertaking that the company will notify the trustees if it becomes resident in the United Kingdom.
- (5) For the purposes of determining whether an interest distribution should be made with or without any deduction, the trustees may not treat a declaration as valid if—
- (a) they receive a notification in compliance with an undertaking under subsection (2) or (4) above that the person in question has become ordinarily resident or, as the case may be, resident in the United Kingdom; or
 - (b) they come into possession of information by some other means which indicates that the person in question is or may be ordinarily resident or, as the case may be, resident in the United Kingdom;
- but, subject to that, they are entitled to treat the declaration as valid.
- (6) The trustees shall, on being required to do so by a notice given by an officer of the Board, make available for inspection by such an officer any declarations made to them under this section or any specified declaration or description of declarations.
- (7) Where a notice has been given to the trustees under subsection (6) above, the declarations shall be made available within such time as may be specified in the notice and the person carrying out the inspection may take copies of or extracts from them.
- (8) The Board may by regulations make provision for giving effect to this section, including in particular provision requiring trustees and managers of authorised unit trusts to supply information and make available books, documents and other records for inspection on behalf of the Board.
- (9) Regulations under subsection (8) above may—
- (a) make different provision for different cases; and
 - (b) contain such supplementary, incidental, consequential or transitional provision as appears to the Board to be appropriate.

Distributions to corporate unit holder

468Q Dividend distribution to corporate unit holder.

- (1) Subsection (2) below applies where—
- (a) a dividend distribution for a distribution period is made to a unit holder by the trustees of an authorised unit trust; and
 - (b) on the distribution date for that distribution period the unit holder is within the charge to corporation tax.
- (2) For the purpose of computing corporation tax chargeable in the case of the unit holder the unfranked part of the dividend distribution shall be deemed—
- (a) to be an annual payment and not a dividend distribution, a foreign income distribution or an interest distribution; and
 - (b) to have been received by the unit holder after deduction of income tax at the lower rate for the year of assessment in which the distribution date falls, from a corresponding gross amount.

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- (3) This is how to calculate the unfranked part of the dividend distribution—

$$U = \left(\left(A + B \right) x \frac{C}{D} \right) - B$$

Where—

U = the unfranked part of the dividend distribution to the unit holder;

A = the amount of the dividend distribution;

B = the amount of any foreign income distribution for the distribution period for which that dividend distribution is made to the unit holder;

C = such amount of the gross income as does not derive from franked investment income;

D = the amount of the gross income.

- (4) If the calculation in accordance with subsection (3) above produces a value of U that is less than O, it shall be assumed for the purposes of this section that no part of the dividend distribution is unfranked.
- (5) Where the unit holder is on the distribution date the manager of the scheme, subsection (2) above shall not apply in so far as the rights in respect of which the dividend distribution is made are held by him in the ordinary course of his business as manager of the scheme.
- (6) For the purposes of this section the references to the gross income are references to the gross income entered in the distribution accounts for the purpose of computing the total amount available for distribution to unit holders for the distribution period in question.

468R Foreign income distribution to corporate unit holder.

- (1) Subsection (2) below applies where—
- a foreign income distribution for a distribution period is made to a unit holder by the trustees of an authorised unit trust; and
 - on the distribution date for that distribution period the unit holder is within the charge to corporation tax.
- (2) The provisions of subsections (2) to (6) of section 468Q shall have effect, with the necessary modifications, in relation to the foreign income distribution as they have effect in relation to a dividend distribution, and in particular as if for the provisions of subsection (3) of that section there were substituted the provisions of subsection (3) below.
- (3) This is how to calculate the unfranked part of the foreign income distribution—

$$U = \left(\left(A + B \right) x \frac{E}{D} \right) - A$$

Where—

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U = the unfranked part of the foreign income distribution to the unit holder in question;

A = the amount of any dividend distribution for the distribution period for which that foreign income distribution is made to the unit holder;

B = the amount of that foreign income distribution;

E = such amount of the gross income as does not derive from foreign income dividends;

D = the amount of the gross income.”

Other amendments

- 3 (1) Section 468 (authorised unit trusts) shall be amended as follows.
- (2) At the end of subsection (1) there shall be inserted “ but paragraph (b) above is without prejudice to the making of distributions which are interest distributions (within the meaning of section 468L) to unit holders ”.
- (3) Subsection (2) (notional dividends of authorised unit trusts) shall be omitted.
- (4) In subsection (3) for the words “subsections (1) and (2) above” there shall be substituted “ subsection (1) above ”.
- (5) In subsection (6) the definition of “distribution period” shall be omitted.
- 4 Sections 468F and 468G shall cease to have effect.
- 5 In section 469 (other unit trusts), in subsection (6) (meaning of “distribution period”) for the words “has the same meaning as in section 468, but” there shall be substituted “ means a period beginning on or after 1st April 1987 over which income from the investments subject to the trusts is aggregated for the purposes of ascertaining the amount available for distribution to unit holders, but ”.
- 6 In section 834(3) of the Taxes Act 1988 (date on which dividends treated as paid) for the words from “except in so far as” to the end there shall be substituted “ except in so far as Chapter III of Part XII makes other provision for dividends treated as paid by virtue of that Chapter ”.

Commencement

- 7 (1) Subject to sub-paragraph (2) below, this Schedule shall have effect in relation to distribution periods beginning on or after 1st April 1994.
- (2) Nothing in the amendments made by this Schedule shall be taken to permit—
- (a) the total amount shown in the distribution accounts for a distribution period of an authorised unit trust, or
- (b) a part of that total amount,
- to be shown as available for distribution as foreign income dividends unless the distribution date for that distribution period is 1st July 1994 or a subsequent date.

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SCHEDULE 15 U.K.

Section 137.

ENTERPRISE INVESTMENT SCHEME

Amendments of the Taxes Act 1988

- 1 Chapter III of Part VII of the Taxes Act 1988 shall be amended as follows:
2 For section 289 (the relief) and the heading preceding it there is substituted—

“ENTERPRISE INVESTMENT SCHEME

289 Eligibility for relief.

- (1) For the purposes of this Chapter, an individual is eligible for relief, subject to the following provisions of this Chapter, if—
- (a) eligible shares in a qualifying company for which he has subscribed are issued to him and, under section 291, he qualifies for relief in respect of those shares,
 - (b) the shares are issued in order to raise money for the purpose of a qualifying business activity, and
 - (c) the money raised by the issue is employed not later than the time mentioned in subsection (3) below wholly for the purpose of that activity.
- (2) In this Chapter “qualifying business activity”, in relation to a company, means—
- (a) the company or any subsidiary—
 - (i) carrying on a qualifying trade which, on the date the shares are issued, it is carrying on, or
 - (ii) preparing to carry on a qualifying trade which, on that date, it intends to carry on wholly or mainly in the United Kingdom and which it begins to carry on within two years after that date,but only if, at any time in the relevant period when the qualifying trade is carried on, it is carried on wholly or mainly in the United Kingdom,
 - (b) the company or any subsidiary carrying on research and development—
 - (i) which, on the date the shares are issued, it is carrying on or which it begins to carry on immediately afterwards, and
 - (ii) from which it is intended that a qualifying trade which the company or any subsidiary will carry on wholly or mainly in the United Kingdom will be derived,but only if, at any time in the relevant period when the research and development or the qualifying trade derived from it is carried on, it is carried on wholly or mainly in the United Kingdom, or
 - (c) the company or any subsidiary carrying on oil exploration—
 - (i) which, on the date the shares are issued, it is carrying on or begins to carry on immediately afterwards, and

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- (ii) from which it is intended that a qualifying trade which the company or any subsidiary will carry on wholly or mainly in the United Kingdom will be derived,
but only if, at any time in the relevant period when the oil exploration or the qualifying trade derived from it is carried on, it is carried on wholly or mainly in the United Kingdom.
- (3) The time referred to in subsection (1)(c) above is—
- (a) the end of the period of twelve months beginning with the issue of the eligible shares, or
 - (b) in the case of money raised only for the purpose referred to in subsection (2)(a) above, the end of that period or, if later, the end of the period of twelve months beginning when the company or subsidiary concerned begins to carry on the qualifying trade,
- and for the purposes of this Chapter, the condition in subsection (1)(c) above does not fail to be satisfied by reason only of the fact that an amount of money which is not significant is employed for another purpose.
- (4) Subsection (2)(c) above shall not apply unless—
- (a) throughout the period of three years beginning with the date on which the shares were issued, the company or any subsidiary holds an exploration licence which was granted to it, or to another subsidiary,
 - (b) the exploration is carried out solely within the area to which the licence applies, and
 - (c) on the date on which the shares were issued, neither the company nor any subsidiary held an appraisal licence or a development licence relating to that area or any part of that area.
- (5) Where, at any time after the issue of the shares but before the end of the period mentioned in subsection (4)(a) above, the company or any subsidiary comes to hold an appraisal licence or development licence which relates to the area, or any part of the area, to which the exploration licence relates, the exploration licence and that other licence shall be treated for the purposes of subsection (4)(a) above as a single exploration licence.
- (6) An individual is not eligible for relief in respect of any shares unless the shares are subscribed, and issued, for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.
- (7) In this Chapter “eligible shares” means new ordinary shares which, throughout the period of five years beginning with the date on which they are issued, carry no present or future preferential right to dividends or to a company’s assets on its winding up and no present or future preferential right to be redeemed.
- (8) Section 312(1A)(b) applies to determine the relevant period for the purposes of this section.

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289A Form of relief.

- (1) Where an individual eligible for relief in respect of any amount subscribed for eligible shares makes a claim, then, subject to the following provisions of this Chapter, the amount of his liability for the year of assessment in which the shares were issued (“the current year”) to income tax on his total income shall be the following amount.
- (2) That amount is the amount to which he would be so liable apart from this section less whichever is the smaller of—
 - (a) an amount equal to tax at the lower rate for the current year on the amount or, as the case may be, the aggregate of the amounts subscribed for eligible shares issued in that year in respect of which he is eligible for relief, and
 - (b) the amount which reduces his liability to nil.
- (3) Subject to subsection (4) below, if in the case of any issue of relevant shares, that is, shares—
 - (a) which are issued before 6th October in the current year, and
 - (b) in respect of the amount subscribed for which the individual is eligible for relief,the individual so requests in his claim, subsection (1) above shall apply as if, in respect of such part of that issue as may be specified in his claim, the shares had been issued in the preceding year of assessment; and his liability to income tax for both years of assessment shall be determined accordingly.
- (4) Not more than half of the relevant shares comprised in any issue may be treated by virtue of subsection (3) above as issued in the previous year; and the number of relevant shares (comprised in any issues) so treated as issued in a particular year shall not be such that the total amount subscribed for them exceeds £15,000.
- (5) In determining for the purposes of subsection (2) above the amount of income tax to which a person would be liable apart from this section, no account shall be taken of—
 - (a) any income tax reduction under Chapter I of Part VII of this Act or under section 347B,
 - (b) any income tax reduction under section 353(1A),
 - (c) any income tax reduction under section 54(3A) of the Finance Act 1989,
 - (d) any relief by way of a reduction of liability to tax which is given in accordance with any arrangements having effect by virtue of section 788 or by way of a credit under section 790(1), or
 - (e) any tax at the basic rate on so much of that person’s income as is income the income tax on which he is entitled to charge against any other person or to deduct, retain or satisfy out of any payment.
- (6) A claim for relief shall not be allowed unless subsection (7) below is complied with but, where it is complied with, the relief may be given at any time when it appears that the conditions for the relief may be satisfied.
- (7) This subsection is complied with if—

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- (a) in the case of shares issued for the purpose of a qualifying business activity falling within paragraph (a) of section 289(2), the company or subsidiary concerned has carried on the trade for four months,
 - (b) in the case of shares issued for the purpose of a qualifying business activity falling within paragraph (b) of that subsection or within both paragraph (a) and paragraph (b) of that subsection, the company or subsidiary concerned has carried on the research and development for four months, and
 - (c) in the case of shares issued for the purpose of a qualifying business activity falling within paragraph (c) of that subsection, the company or subsidiary concerned has carried on the exploration for four months.
- (8) Where—
- (a) the company or subsidiary concerned, by reason of its being wound up, or dissolved without winding up, carries on a trade for a period shorter than four months, and
 - (b) it is shown that the winding up or dissolution was for bona fide commercial reasons and not as part of a scheme or arrangement the main purpose or one of the main purposes of which was the avoidance of tax,
- subsection (7)(a) above shall have effect as if it referred to that shorter period.
- (9) Where effect is given to a claim for relief by repayment of tax, section 824 shall have effect in relation to the repayment as if the time from which the twelve months mentioned in subsections (1)(a) and (3)(a) of that section are to be calculated were the end of the year of assessment in which the shares are issued or, if subsection (7) above is first complied with in a later year, the end of that later year.

289B Attribution of relief to shares.

- (1) References in this Chapter, in relation to any individual, to the relief attributable to any shares or issue of shares shall be read, subject to the provisions of this Chapter providing for the reduction or withdrawal of relief, as references to any reduction made in the individual's liability to income tax which is attributed to those shares or that issue in accordance with this section.
- (2) Where an individual's liability to income tax is reduced in any year of assessment ("the current year") under section 289A, then—
 - (a) where the reduction is given by reason of an issue of shares made (or treated as made) in the current year, the amount of the reduction shall be attributed to that issue, and
 - (b) where the reduction is given by reason of two or more issues of shares made (or treated as made) in the current year, the reduction—
 - (i) shall be apportioned between those issues in the same proportions as the amounts subscribed by the individual for each issue, and
 - (ii) shall be attributed to those issues accordingly.

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- (3) Where under this section an amount of any reduction of income tax is attributed to an issue of shares (“the original issue”) in a company to an individual—
- (a) a proportionate part of that amount shall be attributed to each share comprised in the original issue, and
 - (b) if any bonus shares in that company which are eligible shares are issued to him at any subsequent time—
 - (i) a proportionate part of the total amount attributed immediately before that time to shares comprised in the original issue shall be attributed to each of the shares in the holding comprising those shares and the bonus shares, and
 - (ii) this Chapter shall apply as if the original holding had comprised all those shares.
- (4) Subject to subsection (5) below, in this Chapter references to an issue of shares in any company to an individual are to any shares in the company issued to him on the same day.
- (5) Where section 289A(1) applies in the case of any issue of shares as if part of the issue had been issued in a previous year, this section and the following provisions of this Chapter (except section 290(1)) shall have effect as if that part and the remainder were separate issues of shares (and that part had been issued on a day in the previous year).
- (6) Where, at a time when any relief is attributable to, or to any part of, any issue of shares, the relief falls to be withdrawn or reduced under this Chapter—
- (a) where it falls to be withdrawn, the relief attributable to each of the shares in question shall be reduced to nil, and
 - (b) where it falls to be reduced by any amount, the relief attributable to each of the shares in question shall be reduced by a proportionate part of that amount.”
- 3 (1) In section 290 (minimum and maximum subscriptions), for subsection (2) there is substituted—
- “(2) An individual shall not be eligible for relief in any year of assessment in respect of any amount subscribed for eligible shares exceeding £100,000 (whether the shares are issued in that or a subsequent year).”
- (2) Sub-paragraph (1) above shall have effect for the year 1994-95 and subsequent years of assessment.
- (3) An individual shall not be eligible for relief in respect of the year 1993-94 in respect of any amount subscribed for eligible shares (whether the shares are issued in that or a subsequent year) which, when aggregated with the amounts (if any) on which relief is claimed under the old scheme in respect of that year, exceeds £40,000.
- (4) In this paragraph the “old scheme” means Chapter III of Part VII of the Taxes Act 1988 as it had effect before the amendments made by this Schedule.
- 4 (1) In section 290A (restriction of relief)—
- (a) for subsection (1) there is substituted—
- “(1) Where—

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- (a) a company raises any amount through the issue of eligible shares, and
 - (b) the aggregate of that amount and of all other amounts (if any) so raised within the period mentioned in subsection (2) below exceeds £1 million,
- the relief shall not be given in respect of the excess”,
- (b) in subsection (4), for “£750,000” there is substituted “ £1 million ”,
 - (c) subsection (10) and the definition of “prospectus” in subsection (11) are omitted, and
 - (d) after subsection (11) there is added—
- “(12) Section 312(1A)(b) applies to determine the relevant period for the purposes of this section.”
- (2) References in that section to amounts raised through the issue of eligible shares include amounts raised through the issue before 1st January 1994 of shares which were eligible shares under the old scheme; and the “old scheme” has the same meaning as in paragraph 3 above.
- 5 For section 291 (individuals qualifying for relief) there is substituted—

“291 Individuals qualifying for relief.

- (1) An individual qualifies for relief in respect of eligible shares in a company (referred to in this section and sections 291A and 291B as the “issuing company”) if—
 - (a) he subscribes for the shares on his own behalf, and
 - (b) subject to section 291A(4), he is not at any time in the relevant period connected with the company.
- (2) For the purposes of this section and sections 291A and 291B, an individual is connected with the issuing company if he, or an associate of his, is—
 - (a) an employee of, or of a partner of, the issuing company or any subsidiary,
 - (b) a partner of the issuing company or any subsidiary, or
 - (c) subject to section 291A, a director of, or of a company which is a partner of, the issuing company or any subsidiary,

or if he, or an associate of his, is so connected by virtue of section 291B.
- (3) In subsection (2) above “subsidiary”, in relation to the issuing company, means a 51 per cent. subsidiary of the issuing company—
 - (a) whether it becomes such a subsidiary before, during or after the year of assessment in respect of which the individual concerned claims relief, and
 - (b) whether or not it is such a subsidiary while he or his associate is such an employee, partner or director.
- (4) For the purposes of subsections (2) and (3) above and section 291A, in the case of a person who is both a director and an employee of a company—
 - (a) references (however expressed) to him in his capacity as a director of the company include him in his capacity as an employee of the company, but

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- (b) (apart from that) he is not to be treated as an employee of the company.
- (5) Section 312(1A)(a) applies to determine the relevant period for the purposes of this section and sections 291A and 291B.

291A Connected persons: directors.

- (1) An individual is not connected with the issuing company by reason only that he, or an associate of his, is a director of that or another company unless he or his associate (or a partnership of which he or his associate is a member)—
- (a) receives a payment from the issuing company or a related person during the relevant period, or
 - (b) is entitled to receive such a payment in respect of that period or any part of it.
- (2) In this section—
- (a) “related person”, in relation to the issuing company, means—
 - (i) any company of which the individual or his associate is a director and which is a subsidiary or a partner of the issuing company or of a subsidiary, and
 - (ii) any person connected with the issuing company or with a company falling within sub-paragraph (i) above, and
 - (b) any reference to a payment to an individual includes a payment made to him indirectly or to his order or for his benefit.
- (3) For the purposes of subsection (1) above there shall be disregarded—
- (a) any payment or reimbursement of travelling or other expenses wholly, exclusively and necessarily incurred by him or his associate in the performance of his duties as a director,
 - (b) any interest which represents no more than a reasonable commercial return on money lent to the issuing company or a related person,
 - (c) any dividend or other distribution which does not exceed a normal return on the investment,
 - (d) any payment for the supply of goods which does not exceed their market value,
 - (e) any payment of rent for any property occupied by the issuing company or a related person which does not exceed a reasonable and commercial rent for the property, and
 - (f) any reasonable and necessary remuneration which —
 - (i) is paid for services rendered to the issuing company or related person in the course of a trade or profession (not being secretarial or managerial services or services of a kind provided by the person to whom they are rendered), and
 - (ii) is taken into account in computing the profits or gains of the trade or profession under Case I or II of Schedule D or would be so taken into account if it fell in a period on the basis of which those profits or gains are assessed under that Schedule.

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- (4) An individual (“the subscriber”) who subscribes for eligible shares (“the relevant shares”) may qualify for the relief notwithstanding his connection with the company at any time in the relevant period if—
- (a) he is so connected by reason only of his, or his associate’s, being a director of, or of a company which is a partner of, the issuing company or a subsidiary in receipt of, or entitled to receive, remuneration as such, and
 - (b) the following conditions are satisfied;
- and in this subsection and subsection (5) below “remuneration” includes any benefit or facility.
- (5) The conditions are that—
- (a) in relation to the director (whether he is the subscriber or his associate), his remuneration, or the remuneration to which he is entitled, (leaving out of account any reasonable and necessary remuneration falling within subsection (3)(f) above) consists only of remuneration which is reasonable remuneration for services rendered to the company of which he is a director in his capacity as such,
 - (b) the subscriber was issued with eligible shares (whether the relevant shares or a previous issue of eligible shares) at a time when he had never been—
 - (i) connected with the issuing company, or
 - (ii) an employee of any person who previously carried on the trade carried on by the issuing company, and
 - (c) where the issue of the relevant shares did not satisfy paragraph (b) above, they were not issued after the end of the period of five years beginning with the date of the latest issue of eligible shares which satisfied that paragraph,
- and in paragraph (b) above “trade” includes any business, profession or vocation, and the reference to a trade previously carried on includes part of such a trade.
- (6) In this section “subsidiary”, in relation to the issuing company, means a 51 per cent. subsidiary of the issuing company.

291B Connected persons: persons interested in capital etc. of company.

- (1) An individual is connected with the issuing company if he directly or indirectly possesses or is entitled to acquire more than 30 per cent. of—
 - (a) the issued ordinary share capital of the company or any subsidiary,
 - (b) the loan capital and issued share capital of the company or any subsidiary, or
 - (c) the voting power in the company or any subsidiary.
- (2) An individual is connected with the issuing company if he directly or indirectly possesses or is entitled to acquire such rights as would, in the event of the winding up of the company or any subsidiary or in any other circumstances, entitle him to receive more than 30 per cent. of the assets of the company or subsidiary (the “company in question”) which would then be available for distribution to equity holders of the company in question.

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- (3) For the purposes of subsection (2) above—
- (a) the persons who are equity holders of the company in question, and
 - (b) the percentage of the assets of the company in question to which the individual would be entitled,
- shall be determined in accordance with paragraphs 1 and 3 of Schedule 18, taking references in paragraph 3 to the first company as references to an equity holder and references to a winding up as including references to any other circumstances in which assets of the company in question are available for distribution to its equity holders.
- (4) An individual is connected with a company if he has control of it or of any subsidiary.
- (5) Where an individual subscribes for shares in a company with which (apart from this subsection) he is not connected, he shall nevertheless be treated as connected with it if he subscribes for the shares as part of any arrangement which provides for another person to subscribe for shares in another company with which (assuming it to be an issuing company) that or any other individual who is a party to the arrangement is connected.
- (6) In this section “subsidiary”, in relation to the issuing company, means a 51 per cent. subsidiary of the issuing company—
- (a) whether it becomes such a subsidiary before, during or after the year of assessment in respect of which the individual concerned claims relief, and
 - (b) whether or not it is such a subsidiary while he has, or is entitled to acquire, such capital, voting power, rights or control as are mentioned in this section.
- (7) For the purposes of this section the loan capital of a company shall be treated as including any debt incurred by the company—
- (a) for any money borrowed or capital assets acquired by the company,
 - (b) for any right to receive income created in favour of the company, or
 - (c) for consideration the value of which to the company was (at the time when the debt was incurred) substantially less than the amount of the debt (including any premium on it).
- (8) For the purposes of this section an individual shall be treated as entitled to acquire anything which he is entitled to acquire at a future date or will at a future date be entitled to acquire, and there shall be attributed to any person any rights or powers of any other person who is an associate of his.
- (9) In determining for the purposes of this section whether an individual is connected with a company, no debt incurred by the company or any subsidiary by overdrawing an account with a person carrying on a business of banking shall be treated as loan capital of the company or subsidiary if the debt arose in the ordinary course of that business.
- (10) Section 840 applies for the purposes of this section.”

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- (a) in subsection (1), for the words preceding paragraph (a) there is substituted “ An individual is not eligible for relief in respect of any shares in a company if, at the date mentioned in subsection (2) below ”, and
- (b) in subsection (4)(a) for “any of its subsidiaries” there is substituted “ any company which is a 51 per cent. subsidiary of that company on the date referred to in subsection (2) above ”.

7 In section 293 (qualifying companies)—

- (a) for subsections (1) to (3) there is substituted—
 - “(1) Subject to section 294, a company is a qualifying company (whether it is resident in the United Kingdom or elsewhere) if it complies with the requirements of this section.
 - (2) The company must, throughout the relevant period, be an unquoted company and be—
 - (a) a company which exists wholly for the purpose of carrying on one or more qualifying trades or which so exists apart from purposes capable of having no significant effect (other than in relation to incidental matters) on the extent of the company’s activities, or
 - (b) a company whose business consists wholly of—
 - (i) the holding of shares or securities of, or the making of loans to, one or more qualifying subsidiaries of the company, or
 - (ii) both the holding of such shares or securities, or the making of such loans, and the carrying on of one or more qualifying trades.
 - (3) In this section “qualifying subsidiary”, in relation to a company, means a subsidiary of a kind which that company may hold by virtue of section 308”,
- (b) subsection (4) is omitted,
- (c) in subsection (7), at the end there is inserted “ or would not be fully paid up if any undertaking to pay cash to the company at a future date were disregarded ”,
- (d) for subsection (8) there is substituted—
 - “(8) Subject to section 308, the company must not—
 - (a) at any time in the relevant period control (or together with any person connected with it control) another company or be under the control of another company (or another company and any other person connected with that other company), or
 - (b) at any such time be a 51 per cent. subsidiary of another company or itself have a 51 per cent. subsidiary,
 and no arrangements must be in existence at any time in that period by virtue of which the company could fall within paragraph (a) or (b) above.
- (8A) Section 312(1A)(b) applies to determine the relevant period for the purposes of this section and sections 294, 295 and 296”, and
- (e) subsections (9) to (11) are omitted.

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8 In section 294 (companies with interests in land), in subsection (1), for the words preceding paragraph (a) there is substituted “ Subject to section 296, a company is not a qualifying company in relation to any shares if at any time during the relevant period ”.

9 In section 296 (provisions supplementary to section 294), subsection (6) is omitted.

10 In section 297 (qualifying trades)—

(a) in subsection (1), “(6) and” is omitted,

(b) in subsection (2)—

(i) in paragraph (a), for “commodities, shares, securities, land or futures” there is substituted “ land, in commodities or futures or in shares, securities or other financial instruments ”,

(ii) in paragraph (g), after “another person” there is inserted “ (other than a company of which the company providing the services or facilities is the subsidiary) ”, and

(iii) paragraphs (h) and (j) are omitted,

(c) in subsection (5), for the words preceding paragraph (a) there is substituted “ A trade shall not be treated as failing to comply with this section by reason only that it consists to a substantial extent of receiving royalties or licence fees if ”, and

(d) in subsection (9), for “289(1)(d)” there is substituted “ 289(2)(c) ”.

11 In section 298 (supplementary provisions)—

(a) for subsection (4) there is substituted—

“(4) The Treasury may by order amend section 297 and this section in such manner as they consider expedient”,

(b) in subsection (5), the definition of “property development” is omitted,

(c) at the end of that subsection there is inserted—

“ and section 312(1A)(b) shall apply to determine the relevant period for the purposes of that section ”, and

(d) subsections (6) to (8) are omitted.

12 For section 299 (disposal of shares) there is substituted—

“299 Disposal of shares.

(1) Where an individual makes any disposal of eligible shares before the end of the relevant period, then—

(a) if the disposal is made otherwise than by way of a bargain made at arm’s length, any relief attributable to those shares shall be withdrawn, and

(b) in the case of any disposal made by way of a bargain made at arm’s length—

(i) if, apart from this subsection, the relief attributable to those shares is greater than the amount mentioned in subsection (2) below, it shall be reduced by that amount, and

(ii) if sub-paragraph (i) above does not apply, any relief attributable to those shares shall be withdrawn.

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- (2) The amount referred to in subsection (1) above is an amount equal to tax at the lower rate for the year of assessment for which the relief was given on the amount or value of the consideration which the individual receives for the shares.
- (3) Where, in relation to any issue of shares held by any person, the disposal referred to in subsection (1) above is a disposal of part of the shares, that subsection shall apply to the relief that was attributable to that part.
- (4) Where an individual's liability to income tax has been reduced in any year of assessment under section 289A in respect of any issue of shares and the amount of the reduction ("A") is less than the amount ("B") which is equal to tax at the lower rate for that year on the amount subscribed for the issue, subsection (2) above shall have effect as if the amount or value referred to in that subsection were reduced by multiplying it by the fraction—

$$\frac{A}{B}$$

- (5) Where an option, the exercise of which would bind the grantor to purchase any shares, is granted to an individual during the relevant period, any relief attributable to the shares to which the option relates shall be withdrawn.
- (6) Where any relief is attributable to shares of any class in a company which have been issued to an individual at different times, any disposal by him of shares of that class shall be treated for the purposes of this section as relating to those issued earlier rather than to those issued later.
- (7) Where relief is attributable to any shares which have by virtue of any such allotment as is mentioned in section 126(2)(a) of the 1992 Act (not being an allotment for payment) fallen to be treated under section 127 of that Act as the same asset as a new holding, a disposal of the whole or part of the new holding shall be treated for the purposes of this section as a disposal of the whole or a corresponding part of those shares.
- (8) For the purposes of this section—
- (a) shares in a company shall not be treated as being of the same class unless they would be so treated if dealt with on the Stock Exchange,
 - (b) references to a disposal of shares include references to the grant of an option the exercise of which would bind the grantor to sell the shares, and
 - (c) section 312(1A)(a) applies to determine the relevant period."

13 In section 299A (loan linked investments)—

- (a) in subsection (1), for the words preceding paragraph (a) there is substituted "An individual is not eligible for relief in respect of any shares in a company if", and
- (b) after subsection (2) there is inserted—

“(3) Section 312(1A)(a) applies to determine the relevant period for the purposes of this section.”

14 In section 300 (value received from company)—

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- (a) for subsection (1) there is substituted—
- “(1) Subsection (1A) below applies where an individual who subscribes for eligible shares in a company—
- (a) has, before the issue of the shares but within the relevant period, received any value from the company, or
- (b) after their issue but before the end of the relevant period, receives any such value.
- (1A) Where any relief is attributable to those shares, then (unless the amount of the relief has already been reduced on account of the value received)—
- (a) if it is greater than the amount mentioned in subsection (1B) below, it shall be reduced by that amount, and
- (b) if paragraph (a) above does not apply, the relief shall be withdrawn.
- (1B) The amount referred to in subsection (1A) above is an amount equal to tax at the lower rate for the year of assessment for which the relief was given on the amount of the value received; and section 299(4) above applies for the purposes of this subsection as it applies for the purposes of subsection (2) of that section.
- (1C) References in subsection (1) above to the receipt of value from a company include references to the receipt of value from a 51 per cent. subsidiary of that company, whether it becomes such a subsidiary before or after the individual concerned receives any value from it; and other references to the company in this section and section 301 shall be read accordingly.
- (1D) Notwithstanding anything in subsection (2) below, for the purposes of this section an individual is not to be treated as receiving value from a company by reason only of the payment to him, or any associate of his, of any remuneration for services rendered to the company as a director if the remuneration is reasonable remuneration.
- (1E) Section 291(4) applies for the purposes of subsection (1D) above as it applies for the purposes of section 291A, and the reference in subsection (1D) above to the payment of remuneration includes the provision of any benefit or facility”, and
- (b) in subsection (2)—
- (i) in paragraph (c), for “291(3)(a) or (e)” there is substituted “291A(3)(a) or (f)”, and
- (ii) in paragraph (h), for “section 291(3)(a), (b), (c), (d) or (e)” there is substituted “any of the paragraphs of section 291A(3) ”.
- 15 In section 301 (provisions supplementary to section 300)—
- (a) subsections (1) and (2) are omitted,
- (b) after subsection (6) there is inserted—
- “(6A) Section 312(1A)(a) applies to determine the relevant period for the purposes of section 300”, and

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(c) subsection (7) is omitted.

16 In section 302 (replacement capital)—

(a) for subsection (1) there is substituted—

“(1) Any relief attributable to any shares in a company held by an individual shall be withdrawn if—

(a) at any time in the relevant period, the company or any subsidiary—

(i) begins to carry on as its trade or as part of its trade a trade which was previously carried on at any time in that period otherwise than by the company or any subsidiary, or

(ii) acquires the whole, or a greater part, of the assets used for the purposes of a trade previously so carried on, and

(b) subsection (2) below applies in relation to that individual”,

(b) in subsection (3), for the words preceding paragraph (a) there is substituted “ Any relief attributable to any shares in a company held by an individual shall be withdrawn if ”,

(c) after subsection (4) there is inserted—

“(4A) In determining whether any relief attributable to any shares in a company (the “issuing company”) held by a person who—

(a) is a director of, or of a company which is a partner of, the issuing company or any subsidiary, and

(b) is in receipt of, or entitled to receive, remuneration as such a director falling within section 291A(5)(a),

is to be withdrawn, the second reference in paragraph (b) of each of subsections (2) and (3) above and, so far as relating to those paragraphs, in subsection (1)(a)(i) above to any time in the relevant period shall be read as a reference to any time before the end of the relevant period.

(4B) Section 291(4) applies for the purposes of subsection (4A) above as it applies for the purposes of section 291A, and in subsection (4A) above “remuneration” includes any benefit or facility”, and

(d) in subsection (5)—

(i) for the definition of “subsidiary” there is substituted—

“ “subsidiary” means a company which would be a subsidiary if the relevant period for the purposes of section 308 were the period referred to in section 312(1A)(a) ”, and

(ii) at the end of that subsection there is inserted— “ and section 312(1A)(a) applies to determine the relevant period for the purposes of this section ”.

17 In section 303 (value received by persons other than claimants)—

(a) for subsection (1) there is substituted—

“(1) Where any relief is attributable to any shares in a company held by an individual, subsection (1A) below shall apply if at any

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time in the relevant period the company or any subsidiary repays, redeems or repurchases any of its share capital which belongs to any member other than—

- (a) that individual, or
- (b) another individual the relief attributable to whose shares in the company is thereby withdrawn or reduced by virtue of section 299 or 300(2)(a),

or makes any payment to any such member for giving up his right to any of the share capital of the company or subsidiary on its cancellation or extinguishment.

(1A) The relief—

- (a) if it is greater than the amount mentioned in subsection (1B) below, shall be reduced by that amount, and
- (b) if paragraph (a) above does not apply, shall be withdrawn.

(1B) The amount referred to in subsection (1A) above is an amount equal to tax at the lower rate for the year of assessment for which the relief was given on the amount receivable by the member or, if greater, the nominal value of the share capital in question; and section 299(4) above applies for the purposes of this subsection as it applies for the purposes of subsection (2) of that section”,

- (b) in subsection (3), for “291(4)” there is substituted “ 291B(1) ” and for “291” there is substituted “ 291B ”,
- (c) after subsection (6) there is inserted—

“(6A) The reference in subsection (3) above to the receipt of value from a company includes the receipt of value from a subsidiary, and the reference to the company in subsection (6) above shall be read accordingly”,

- (d) subsection (8) is omitted,
- (e) after subsection (9) there is inserted—

“(9A) References in this section to a subsidiary of a company are references to a 51 per cent. subsidiary of the company, whether it becomes such a subsidiary before or after the redemption, repayment, repurchase or payment in question or, as the case may be, the receipt of value in question.

(9B) Section 312(1A)(a) applies to determine the relevant period for the purposes of this section”, and

- (f) subsections (10) and (11) are omitted.

18 For section 304 (husband and wife) there is substituted—

“304 Husband and wife.

- (1) Section 299(1) shall not apply to a disposal of shares to which an amount of relief is attributable made by a married man to his wife or a married woman to her husband at a time when they are living together.
- (2) Where such shares issued to one of them (“the transferor”) are transferred to the other (“the transferee”) by a transaction inter vivos to which that section

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does not apply, this Chapter shall have effect, in relation to any subsequent disposal or other event, as if—

- (a) the transferee were the person who had subscribed for the shares,
- (b) the transferee's liability to income tax had been reduced under section 289A in respect of those shares for the same year of assessment as that for which the transferor's liability was so reduced and, accordingly, that amount of relief had continued to be attributable to the shares notwithstanding the transfer.

- (3) Any assessment for reducing or withdrawing the relief by reason of any such disposal or other event shall be made on the transferee”.

19 For section 305 (re-organisation of share capital) there is substituted—

“305 Reorganisation of share capital.

(1) Subsection (2) below applies where—

- (a) there is by virtue of any allotment in the relevant period, being such an allotment for payment as is mentioned in section 126(2)(a) of the 1992 Act, a reorganisation affecting ordinary shares,
- (b) immediately before the reorganisation an amount of relief (“X”) is attributable to the shares, and
- (c) both—
 - (i) the amount subscribed for the shares (“Z”), and
 - (ii) the market value of the shares immediately before the reorganisation,
 exceed the market value of the shares immediately after the reorganisation.

(2) Where this subsection applies, the relief attributable to the shares shall be reduced by the following amount—

$$\frac{X \times Y}{Z}$$

where “Y” is whichever is the smaller of the amounts by which Z, and the market value of the shares immediately before the reorganisation, exceed the market value of the shares immediately after the reorganisation.

(3) Subsection (2) above also applies where—

- (a) an individual, who at any time in the relevant period has received, or become entitled to receive, in respect of any ordinary shares in a company, a provisional allotment of shares in or debentures of the company, disposes of his rights, and
- (b) that subsection would have applied if he had not disposed of the rights but the allotment had been made to him by virtue of those rights.

(4) Section 312(1A)(a) applies to determine the relevant period for the purposes of this section”.

20 After section 305 there is inserted—

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“305A Relief for loss on disposal of shares.

- (1) Section 574 shall apply on the disposal by an individual of shares to which relief is attributable as it applies to a disposal by him of shares in a qualifying trading company for which he has subscribed (“qualifying trading company” and “subscribed” having for this purpose the same meaning as in that section).
- (2) For the purposes of that section (as applied by this) sections 575(1) and (3) and 576(2) and (3) shall apply”.

21

In section 306 (claims)—

- (a) in subsection (1)—
 - (i) in paragraph (a), for “289(8)(a), (b) or (c)” there is substituted “289A(7)(a), (b) or (c)”, and
 - (ii) for paragraph (b) there is substituted—

“(b) not later than twelve months after an inspector authorises the issue of a certificate for the purposes of subsection (2) below”,
- (b) after subsection (3) there is inserted—

“(3A) A company may not furnish an inspector with a statement in respect of any shares issued in any year of assessment—

 - (a) later than two years after the end of that year of assessment, or
 - (b) if the period of four months referred to in subsection (1) (a) above ended after the end of that year, later than two years after the end of that period,

but section 289B(5) shall not apply for the purposes of this subsection”,
- (c) in subsection (8), for “entitled to” there is substituted “eligible for”,
- (d) in subsection (10), the second sentence is omitted, and
- (e) after that subsection there is inserted—

“(11) Section 312(1A)(b) applies to determine the relevant period for the purposes of this section”.

22

In section 307 (withdrawal of relief)—

- (a) in subsection (1), the words from “but” to the end are omitted,
- (b) for subsection (2) there is substituted—

“(1A) Relief may not be withdrawn, in relation to shares issued by a company on any date, on the ground that the company is not a qualifying company or that the requirements of section 289(1)(b) or (c) are not met unless—

 - (a) the company has given notice under section 310, or
 - (b) an inspector has given notice to the company stating that, by reason of that ground, the whole or any part of the relief given to individuals to whom the shares were issued on that date was not, in his opinion, due.

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- (1B) The giving of notice by an inspector under subsection (1A) above shall be taken, for the purposes of the provisions of the Management Act relating to appeals against decisions on claims, to be a decision refusing a claim made by the company.
- (2) Subject to subsections (3) to (7) below, no assessment for withdrawing relief may be made, and no notice may be given under subsection (1A) above, more than six years after the end of the year of assessment—
- (a) in which the time mentioned in section 289(3) falls, or
 - (b) in which the event by reason of which the claimant ceases to be eligible for relief occurs,
- whichever is the later”,
- (c) in subsection (6)—
- (i) in paragraph (a), for “289(11)” there is substituted “ 289(6) ”,
 - (ii) after that paragraph there is inserted—
 - “(aa) in the case of relief withdrawn by virtue of section 289(1)(c), the date on which the relief was granted”, and
 - (iii) after paragraph (c) there is inserted—
 - “(cca) in the case of relief withdrawn by virtue of section 299(5), the date on which the option was granted”,
- (d) after subsection (8) there is inserted—
- “(8A) References in this section to the withdrawal of relief include its reduction”, and
- (e) subsection (9) is omitted.
- 23 In section 308 (application to subsidiaries)—
- (a) after subsection (5) there is inserted—
 - “(5A) Section 312(1A)(b) applies to determine the relevant period for the purposes of this section”, and
 - (b) subsection (6) is omitted.
- 24 Section 309 (further provisions as to subsidiaries) is omitted.
- 25 In section 310 (information)—
- (a) in subsection (1), for “304(2) to (6)” there is substituted “ 304 ”,
 - (b) in subsection (2), for “289(11)” there is substituted “ 289(1)(c) or (6) ”,
 - (c) in subsection (5), for “289(11), 291(10)” there is substituted “ 289(6), 291B(5) ”,
 - (d) in subsection (6), for “289(11)” (in both places) there is substituted “ 289(6) ” and for “291(10)” there is substituted “ 291B(5) ”, and
 - (e) subsections (10) and (11) are omitted.
- 26 In section 311 (nominees, etc.)—

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- (a) in subsection (2), for the words preceding “this Chapter” there is substituted “Where eligible shares are held on a bare trust for two or more beneficiaries”, and
- (b) in subsection (2B), for the words preceding paragraph (a) there is substituted— “In any case where this subsection applies, sections 289A and 289B shall have effect as if”.

27 In section 312 (interpretation)—

- (a) in subsection (1)—
 - (i) in the definition of “control”, for “291(7), 308(2) and 309(6)(a)” there is substituted “291B(4) and 308(2)”,
 - (ii) after the definition of “director” there is inserted—

““eligible for relief” has the meaning given by section 289(1),

“eligible shares” has the meaning given by section 289(7)”,
 - (iii) the definition of “fixed-rate preference share capital” is omitted,
 - (iv) the definition of “the relevant period” is omitted,
 - (v) for the definition of “the relief” and “relief” there is substituted—

““relief” means relief under this Chapter,

“subsidiary”, in relation to any company (except in the expression “51 per cent. subsidiary” or where otherwise defined), means a subsidiary of that company of a kind which that company may hold under section 308,

“51 per cent. subsidiary”, in relation to any company, means (except in the case of references to a company which is a 51 per cent. subsidiary on a particular date or at a particular time) a company which is a 51 per cent. subsidiary of that company at any time in the relevant period (applying subsection (1A)(a) below)”,

and
 - (vi) for the definition of “unquoted company” there is substituted—

““unquoted company” means a company none of whose shares, stocks, debentures or other securities are marketed to the general public”,
- (b) after that subsection there is inserted—

“(1A) In any provision of this Chapter “relevant period”, in relation to relief in respect of any eligible shares issued by a company, means whichever of the following periods is applied for the purposes of that provision (disregarding section 289B(5))—

 - (a) the period beginning with the incorporation of the company (or, if the company was incorporated more than two years before the date on which the shares were issued, beginning two years before that date) and ending five years after the issue of the shares, and
 - (b) the period beginning with the date on which the shares were issued and ending either—
 - (i) three years after that date, or

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- (ii) in a case falling within section 289(2)(a) where the company or subsidiary concerned had not begun to carry on the trade in question on that date, three years after the date on which it begins to carry on that trade.
- (1B) For the purposes of the definition of “unquoted company” in subsection (1) above, shares, stocks, debentures or other securities are marketed to the general public if they are—
 - (a) listed on a recognised stock exchange,
 - (b) listed on a designated exchange in a country outside the United Kingdom, or
 - (c) dealt in on the Unlisted Securities Market or dealt in outside the United Kingdom by such means as may be designated.
- (1C) In subsection (1B) above “designated” means designated by an order made by the Board for the purposes of that subsection; and an order made for the purposes of paragraph (b) of that subsection may designate an exchange by name, or by reference to any class or description of exchanges, including a class or description framed by reference to any authority or approval given in a country outside the United Kingdom.
- (1D) Section 828(1) does not apply to an order made for the purposes of subsection (1B) above.
- (1E) Where a company is an unquoted company at the time when any shares are issued, it shall not be treated for the purposes of this Chapter as ceasing to be an unquoted company in relation to those shares at any subsequent time by reason only that any shares, stocks, debentures or other securities of the company are at that time listed on an exchange, or dealt in by any means, designated by such an order if the order was made after the shares were issued”,
- (c) in subsection (2), for “section 291” there is substituted “ sections 291 to 291B ”,
- (d) for subsections (4) and (5) there is substituted—
 - “(4) In this Chapter—
 - (a) references in any provision to the reduction of any relief attributable to any shares include a reference—
 - (i) to the reduction of the relief to nil, and
 - (ii) where no relief has yet been given, to the reduction of the amount which apart from that provision would be the relief, and
 - (b) references to the withdrawal of any relief, in respect of any shares, are to the withdrawal of the relief attributable to those shares or, in a case where no relief has yet been given, to ceasing to be eligible for relief in respect of those shares.
- (5) For the purposes of this Chapter, the market value at any time of any asset shall be taken to be the price which it might reasonably

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be expected to fetch on a sale at that time in the open market free from any interest or right which exists by way of security in or over it”, and

- (e) in subsection (7), for “289(1)(d)” there is substituted “ 289(2)(c) ”.

Amendments of the Taxation of Chargeable Gains Act 1992

- 28 The ^{M219}Taxation of Chargeable Gains Act 1992 shall be amended as follows:

Marginal Citations

M219 1992 c. 12.

- 29 In section 150 (business expansion schemes), at the end of subsection (1) there is inserted “ and references in this section to Chapter III of Part VII of the Taxes Act or any provision of that Chapter are to that Chapter or provision as it applies in relation to shares issued before 1st January 1994 ”.

- 30 After that section there is inserted—

“150A Enterprise investment scheme.

- (1) For the purpose of determining the gain or loss on any disposal of eligible shares by an individual where—

- (a) an amount of relief is attributable to the shares, and
(b) apart from this subsection there would be a loss,

the consideration given by him for the shares shall be treated as reduced by the amount of the relief.

- (2) Subject to subsection (3) below, if on any disposal of eligible shares by an individual after the end of the period referred to in section 312(1A)(a) of the Taxes Act where an amount of relief is attributable to the shares, there would (apart from this subsection) be a gain, the gain shall not be a chargeable gain.

- (3) Where—

- (a) an individual’s liability to income tax has been reduced (or treated by virtue of section 304 of the Taxes Act (husband and wife) as reduced) for any year of assessment under section 289A of that Act in respect of any issue of shares, and
(b) the amount of the reduction (“A”) is less than the amount (“B”) which is equal to tax at the lower rate for that year on the amount subscribed for the issue,

then, if there is a disposal of the shares on which there is a gain, subsection (2) above shall apply only to so much of the gain as is found by multiplying it by the fraction—

$$\frac{A}{B}$$

- (4) Any question as to—

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- (a) which of any shares issued to a person at different times a disposal relates, being shares to which relief is attributable, or
- (b) whether a disposal relates to shares to which relief is attributable or to other shares,

shall for the purposes of capital gains tax be determined as for the purposes of section 299 of the Taxes Act; and Chapter I of this Part shall have effect subject to the foregoing provisions of this subsection.

(5) Sections 104, 105 and 107 shall not apply to shares to which relief is attributable.

(6) Where—

- (a) an individual holds shares which form part of the ordinary share capital of a company, and
- (b) relief is attributable to some of the shares but not others,

then, if there is within the meaning of section 126 a reorganisation affecting those shares, section 127 shall apply (subject to the following provisions of this section) separately to the shares to which relief is attributable and to the other shares (so that shares of each kind are treated as a separate holding of original shares and identified with a separate new holding).

(7) Where—

- (a) an individual holds shares (“the existing holding”) which form part of the ordinary share capital of a company,
- (b) there is, by virtue of any such allotment for payment as is mentioned in section 126(2)(a), a reorganisation affecting the existing holding, and
- (c) immediately following the reorganisation, relief is attributable to the existing holding or the allotted shares,

sections 127 to 130 shall not apply in relation to the existing holding.

(8) Sections 135 and 136 shall not apply in respect of shares to which relief is attributable.

(9) Where the relief attributable to any shares is reduced by virtue of section 305(2) of the Taxes Act—

- (a) the sums allowable as deductions from the consideration in the computation, for the purposes of capital gains tax, of the gain or loss accruing to an individual on the disposal of any of the allotted shares or debentures shall be taken to include the amount of the reduction apportioned between the allotted shares or (as the case may be) debentures in such a way as appears to the inspector, or on appeal to the Commissioners concerned, to be just and reasonable, and
- (b) the sums so allowable on the disposal (in circumstances in which the preceding provisions of this section do not apply) of any of the shares referred to in section 305(1)(a) shall be taken to be reduced by the amount mentioned in paragraph (a) above, similarly apportioned between those shares.

(10) There shall be made all such adjustments of capital gains tax, whether by way of assessment or by way of discharge or repayment of tax, as may be required in consequence of the relief being given or withdrawn.

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- (11) Chapter III of Part VII of the Taxes Act (enterprise investment scheme) applies for the purposes of this section to determine whether relief is attributable to any shares and, if so, the amount of relief so attributable; and “eligible shares” has the same meaning as in that Chapter.
- (12) References in this section to Chapter III of Part VII of the Taxes Act or any provision of that Chapter are to that Chapter or provision as it applies in relation to shares issued on or after 1st January 1994”.
- 31 At the end of section 164M of that Act (exclusion of double relief) there is inserted “ but the reference in this section to that Chapter is to that Chapter as it applies in relation to shares issued before 1st January 1994 ”.
- 32 (1) After that section there is inserted—
- “164MA Exclusion of double relief**
- If a person makes a claim for relief under Chapter III of Part VII of the Taxes Act (enterprise investment scheme) in respect of any shares, those shares shall not be, or be treated as ever having been, eligible shares”.
- (2) This paragraph has effect in relation to shares issued on or after 1st January 1994.
- 33 In section 164N(1), in the definition of “eligible shares”, for “and 164M” there is substituted “ 164M and 164MA ”.
- 34 In section 231(1)(d), “(business expansion scheme)” is omitted.

SCHEDULE 16 **U.K.**

Section 138.

FOREIGN INCOME DIVIDENDS

PART I U.K.

THE NEW CHAPTER

- 1 In Part VI of the Taxes Act 1988 (company distributions, tax credits etc.) the following Chapter shall be inserted after Chapter V—

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“CHAPTER VA U.K.

FOREIGN INCOME DIVIDENDS

Election by company paying dividend

Election by company paying dividend.

- 246A) Where a company pays a dividend, the dividend shall be treated as a foreign income dividend for the purposes of this Chapter if the company elects for it to be so treated in accordance with this section and section 246B.
- (2) An election may not be made under this section as regards a dividend unless the dividend is paid, or to be paid, in cash.
 - (3) An election may not be made under this section as regards a dividend which is paid, or to be paid, to a person by virtue of his holding a share in respect of which there are arrangements for the holder to choose whether, or in what form, dividends are to be paid; and the arrangements may be for the holder to choose to be paid a dividend by a company other than the one which issued the share.
 - (4) Where at a given time—
 - (a) a company pays one dividend in respect of each of two or more shares of the same class, and
 - (b) payment is on the same terms as respects all the shares involved,
 an election may not be made under this section as regards any of the dividends unless an election is made as regards each of the dividends.
 - (5) Where at a given time—
 - (a) a company pays two or more dividends in respect of each of two or more shares of the same class, and
 - (b) payment is on the same terms as respects all the shares involved,
 an election may not be made under this section as regards any one of the dividends in respect of a given share unless an election is also made as regards the corresponding dividend in respect of each of the other shares involved.
 - (6) Subject to subsection (7) below, a company which has more than one class of share capital may not make an election under this section as regards any dividend.
 - (7) In a case where—
 - (a) a company has more than one class of share capital,
 - (b) at a given time the company pays a dividend in respect of each share of each such class, and
 - (c) all of those dividends are paid on the same terms,
 the company may elect that each of those dividends is to be treated as a foreign income dividend.

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- (8) For the purposes of subsection (7) above a dividend is paid on the same terms as another dividend if the relevant proportion in the case of each dividend is the same; and the relevant proportion, in relation to a dividend, is the proportion which the amount of the dividend bears to the nominal value of the share in respect of which the dividend is paid.
- (9) For the purposes of subsections (6) and (7) above fixed-rate preference shares shall not be treated as constituting a class of share capital; and “fixed-rate preference shares” shall be construed in accordance with section 95(5).
- (10) Where an election is made under this section as regards a dividend in respect of which an election is in force under section 247(1)—
 - (a) the election under this section shall have effect as if it were also a notice to the collector under section 247(3) stating that the paying company does not wish the election under section 247(1) to have effect in relation to the dividend as regards which the election under this section is made;
 - (b) if the election under this section is revoked, the revocation shall have effect as if it were also a revocation of the notice deemed by paragraph (a) above;
 - (c) the notice deemed by paragraph (a) above may not be revoked otherwise than as mentioned in paragraph (b) above;
 - (d) if the notice deemed by paragraph (a) above is revoked it shall be treated as never having been made.

Procedure for making election.

246B) An election under section 246A—

- (a) must be made by notice to the inspector;
 - (b) must be made not later than the time the dividend is paid;
 - (c) may be revoked by a further notice to the inspector before that time (without prejudice to the making of another election as regards the same dividend);
 - (d) cannot be revoked after the dividend is paid.
- (2) A notice under subsection (1)(a) above must—
- (a) identify the dividend in respect of which the election is made, and
 - (b) be in such form as the Board may require.
- (3) Where section 246A(4), (5) or (7) applies—
- (a) the same notice must be used to elect as regards all the dividends concerned, and
 - (b) the notice may identify the dividends concerned, or any of them, by means of a general description.

Recipient of foreign income dividend

No tax credit for recipient.

246C Section 231(1) shall not apply where the distribution there mentioned is a foreign income dividend.

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Individuals etc.

- 246(1) Where a company pays a foreign income dividend in a case in which an individual is beneficially entitled to the dividend, that individual shall be treated as having received on the date of the payment income of an amount which, if reduced by an amount equal to income tax on that income at the lower rate for the year of assessment in which the date of the payment fell, would be equal to the amount of the dividend.
- (2) Where subsection (1) above applies—
- (a) no assessment shall be made on the individual in respect of income tax at the lower rate on that income but he shall be treated as having paid tax at the lower rate on it or, if his total income is reduced by any deductions, on so much of it as is part of his total income as so reduced;
 - (b) no repayment shall be made of income tax treated by virtue of paragraph (a) above as having been paid;
 - (c) to the extent that it would not otherwise be so treated, that income shall be treated as income to which (without prejudice to paragraph (a) above) section 207A shall be taken to apply as it applies to income chargeable under Schedule F;
 - (d) that income shall be treated for the purposes of sections 348 and 349(1) as not brought into charge to income tax.
- (3) Where a company pays a foreign income dividend to the personal representatives of a deceased person as such during the administration period, the amount of income which, if the case had been one in which an individual was beneficially entitled to the dividend, that individual would be treated under subsection (1) above as having received shall be deemed for the purposes of Part XVI to be part of the aggregate income of the estate of the deceased; and the preceding provisions of this subsection shall be construed as if they were contained in Part XVI.
- (4) Where a company pays a foreign income dividend to trustees and the dividend is income to which section 686 applies—
- (a) there shall be ascertained the amount of income which, if the case had been one in which an individual was beneficially entitled to the dividend, that individual would be treated under subsection (1) above as having received;
 - (b) income of that amount shall be treated as having arisen to the trustees on the date of the payment and as if it had been chargeable to income tax at the lower rate;
 - (c) paragraphs (a) to (d) of subsection (2) above shall, with the substitution of “income” for “total income” and with all other necessary modifications, apply to that income as they apply to income which an individual is treated as having received under subsection (1) above.
- (5) Subsections (1) and (1A) of section 233 shall not apply where the distribution mentioned in either of those subsections is a foreign income dividend.

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Companies: payments and receipts

Foreign income dividend not franked payment.

246E A foreign income dividend shall not constitute a distribution for the purposes of the definition of “franked payment” in section 238(1).

Calculation of ACT where company receives foreign income dividend.

246F(1) Where in any accounting period a company receives foreign income dividends, the company shall not be liable to pay advance corporation tax in respect of foreign income dividends paid by it in that period unless the amount of the foreign income dividends paid by it in that period exceeds the amount of the foreign income dividends received by it in that period.

- (2) If in an accounting period there is such an excess, advance corporation tax shall be payable on an amount equal to the excess.
- (3) If the amount of foreign income dividends received by a company in an accounting period exceeds the amount of the foreign income dividends paid by it in that period the excess shall be carried forward to the next accounting period and treated for the purposes of this section (including any further application of this subsection) as foreign income dividends received by the company in that period.
- (4) This section shall have effect subject to section 246T and paragraph 2(6) of Schedule 23A.
- (5) Without prejudice to section 238(5), Schedule 13 shall apply for the purpose of regulating the manner in which effect is to be given to this section.

Information relating to foreign income dividends.

246G(1) Where section 234A applies by virtue of the fact that a foreign income dividend is paid by a company, references in that section to an appropriate statement shall be construed as references to a written statement—

- (a) in such form as the Board may require,
- (b) showing the amount of the dividend paid,
- (c) showing the date of the payment, and
- (d) stating that the dividend carries no entitlement to a tax credit;

and in such a case section 234A(7) shall not apply.

- (2) In a case where—
 - (a) a requirement is imposed on a company under section 234A(2) or (3) in relation to a foreign income dividend paid by it, and
 - (b) the company fails to comply with the requirement,no election may be made by the company under section 246J or 246K as regards the dividend or any part of it.

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Power of inspector to require information.

- 246(1) This section applies where a return made by a company for a return period in accordance with Schedule 13 shows that the company has paid foreign income dividends in the period.
- (2) The inspector may by notice require the company to furnish him within such time (not being less than 30 days) as may be specified in the notice with such further information relating to the dividends as he may reasonably require for the purposes of any enactment relating to foreign income dividends.
- (3) Without prejudice to the generality of subsection (2) above, the notice may require information as to the persons to whom dividends are paid. XXXX

Foreign source profit and distributable foreign profit

Foreign source profit and distributable foreign profit.

- 246(1) Where for an accounting period of a company there is any income, or any chargeable gain, in respect of which double taxation relief is afforded, then so much of that income or gain as forms part of the company's chargeable profits for the period is a foreign source profit of the company for the period.
- (2) Subsection (3) below applies where in the accounting period concerned there is any deduction to be made for charges on income, expenses of management or other amounts which can be deducted from or set against or treated as reducing profits of more than one description.
- (3) In finding for the purposes of this section whether, or how much of, any income or gain forms part of the company's chargeable profits for the period the company may allocate the deduction in such amounts and to such of its profits for the period as it thinks fit.
- (4) Where a company has a foreign source profit for an accounting period, such part of it as exceeds the relevant amount of tax is for the purposes of this Chapter a distributable foreign profit of the company for the period.
- (5) Where the amount of foreign tax payable in respect of the foreign source profit exceeds the amount of corporation tax payable, before double taxation relief is afforded, in respect of that profit, the relevant amount of tax is the amount of foreign tax payable in respect of that profit.
- (6) Where subsection (5) above does not apply, the relevant amount of tax is an amount equal to the aggregate of—
- (a) the amount of foreign tax payable in respect of the foreign source profit, and
 - (b) the amount of corporation tax payable in respect of that profit after double taxation relief is afforded.
- (7) In this section “double taxation relief” means—
- (a) relief under double taxation arrangements which takes the form of a credit allowed against corporation tax, or
 - (b) unilateral relief under section 790(1) which takes that form;

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and “double taxation arrangements” here means arrangements having effect by virtue of section 788.

- (8) References in this section to a company’s chargeable profits for an accounting period are to the amount of its profits for that period on which corporation tax falls finally to be borne; and section 238(4) shall apply for the purposes of this subsection.
- (9) For the purposes of this section foreign tax is any tax, imposed by the laws of a territory outside the United Kingdom, for which double taxation relief is afforded.
- (10) Section 788(5) shall apply for the purposes of this section.

Matching of dividend with distributable foreign profit

Matching of dividend with distributable foreign profit.

- 24(1) Where a company pays a foreign income dividend in an accounting period it may elect that the dividend (or part of it) shall be matched with (or with part of) a distributable foreign profit of the company; and subsections (2) to (6) below shall have effect with regard to matching.
 - (2) Different parts of a dividend may be matched with different distributable foreign profits or parts; and different dividends, or parts of different dividends, may be matched with different parts of the same distributable foreign profit.
 - (3) A foreign income dividend (or part of one) may be matched with a distributable foreign profit (or part of one) only if the amount of the distributable foreign profit or part is equal to the amount of the dividend or part.
 - (4) Subject to subsection (5) below, where a company pays a foreign income dividend in a given accounting period the dividend (or part of it) may only be matched with (or with part of) a distributable foreign profit of the company for that period or for the accounting period immediately preceding it, but without the need to exhaust distributable foreign profits for one of those periods before taking those for the other period.
 - (5) Where a company pays a foreign income dividend in a given accounting period the dividend (or part of it) may be matched with (or with part of) a distributable foreign profit of the company for any subsequent accounting period, but only if there is no amount of unmatched distributable foreign profit of the company for the given period and no such amount for the accounting period immediately preceding the given period.
 - (6) Where a distributable foreign profit (or part of one) has been matched with a foreign income dividend (or part of one) it cannot be matched with another foreign income dividend or part.

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Matching: subsidiaries.

246K1) This section applies where a company (the subsidiary) is a 51 per cent. subsidiary of another company (the parent); but this is subject to section 246L.

(2) In a case where—

- (a) an accounting period of the subsidiary coincides with, or with part of, an accounting period of the parent, and
- (b) the subsidiary has a distributable foreign profit for its accounting period,

the whole of the profit is for the purposes of this section an eligible profit for the parent's accounting period.

(3) In a case where—

- (a) part of an accounting period of the subsidiary coincides with, or with part of, an accounting period of the parent, and
- (b) the subsidiary has a distributable foreign profit for its accounting period,

then, to the extent of the appropriate fraction, the profit is for the purposes of this section an eligible profit for the parent's accounting period.

(4) The appropriate fraction is one—

- (a) whose numerator is equal to the number of the days in the subsidiary's accounting period that coincide with days in the parent's accounting period, and
- (b) whose denominator is equal to the number of the days in the subsidiary's accounting period.

(5) Where the parent pays a foreign income dividend in an accounting period it may elect that the dividend (or part of it) shall be matched with (or with part of) an eligible profit; and subsections (6) to (11) below shall have effect with regard to matching.

(6) No election as to matching may be made unless the subsidiary gives its written consent in such form as the Board may require.

(7) Different parts of a dividend may be matched with different eligible profits or parts; and different dividends, or parts of different dividends, may be matched with different parts of the same eligible profit.

(8) A foreign income dividend (or part of one) may be matched with an eligible profit (or part of one) only if the amount of the eligible profit or part is equal to the amount of the dividend or part.

(9) Subject to subsection (10) below, where the parent pays a foreign income dividend in a given accounting period the dividend (or part of it) may only be matched with (or with part of) an eligible profit for that period or for the accounting period immediately preceding it, but without the need to exhaust eligible profits for one of those periods before taking those for the other period.

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- (10) Where the parent pays a foreign income dividend in a given accounting period the dividend (or part of it) may be matched with (or with part of) an eligible profit for any subsequent accounting period, but only if there is no amount of unmatched eligible profit derived from the same subsidiary for the given period and no such amount for the accounting period immediately preceding the given period.
- (11) Where an eligible profit (or part of one) has been matched with a foreign income dividend (or part of one) it cannot be matched with another foreign income dividend or part.
- (12) References in this section to a company apply only to bodies corporate; and in determining for the purposes of this section whether one company is a 51 per cent. subsidiary of another company, that other company shall be treated as not being the owner—
 - (a) of any share capital which it owns directly in a body corporate if a profit on the sale of the shares would be treated as a trading receipt of its trade, or
 - (b) of any share capital which it owns indirectly, and which is owned directly by a body corporate for which a profit on the sale of the shares would be a trading receipt.

Requirement as to subsidiaries.

- 246(1) Section 246K(5) does not apply unless the subsidiary is a 51 per cent. subsidiary of the parent throughout the relevant period (determined under subsection (3) or (4) below).
- (2) In this section “the payment period” means the accounting period of the parent in which it pays the dividend as regards which an election under section 246K is proposed.
 - (3) If the proposed election involves only eligible profits deriving from an accounting period of the subsidiary coinciding with the payment period, the relevant period is the payment period.
 - (4) In any other case the relevant period is one that—
 - (a) begins with the beginning of the payment period or (if earlier) the beginning of the first or only relevant accounting period of the subsidiary, and
 - (b) ends with the end of the payment period or (if later) the end of the last or only relevant accounting period of the subsidiary.
 - (5) For the purposes of subsection (4) above a relevant accounting period of the subsidiary is an accounting period of the subsidiary for which there is a distributable foreign profit which—
 - (a) is (as to the whole or part) an eligible profit, and
 - (b) would, under the proposed election, be to any extent matched with the dividend as regards which the election is proposed.
 - (6) Section 246K(12) shall apply in determining for the purposes of this section whether the subsidiary is a 51 per cent. subsidiary of the parent at any given time.

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Matching: further provisions.

246M) Where a parent elects under section 246K as regards an eligible profit for an accounting period, the following rules shall have effect for the purposes of this Chapter—

- (a) to the extent provided for in the election, the eligible profit shall be treated as a separate distributable foreign profit of the parent for the parent's accounting period and as matched;
- (b) the distributable foreign profit mentioned in section 246K(2)(b) or (3)(b) shall be treated as reduced accordingly or (depending on the circumstances) as extinguished;
- (c) the foreign source profit of which the distributable foreign profit mentioned in section 246K(2)(b) or (3)(b) forms a part shall be treated as correspondingly divided between the parent and the subsidiary or (depending on the circumstances) as a foreign source profit of the parent alone for its accounting period.

(2) Where an election is made under section 246J or 246K with regard to anything which is or represents a distributable foreign profit of a subsidiary (or part of such a profit) no further election can be made with regard to it under the other section.

Repayment or set-off of advance corporation tax

ACT to be repaid or set off against corporation tax liability.

246N) This section and section 246Q apply where—

- (a) a company pays a foreign income dividend in an accounting period (the relevant period), and
- (b) the company does not treat itself as an international headquarters company at any time in the period by virtue of section 246S(9).

(2) In a case where—

- (a) the company pays an amount of advance corporation tax in respect of qualifying distributions actually made by it in the relevant period,
- (b) the amount, or part of it, is available to be dealt with under this section, and
- (c) there is as regards the company an amount of notional foreign source advance corporation tax for the relevant period,

an amount of the advance corporation tax paid shall be repaid to the company, or set off, or partly repaid and partly set off, in accordance with this section and section 246Q.

(3) In the following provisions of this section “the relevant advance corporation tax” means the advance corporation tax paid as mentioned in subsection (2) (a) above.

(4) The amount of the relevant advance corporation tax to be repaid or (as the case may be) set off, or partly repaid and partly set off, is whichever of the following is smaller—

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- (a) so much of the relevant advance corporation tax as is available to be dealt with under this section;
 - (b) so much of the relevant advance corporation tax as is equal to the amount which is, as regards the company, the amount of notional foreign source advance corporation tax for the relevant period (found under section 246P).
- (5) So much of the relevant advance corporation tax as remains after deducting the aggregate of the deductible amounts is available to be dealt with under this section; and each of the following is a deductible amount—
 - (a) an amount equal to so much (if any) of the relevant advance corporation tax as has been repaid;
 - (b) an amount equal to so much (if any) of the relevant advance corporation tax as has been set off against the company's corporation tax liability for the relevant period under section 239(1) or, if there is—
 - (i) any amount of advance corporation tax from a preceding accounting period,
 - (ii) any amount of surrendered advance corporation tax, or
 - (iii) any amount of advance corporation tax from a succeeding accounting period,as would have been so set off if there had been no amounts as mentioned in sub-paragraphs (i) to (iii) above;
 - (c) an amount equal to so much (if any) of the relevant advance corporation tax as has been dealt with under section 239(3);
 - (d) an amount equal to so much (if any) of the relevant advance corporation tax as is advance corporation tax the benefit of which has been surrendered by the company under section 240;
 - (e) an amount equal to so much (if any) of the relevant advance corporation tax as has been set off against the company's corporation tax liability for the relevant period by virtue of the previous application of this section and section 246Q.
- (6) For the purposes of subsection (5)(b) above—
 - (a) advance corporation tax from a preceding accounting period is advance corporation tax which by virtue of section 239(4) is treated for the purposes of section 239 as paid by the company in respect of distributions made by it in the relevant period;
 - (b) surrendered advance corporation tax is advance corporation tax which by virtue of section 240 is so treated;
 - (c) advance corporation tax from a succeeding accounting period is advance corporation tax which by virtue of section 239(3) is so treated;and in applying subsection (5)(b) above in a case where there is any amount as mentioned in subsection (5)(b)(i) to (iii), it shall be assumed that the company would not have surrendered the benefit of any of the relevant advance corporation tax under section 240.
- (7) No amount shall be repaid or set off under this section and section 246Q unless the company makes a claim for the purpose.

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Notional foreign source advance corporation tax.

246(1) As regards the company mentioned in section 246N(1), the amount of notional foreign source advance corporation tax for the relevant period is the amount of advance corporation tax which—

- (a) the company would have paid in respect of distributions made by it in the relevant period, and
- (b) would not have been set off against the company's corporation tax liability for the relevant period under section 239(1),

on the assumptions mentioned in subsection (2) below.

(2) The assumptions are that—

- (a) the qualifying foreign income dividends were the only distributions made by the company in the relevant period,
- (b) no distributions were received (or treated for the purposes of section 246F as received) by the company in the relevant period,
- (c) no amounts of advance corporation tax were by virtue of section 239(3) or (4) or section 240 treated for the purposes of section 239 as having been paid in respect of distributions made by the company in the relevant period,
- (d) the benefit of the advance corporation tax paid in respect of distributions made by the company in the relevant period was not surrendered under section 240;
- (e) the company's profits for the relevant period on which corporation tax fell finally to be borne consisted of the matched foreign source profits and no other profits, and
- (f) the amount of corporation tax charged in respect of a matched foreign source profit actually arising in an accounting period other than the relevant period was found by reference to—
 - (i) the rate of foreign tax, within the meaning given by section 246I(9), actually chargeable in respect of the profit (having regard to the time when it arose), and
 - (ii) the rate of corporation tax that would have applied had the profit arisen in the relevant period.

(3) A foreign income dividend is a qualifying foreign income dividend if—

- (a) it is a matched foreign income dividend paid by the company in the relevant period, and
- (b) the company has elected for it to be a qualifying foreign income dividend.

(4) A foreign income dividend the whole of which is, at the material time, matched with the whole or part of a distributable foreign profit of the company is a matched foreign income dividend.

(5) Where there is a foreign income dividend only part of which is at the material time matched as mentioned in subsection (4) above, the part of the dividend which at that time is so matched shall be treated for the purposes of this section as a separate dividend and, accordingly, as a matched foreign income dividend.

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- (6) The company may elect that matched foreign income dividends paid by it in the relevant period are qualifying foreign income dividends only if the amount found under paragraph (a) of subsection (7) below exceeds the amount found under paragraph (b) of that subsection; and where there is such an excess the election may only be made as regards matched foreign income dividends whose total amount is the same as or less than the amount of the excess.
- (7) The amounts referred to in subsection (6) above are—
- (a) the total amount of foreign income dividends paid by the company in the relevant period (other than excluded dividends);
 - (b) the total amount of foreign income dividends received (or treated for the purposes of section 246F as received) by the company in the relevant period;
- and for the purposes of this subsection an excluded dividend is a foreign income dividend which by virtue of section 246G(2) is not capable of being matched.
- (8) A matched foreign source profit is a foreign source profit of which a matched distributable foreign profit forms part; and for the purposes of this subsection “a matched distributable foreign profit” means a distributable foreign profit of the company the whole or part of which is, at the material time, matched with a qualifying foreign income dividend, or with part of such a dividend, or with different such dividends or parts.
- (9) Where the matched foreign source profit is a foreign source profit of which a partly matched distributable foreign profit forms part, for the purposes of any calculation required by subsections (1) and (2) above the amount of the matched foreign source profit shall be taken to be reduced by an amount which bears to the full amount of the matched foreign source profit the same proportion as the unmatched part of the distributable foreign profit bears to the amount of the distributable foreign profit.
- (10) For the purposes of subsection (9) above—
- (a) “a partly matched distributable foreign profit” means a distributable foreign profit of the company part of which is not, at the material time, matched as mentioned in subsection (8) above, and
 - (b) “the unmatched part of the distributable foreign profit” shall be construed accordingly.
- (11) For the purposes of this section—
- (a) “the relevant period” shall be construed in accordance with section 246N(1);
 - (b) “the material time” means the time at which the claim mentioned in section 246N(7) is made.
- (12) References in this section to matching shall be construed in accordance with sections 246J to 246M.
- (13) Section 238(4) shall apply for the purposes of this section.

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Repayment or set-off: supplementary.

246Q(1) Subsections (2) and (3) below shall have effect to determine whether the amount which is the smaller of the amounts found under section 246N(4) is to be repaid, set off, or partly repaid and partly set off.

(2) If at the time when it falls to be determined whether the amount mentioned in subsection (1) above is to be repaid or set off—

- (a) advance corporation tax paid (or treated for the purposes of section 239 as paid) by the company in respect of distributions made by it in the relevant period has so far as possible been set against its liability to corporation tax for the period under section 239(1), but
- (b) the company's liability to corporation tax for the period is to any extent undischarged,

the amount mentioned in subsection (1) above shall so far as possible be set off against the company's liability to corporation tax for the relevant period (and an amount of that liability equal to the amount so set off shall accordingly be discharged); and any excess of the amount mentioned in subsection (1) above over the amount so set off shall be repaid.

(3) Where paragraph (a) of subsection (2) above applies but paragraph (b) of that subsection does not, the whole of the amount mentioned in subsection (1) above shall be repaid.

(4) No amount shall be repayable under section 246N and this section until the expiry of nine months from the end of the relevant period.

(5) An amount of advance corporation tax which has been dealt with under section 246N and this section—

- (a) shall not be set off under section 239(1) against the company's liability to corporation tax for any accounting period;
- (b) shall not be available for the purposes of a claim under section 240.

(6) A return made by the company for the relevant period under section 11 of the Management Act, or an amendment of such a return, shall be treated as a claim for the purposes of section 246N and this section if the return or (as the case may be) the amendment contains such particulars as the inspector may require.

(7) A claim for those purposes which is not made by means of a return under section 11 of the Management Act, or by means of an amendment of such a return, shall be supported by such particulars as the inspector may require.

(8) In a case where—

- (a) a claim is made under section 246N and this section, and
- (b) by virtue of the claim, an amount of advance corporation tax is repaid or set off which has already been set off by virtue of section 239(4) against the company's corporation tax liability for an accounting period falling after the accounting period to which the claim relates,

the set-off by virtue of section 239(4) of that amount shall be treated for the purposes of section 252 as if it ought not to have been made.

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- (9) In determining for the purposes of subsection (8) above whether an amount repaid or set off by virtue of a claim under section 246N and this section is an amount which has already been set off against the company's corporation tax liability for an accounting period, amounts of advance corporation tax repaid or set off by virtue of that claim shall be treated as having been set off against that liability only after any other amounts of advance corporation tax that were capable of being set off against that liability have been taken into account.
- (10) Where section 252 applies by virtue of this section the reference in subsection (5) of that section to the Management Act shall be treated as not including a reference to section 34 of that Act.
- (11) In this section "the relevant period" shall be construed in accordance with section 246N(1).

Supplementary claims.

246R(1) This section applies where—

- (a) a claim is made under sections 246N and 246Q, and
 - (b) at any time after the claim is made the company makes an election under section 246J(5) or 246K(10) matching profits with dividends paid in the accounting period to which the claim relates.
- (2) The company may as regards that accounting period make a further claim under sections 246N and 246Q (a supplementary claim) so as to take account of the election.
 - (3) Subsections (5) and (6) below shall apply in determining for the purposes of the supplementary claim the amount of notional foreign source advance corporation tax for the accounting period to which that claim relates.
 - (4) In subsections (5) and (6) below a "previously counted dividend" means a foreign income dividend (or part of one) which was included in an election made by the company under section 246P for the purposes of an earlier claim as regards the accounting period (and which, accordingly, was treated as a qualifying foreign income dividend for those purposes).
 - (5) In applying section 246P for the purposes of the supplementary claim, a previously counted dividend shall be treated as not being a qualifying foreign income dividend notwithstanding the election mentioned in subsection (4) above; and the company may not include the previously counted dividend in any further election made under section 246P for the purposes of the supplementary claim.
 - (6) In relation to an election which the company proposes to make under section 246P for the purposes of the supplementary claim, section 246P(6) shall have effect as if for the reference to matched foreign income dividends whose total amount is the same as or less than the amount of the excess there mentioned there were substituted a reference to matched foreign income dividends whose total amount, when added to the total amount of the previously counted dividends, gives an amount which is equal to or less than the amount of that excess.

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- (7) A company may make more than one supplementary claim as regards any accounting period.

International headquarters companies

International headquarters companies.

246(S) For the purposes of this Chapter a company is an international headquarters company in an accounting period if—

- (a) at least one of the first three conditions (set out in subsections (2) to (5) below) is fulfilled, and
 - (b) the fourth condition (set out in subsection (7) below) is fulfilled; but the fourth condition need not be fulfilled if the second condition is fulfilled.
- (2) The first condition is that—
- (a) the company is wholly owned by another company throughout the accounting period, and
 - (b) that other company is a foreign held company in the accounting period.
- (3) The second condition is that—
- (a) the company is wholly owned by another company throughout the accounting period,
 - (b) that other company is not resident in the United Kingdom at any time in the accounting period,
 - (c) throughout the accounting period, and the period of 12 months immediately preceding it, the shares in that other company are quoted in the official list of a recognised stock exchange other than a stock exchange in the United Kingdom,
 - (d) at a time falling within the accounting period or the period of 12 months immediately preceding it, shares in that other company have been the subject of dealings on a recognised stock exchange other than a stock exchange in the United Kingdom, and
 - (e) throughout the accounting period, and the period of 12 months immediately preceding it, the shares in that other company are not quoted in the official list of a recognised stock exchange in the United Kingdom;
- but this is subject to subsection (8) below.
- (4) For the purposes of subsection (3)(e) above, shares that (apart from this subsection) would be regarded as quoted in the official list of a recognised stock exchange shall be regarded as not being so quoted if the issuer of the shares is not subject, in relation to them, to the full requirements applicable by virtue of listing rules to the listing of shares on that exchange; and in this subsection “listing rules” shall be construed in accordance with section 142(6) of the Financial Services Act 1986.
- (5) The third condition is that—

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- (a) at each given time in the accounting period each shareholder of the company owns at least 5 per cent. of the company's share capital, and
 - (b) the test mentioned in subsection (6) below is satisfied.
- (6) The test is that at each given time in the accounting period at least 80 per cent. of the company's share capital is owned by—
 - (a) persons who are not companies and who are not resident in the United Kingdom at any time in the accounting period,
 - (b) companies which are foreign held companies in the accounting period, or
 - (c) persons falling within paragraph (a) above and companies falling within paragraph (b) above.
- (7) The fourth condition is that at each given time in the accounting period not more than 20 per cent. of the company's ordinary share capital is ultimately owned by persons who are not companies and are resident in the United Kingdom; and where any shares are not directly owned by a person who is not a company their ultimate ownership shall be found by tracing ownership through any corporate holders to persons who are not companies on such basis as is reasonable.
- (8) Notwithstanding subsection (3) above, the second condition shall also be treated as fulfilled in relation to a company (the company concerned) and an accounting period if—
 - (a) the company concerned is throughout the accounting period wholly owned by another company, and that other company is throughout the period wholly owned by a company which satisfies the conditions set out in subsection (3)(b) to (e) above,
 - (b) there are two or more companies (intermediary companies) which throughout the accounting period beneficially own between them all the share capital of the company concerned, and there is another company which throughout the period wholly owns all the intermediary companies and which satisfies the conditions set out in subsection (3)(b) to (e) above, or
 - (c) there are two or more companies (relevant companies) which throughout the accounting period beneficially own between them all the share capital of the company concerned, and one of the relevant companies is a company which throughout the period wholly owns all the other relevant companies and which satisfies the conditions set out in subsection (3)(b) to (e) above;and in determining for the purposes of this subsection whether a particular company satisfies the conditions set out in subsection (3)(b) to (e) above, references in subsection (3)(b) to (e) to "that other company" shall be construed as references to that particular company.
- (9) Where a company pays a foreign income dividend, for the purposes of this Chapter it may treat itself as an international headquarters company if—
 - (a) in the company's opinion it is likely to be an international headquarters company in the accounting period in which the dividend is paid, and

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- (b) in a case where the dividend is paid in the company's second accounting period or a subsequent accounting period, it is an international headquarters company in the immediately preceding accounting period;
- and for the purposes of paragraph (a) above the company's opinion held at the time the dividend is paid is to be taken.
- (10) For the purposes of this section a company is a foreign held company in an accounting period if—
 - (a) at each given time in the accounting period at least 80 per cent. of the company's share capital is owned by persons who are not resident in the United Kingdom at any time in the accounting period, or
 - (b) throughout the accounting period the company is wholly owned by another company and at each given time in the accounting period at least 80 per cent. of that other company's share capital is owned by persons who are not resident in the United Kingdom at any time in the accounting period.
 - (11) For the purposes of this section a company wholly owns another company if the first company is the beneficial owner of all the share capital of the second company.
 - (12) For the purposes of this section the question whether a person owns a particular percentage of a company's share capital at a particular time shall be determined by—
 - (a) assuming that a general meeting of the company is held at that time;
 - (b) taking the number of votes carried by the company's share capital and capable of being cast at such a meeting;
 - (c) taking the number of those votes capable of being so cast by the person concerned by virtue of the company's share capital beneficially owned by him;
 - (d) expressing the number found under paragraph (c) above as a percentage of the number found under paragraph (b) above;
 - (e) taking the percentage found under paragraph (d) above as the percentage of the company's share capital owned by that person at that time.
 - (13) Subsection (12) above shall not apply for the purposes of subsection (7) above; and in subsection (7) references to ownership shall be construed as references to beneficial ownership.

Liability to pay ACT displaced.

246(II) This section applies where—

- (a) a company pays a foreign income dividend in an accounting period, and
 - (b) at the time it pays the dividend the company treats itself as an international headquarters company by virtue of section 246S(9).
- (2) The company shall not be liable to pay advance corporation tax in respect of the dividend.
 - (3) This section shall have effect subject to section 246V.

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Settlement of liability by IHC as to ACT.

246(U) This section applies where—

- (a) at any time when it pays a dividend in an accounting period a company treats itself as an international headquarters company by virtue of section 246S(9), and
 - (b) the company is an international headquarters company in the accounting period.
- (2) If amount A exceeds amount B, the company shall be liable to pay an amount equal to the excess as if the amount were advance corporation tax payable in respect of a distribution made by the company in the last return period falling within the accounting period; and “return period” here has the same meaning as in Schedule 13.
- (3) If amount B exceeds amount A, an amount equal to the excess shall be paid to the company in accordance with this section; and the payment shall be treated as if it were a repayment of advance corporation tax which—
- (a) was paid by the company in respect of distributions made by it in the accounting period, and
 - (b) falls to be repaid under sections 246N and 246Q.
- (4) Amount A is the total amount of the advance corporation tax which by virtue of section 246T and paragraph 3A of Schedule 13 the company is not liable to pay, and has not paid, in respect of dividends paid by it in the accounting period.
- (5) Amount B is the amount (if any) of the advance corporation tax which would be required to be repaid, or set off, or partly repaid and partly set off, under sections 246N and 246Q if the company—
- (a) had not treated itself as an international headquarters company at any time in the accounting period, and
 - (b) had, at the expiry of nine months from the end of the accounting period, made a claim as regards the accounting period in accordance with sections 246N and 246Q.
- (6) Where an amount of advance corporation tax actually paid by the company in respect of qualifying distributions made by it in the accounting period has been dealt with under section 239(3), or the benefit of such an amount has been surrendered under section 240, in applying section 246N(5)(c) and (d) by virtue of subsection (5) above it shall be assumed that an equivalent amount of advance corporation tax would have been so dealt with or (as the case may be) that the benefit of an equivalent amount of advance corporation tax would have been so surrendered.
- (7) No amount shall be paid under subsection (3) above unless the company makes a claim for payment; and—
- (a) a return made by the company for the accounting period under section 11 of the Management Act, or
 - (b) an amendment of such a return,
- shall be treated as a claim for payment if the return or (as the case may be) the amendment contains such particulars as the inspector may require.

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- (8) A claim which is not made by means of a return under section 11 of the Management Act, or by means of an amendment of such a return, shall be supported by such particulars as the inspector may require.
- (9) No amount shall be payable under subsection (3) above until the expiry of nine months from the end of the accounting period.

Settlement of liability by non-IHC as to ACT.

246W(1) This section applies where—

- (a) at any time when it pays a dividend in an accounting period a company treats itself as an international headquarters company by virtue of section 246S(9), and
 - (b) the company is not an international headquarters company in the accounting period.
- (2) Section 246T shall not apply, and shall be treated as never having applied, as regards the dividend.
 - (3) Sections 246N and 246Q shall apply as if the company had not treated itself as an international headquarters company at any time in the period by virtue of section 246S(9).

Payments and repayments where further matching takes place.

246W(1) Subsection (2) below applies where—

- (a) a company pays an amount under section 246U(2) as regards an accounting period,
 - (b) the company makes an election under section 246J(5) or 246K(10) matching profits with dividends paid in that accounting period, and
 - (c) had the election been made before the relevant time, the company would not have been required to pay some or all of the amount mentioned in paragraph (a) above.
- (2) The company shall be entitled to repayment of so much of the amount mentioned in subsection (1)(a) above as it would not have been required to pay if the election had been made before the relevant time.
 - (3) Subsection (4) below applies where—
 - (a) a company either pays an amount under section 246U(2) as regards an accounting period or is paid an amount under section 246U(3) as regards the period,
 - (b) the company makes an election under section 246J(5) or 246K(10) matching profits with dividends paid in that accounting period, and
 - (c) had the election been made before the relevant time, the company would have been entitled under section 246U(3) to be paid an amount which was not in fact paid to it.
 - (4) The company shall be entitled to payment of the amount mentioned in subsection (3)(c) above.

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- (5) Any repayment under subsection (2) above shall (without prejudice to section 246U(2)) be treated as if it were a repayment of advance corporation tax which—
 - (a) was paid by the company in respect of a distribution made by it in the last return period falling within the accounting period mentioned in subsection (1) above, and
 - (b) falls to be repaid under sections 246N and 246Q.
- (6) In relation to a repayment under subsection (2) above which by virtue of subsection (5) above is treated as a repayment of advance corporation tax, the material date for the purposes of section 826 shall be the date when advance corporation tax in respect of distributions made by the company in the return period mentioned in subsection (5) above became (or, as the case may be, would have become) due and payable; and accordingly subsection (2A) of section 826 shall not apply in relation to the repayment.
- (7) Any payment under subsection (4) above shall be treated as if it were a repayment of advance corporation tax which—
 - (a) was paid by the company in respect of distributions made by it in the accounting period mentioned in subsection (3) above, and
 - (b) falls to be repaid under sections 246N and 246Q.
- (8) Subsections (7) and (8) of section 246U shall apply in relation to payments and repayments under this section as they apply in relation to payments under section 246U(3).
- (9) For the purposes of this section—
 - (a) “the relevant time” means the expiry of nine months from the end of the accounting period mentioned in subsection (1) or (3) above;
 - (b) “return period” has the same meaning as in Schedule 13.

Adjustments

Adjustments where profits or foreign tax altered.

- 246X~~L~~) This section applies where a company is paid or repaid an amount under any provision of this Chapter, or sets off under any such provision an amount against a liability of the company to corporation tax, and either—
- (a) there is any alteration of the profits of a company for an accounting period which renders the payment or repayment, or the amount set off, excessive or insufficient, or
 - (b) there is any alteration of an amount of tax payable under the laws of a territory outside the United Kingdom which renders the payment or repayment, or the amount set off, excessive or insufficient.
- (2) Where there is any such alteration as is mentioned in subsection (1) above the company may revise any election made under section 246J or 246K or 246P in such manner as is just and reasonable having regard to the alteration.
 - (3) Where there is any such alteration as is mentioned in subsection (1) above, then such adjustments shall be made of any calculation required by this Chapter as are just and reasonable having regard to the alteration and to any

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revision made under subsection (2) above; and payments or repayments shall be made accordingly.

Application of this Chapter

Application of this Chapter.

246Y This Chapter shall have effect in relation to—

- (a) any dividend paid on or after 1st July 1994;
- (b) any foreign source profit consisting of income for, or a chargeable gain for, an accounting period beginning on or after 1st July 1993.”

PART II U.K.

LIABILITY FOR AND COLLECTION OF ADVANCE CORPORATION TAX

- 2 In section 14 of the Taxes Act 1988 (advance corporation tax and qualifying distributions) in subsection (3) for the words “section 241” there shall be substituted “sections 241 and 246F”.
- 3 (1) Schedule 13 to the Taxes Act 1988 (collection of advance corporation tax) shall be amended as follows.
- (2) In paragraph 1 (duty to make returns) for sub-paragraph (1) there shall be substituted—
- “(1) A company shall for each of its accounting periods make, in accordance with this Schedule, returns to the collector of—
- (a) the franked payments made and franked investment income received by it in that period,
 - (b) the foreign income dividends paid and foreign income dividends received by it in that period, and
 - (c) the advance corporation tax (if any) payable by it in respect of the franked payments made and foreign income dividends paid by it in that period;
- and references in this Schedule to foreign income dividends shall be construed in accordance with Chapter VA of this Part.”
- (3) In paragraph 1, for sub-paragraph (4) there shall be substituted—
- “(4) Subject to paragraphs 4(2), 4A(2) and 7(3) below, no return need be made under this Schedule by a company for any period in which it has—
- (a) made no franked payments, and
 - (b) paid no foreign income dividends.”
- (4) In paragraph 2 (contents of return) for sub-paragraph (1) there shall be substituted—
- “(1) Subject to paragraphs 7(2), 3A(2) and 9A(2) below, the return made by a company for any return period shall show—
- (a) the amount of the franked payments, if any, made by it in that period,

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- (b) the amount of franked investment income, if any, received by it in that period,
 - (c) if any advance corporation tax is payable in respect of the franked payments, the amount thereof,
 - (d) the amount of the foreign income dividends, if any, paid by it in that period,
 - (e) the amount of the foreign income dividends, if any, received by it in that period, and
 - (f) if any advance corporation tax is payable in respect of the foreign income dividends paid, the amount thereof.”
- (5) In paragraph 2, after sub-paragraph (4) there shall be inserted—
- “(5) For the purposes of paragraph (e) of sub-paragraph (1) above the amount of foreign income dividends received by a company in a return period shall be treated as including the excess, if any, of—
- (a) any amount carried forward under section 246F(3) to the accounting period for which the return is made, and
 - (b) any amount of foreign income dividends received by the company in that accounting period but before the beginning of the return period,
- over the amount of any foreign income dividends paid by the company in that accounting period but before the beginning of the return period.
- (6) For the purposes of paragraph (f) of sub-paragraph (1) above advance corporation tax shall be payable in respect of foreign income dividends paid in a return period if—
- (a) the amount shown under paragraph (d) of that sub-paragraph exceeds the amount shown under paragraph (e) of that sub-paragraph, or
 - (b) no amount is shown under paragraph (e) of that sub-paragraph;
- and the amount of that tax shall be calculated at the rate of advance corporation tax in force for the financial year in which the return period ends on an amount equal to that excess or, if no amount is shown under sub-paragraph (1)(e) above, to the amount shown under sub-paragraph (1)(d) above.”
- (6) In paragraph 3 (payment of tax)—
- (a) in sub-paragraph (1) after the words “franked payments” there shall be inserted “ and foreign income dividends ”, and
 - (b) in sub-paragraph (3) after the words “franked payment” there shall be inserted “ or foreign income dividend ”.
- (7) After paragraph 3 there shall be inserted—

International headquarters companies

“3A (1) This paragraph and paragraph 3B below apply where—

- (a) a company pays a foreign income dividend in a return period, and
- (b) at the time it pays the dividend the company treats itself as an international headquarters company by virtue of section 246S(9).

(2) The return made by the company for the return period—

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- (a) shall state that the company has so treated itself;
 - (b) shall show the basis on which it has so treated itself;
 - (c) shall not include the amount of the dividend in the amount shown under paragraph 2(1)(d) above;
 - (d) shall state separately that the dividend was paid and show its amount.
- (3) The dividend shall be treated for the purposes of section 246F(1) and (2), paragraph 2(5) above and paragraph 4A below as if it had not been paid.
- “3B (1) Without prejudice to paragraph 3 above, if at any time before the end of the accounting period in which the return period mentioned in paragraph 3A(1) above falls the inspector is not satisfied that there was a reasonable basis for the company treating itself as mentioned in paragraph 3A(1) he may make an assessment on the company to the best of his judgment; and any advance corporation tax due under an assessment made by virtue of this sub-paragraph shall be treated for the purposes of interest on unpaid tax as having been payable at the time when it would have been payable if the company had not so treated itself.
- (2) Where an assessment which takes account of the dividend mentioned in paragraph 3A(1) above is made under sub-paragraph (1) above, then, subject to any appeal—
- (a) the company shall be deemed for the purposes of Chapter VA of this Part not to have treated itself as an international headquarters company by virtue of section 246S(9) at the time it paid the dividend;
 - (b) paragraph 3A(3) above shall not apply to the dividend.
- (3) In a case where—
- (a) the company is not an international headquarters company in the accounting period in which the return period mentioned in paragraph 3A(1) above falls, and
 - (b) as regards any relevant return period amount X exceeds amount Y, after the end of the accounting period the inspector may make an assessment on the company for an amount of advance corporation tax equal to the excess; and a relevant return period is a return period falling within the accounting period in question.
- (4) For the purposes of sub-paragraph (3) above—
- (a) amount X is the amount of advance corporation tax which, if the company had not treated itself as an international headquarters company at any time in the accounting period and had made a return for the relevant return period under paragraph 2 above accordingly, would have been payable by the company in respect of the relevant return period under paragraph 2(6) above;
 - (b) amount Y is the aggregate of the amounts mentioned in sub-paragraph (5) below.
- (5) The amounts referred to in sub-paragraph (4)(b) above are—
- (a) the amount (if any) of advance corporation tax which was in fact payable by the company under paragraph 2(6) above in respect of the relevant return period,

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- (b) any amount of advance corporation tax to which the company has been assessed under sub-paragraph (1) above in respect of that period, and
 - (c) any amount of advance corporation tax to which the company has been assessed under paragraph 3 above in respect of that period and which is attributable to foreign income dividends.
- (6) Any advance corporation tax due under an assessment made by virtue of sub-paragraph (3) above shall be treated for the purposes of interest on unpaid tax as having been payable at the time when it would have been payable if the company had not treated itself as an international headquarters company at any time in the accounting period.”
- (8) In paragraph 4 (receipt of franked investment income after payment of advance corporation tax) in sub-paragraph (2) after the words “any franked payments” there shall be inserted “, or paid any foreign income dividends,”.
- (9) After paragraph 4 there shall be inserted—

Receipt of foreign income dividends after payment of advance corporation tax

“4A (1) This paragraph shall have effect where—

- (a) a return has been made of foreign income dividends paid in any return period falling within an accounting period and advance corporation tax has been paid in respect of those dividends, and
 - (b) the company receives foreign income dividends after the end of the return period but before the end of the accounting period.
- (2) The company shall make a return under paragraph 1 above for the return period in which the foreign income dividends are received whether or not it has made any franked payments, or paid any foreign income dividends, in that period, and, subject to sub-paragraphs (3) to (5) below, shall be entitled to repayment of any advance corporation tax paid (and not repaid) in respect of foreign income dividends paid in the accounting period in question.
- (3) If no foreign income dividends were paid by the company in the return period for which a return is made by virtue of sub-paragraph (2) above (the relevant return period), the amount of the repayment shall not exceed the amount which would have been payable under paragraph 2 above as regards the relevant return period if the company—
- (a) had paid in the period foreign income dividends of an amount equal to the foreign income dividends actually received by it in the period and had paid in the period no other foreign income dividends or franked payments, and
 - (b) had received in the period no foreign income dividends or franked investment income.
- (4) If at least one foreign income dividend was paid by the company in the relevant return period and the amount of the foreign income dividends received by it in the period exceeds the amount of the foreign income dividends paid by it in the period, the amount of the repayment shall not exceed the amount which would have been payable under paragraph 2 above as regards the relevant return period if the company—

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- (a) had paid in the period foreign income dividends of an amount equal to the foreign income dividends actually received by it in the period and had paid in the period no other foreign income dividends or franked payments, and
 - (b) had received in the period foreign income dividends of an amount equal to the foreign income dividends actually paid by it in the period and had received in the period no other foreign income dividends or franked investment income.
- (5) If at least one foreign income dividend was paid by the company in the relevant return period and the amount of the foreign income dividends paid by it in the period exceeds the amount of the foreign income dividends received by it in the period, the company shall not be entitled to a repayment under this paragraph as regards the relevant return period.”
- (10) After paragraph 6 there shall be inserted—

Claims for set-off in respect of foreign income dividends received by a company

“6A (1) Where under paragraph 2 or 4A above foreign income dividends received by a company fall to be taken into account in determining—

- (a) whether advance corporation tax is payable or repayable, or
- (b) the amount of such tax which is payable or repayable,

the inclusion of the foreign income dividends in the appropriate return shall be treated as a claim by the company to have them so taken into account, and any such claim shall be supported by such evidence as the inspector may reasonably require.

(2) Paragraph 6 above shall apply in relation to a claim under this paragraph as it applies in relation to a claim under paragraph 5 above.”

- (11) In paragraph 7 (qualifying distributions which are not payments and payments of uncertain nature) in sub-paragraph (3) for the words from “and if” to “that period” there shall be substituted “ and if in that period no franked payment (apart from that distribution or payment) is made and no foreign income dividend is paid ”.
- (12) After paragraph 9 there shall be inserted—

Manufactured foreign income dividends

“9A (1) This paragraph applies in any case where, by virtue of paragraph 2(2) and (6) of Schedule 23A, a company is treated as having paid a foreign income dividend.

(2) No amount shall be shown under paragraph 2(1)(d) above in respect of the dividend which is treated as having been paid, but the company’s return for the return period in which the dividend is treated as having been paid shall state separately that it was treated as paid and shall show its amount.”

- (13) This paragraph shall have effect in relation to any return period ending after 30th June 1994.

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PART III U.K.

INSURANCE COMPANIES ETC.

- 4 In section 431(2) of the Taxes Act 1988 (interpretative provisions relating to insurance companies) the following shall be inserted after the definition of “closing liabilities”—
- ““foreign income dividends” shall be construed in accordance with Chapter VA of Part VI;”.
- 5 (1) Section 434 of the Taxes Act 1988 (franked investment income etc.) shall be amended as follows.
- (2) In subsection (1) after “income of” there shall be inserted “, or foreign income dividends arising to, ”.
- (3) In subsection (2) after “income of” there shall be inserted “, and foreign income dividends arising to, ”.
- (4) The following subsections shall be inserted after subsection (3A)—
- “(3B) The policy holders’ share of foreign income dividends received in respect of investments held in connection with a company’s life assurance business shall be left out of account in determining, under subsection (7) of section 13, the foreign income dividends forming part of the company’s profits for the purposes of that section.
- (3C) The policy holders’ share of any income or chargeable gain arising in respect of investments held in connection with a company’s life assurance business shall be left out of account in ascertaining any foreign source profit of the company for the purposes of Chapter VA of Part VI.
- (3D) The policy holders’ share of foreign income dividends received in respect of investments held in connection with a company’s life assurance business shall be left out of account in ascertaining, for the purposes of sections 246F(1) and (3) and Schedule 13, the amount of the foreign income dividends received by the company.”
- (5) In subsection (6A) the word “and” at the end of paragraph (a) shall be omitted and after that paragraph there shall be inserted—
- “(aa) “the policy holders’ share” of any foreign income dividends is so much of the income they represent as is not the shareholders’ share within the meaning of that section,
- (ab) “the policy holders’ share” of any income (other than franked investment income) is so much of that income as is not the shareholders’ share within the meaning of that section,
- (ac) “the policy holders’ share” of any chargeable gain is so much of that gain as is equal to the amount that, if the gain were income, would not be the shareholders’ share within the meaning of that section, and”.

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- 6 (1) Section 438 of the Taxes Act 1988 (pension business: exemption from tax) shall be amended as follows.
- (2) The following subsection shall be inserted after subsection (3)—
- “(3AA) Subject to subsection (6B) below, the exclusion by section 208 from the charge to corporation tax of foreign income dividends shall not prevent such dividends being taken into account as part of the profits in computing under section 436 income from pension business.”
- (3) In subsection (6) the words from “being” to “that profit,” shall be omitted.
- (4) The following subsections shall be inserted after subsection (6A)—
- “(6B) If for any accounting period there is, apart from this subsection, a profit arising to an insurance company from pension business and computed under section 436, and the company so elects as respects all or any part of the relevant foreign income dividends arising to it in that period, subsection (3AA) above shall not apply to the foreign income dividends to which the election relates.
- (6C) In subsection (6B) above “relevant foreign income dividends” means the shareholders’ share of foreign income dividends within subsection (1) above; and for this purpose “the shareholders’ share” of any foreign income dividends is so much of the income they represent as is the shareholders’ share within the meaning of section 89 of the Finance Act 1989.
- (6D) If in the same accounting period both relevant franked investment income and relevant foreign income dividends arise to the company—
- (a) only one election may be made under subsections (6) and (6B) above;
 - (b) the election may be made as regards both relevant franked investment income and relevant foreign income dividends (subject to paragraph (c) below);
 - (c) the election may not be made as regards relevant foreign income dividends unless the election is made as regards all the company’s relevant franked investment income arising in the period.
- (6E) Where an election is made under one or both of subsections (6) and (6B) above, the elected amount must not exceed the amount of the profit which (apart from the election) arises to the company for the accounting period from pension business and is computed under section 436; and the elected amount is—
- (a) the amount of franked investment income to which the election relates (where the election is made under subsection (6) alone);
 - (b) the amount of the foreign income dividends to which the election relates (where the election is made under subsection (6B) alone);
 - (c) the aggregate amount of the franked investment income and the foreign income dividends to which the election relates (where the election is made under subsections (6) and (6B)).”
- (5) In subsection (7) for “subsection (6) above” there shall be substituted “ this section ”.

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- 7 In section 458 of the Taxes Act 1988 (capital redemption business) in subsection (2) (a) after “income of” there shall be inserted “, and foreign income dividends arising to,”.
- 8 (1) Section 802 of the Taxes Act 1988 (UK insurance companies trading overseas) shall be amended as follows.
- (2) In subsection (2)(a) after “franked investment income” there shall be inserted “, foreign income dividends”.
- (3) The following subsection shall be inserted after subsection (3)—
- “(4) In this section “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI.”
- 9 (1) Section 89 of the ^{M220}Finance Act 1989 (policy holders’ share of profits) shall be amended as follows.
- (2) In subsection (2) after paragraph (b) there shall be inserted “, and
- (c) the shareholders’ share of any foreign income dividends arising to the company in the period in respect of investments held in connection with the business.”
- (3) The following subsection shall be inserted after subsection (2)—
- “(2A) For the purposes of subsection (2) above—
- (a) “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI;
- (b) the shareholders’ share of any foreign income dividends is so much of the income they represent as is the shareholders’ share.”

Marginal Citations

[M220 1989 c. 26.](#)

PART IV U.K.

OTHER PROVISIONS

Penalties

- 10 In the first column of the Table in section 98 of the ^{M221}Taxes Management Act 1970 (penalties for failure to furnish particulars etc.) the following entry shall be inserted after the entry relating to section 234 of the principal Act— “ section 246H; ”.

Marginal Citations

[M221 1970 c. 9.](#)

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Small companies' relief

- 11 (1) Section 13 of the Taxes Act 1988 (small companies' relief) shall be amended as follows.
- (2) In subsection (7) (definition of profits for purposes of small companies' relief) after "companies within the group" there shall be inserted " and with the addition of foreign income dividends arising to the company ".
- (3) The following subsection shall be inserted after subsection (8)—
- “(8A) In this section “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI.”

Expenses of management

- 12 (1) Section 75 of the Taxes Act 1988 (expenses of management: investment companies) shall be amended as follows.
- (2) In subsection (2) after “franked investment income,” there shall be inserted “ foreign income dividends, ”.
- (3) The following subsection shall be inserted after subsection (5)—
- “(6) In this section “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI.”

Group income

- 13 In section 247 of the Taxes Act 1988 (dividends etc. paid by one member of a group to another) the following subsection shall be inserted after subsection (5)—
- “(5A) Subsections (1) to (3) above shall not apply to foreign income dividends; and “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI.”

Mutual business etc.

- 14 (1) Section 490 of the Taxes Act 1988 (companies carrying on a mutual business or not carrying on a business) shall be amended as follows.
- (2) In subsection (1) after “(including group income)” there shall be inserted “ or out of foreign income dividends ”.
- (3) In subsection (4) after “franked investment income” there shall be inserted “ or foreign income dividends ”.
- (4) The following subsection shall be inserted after subsection (4)—
- “(5) In this section “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI.”

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Discretionary trusts

- 15 In section 687 of the Taxes Act 1988 (payments under discretionary trusts) in subsection (3) the following paragraph shall be inserted after paragraph (aa)—
- “(aaa) the amount of tax at a rate equal to the difference between the lower rate and the rate applicable to trusts on any sum treated, under section 246D(4), as income of the trustees;” and in paragraph (a) of that subsection after “(aa)” there shall be inserted “, (aaa)”.

Personal representatives

- 16 In section 701 of the Taxes Act 1988 (interpretation of Part XVI) in subsection (8) (meaning of aggregate income) before “249(5),” there shall be inserted “ 246D(3),”.

Purchase and sale of securities

- 17 (1) Section 731 of the Taxes Act 1988 (application and interpretation of provisions relating to purchase and sale of securities) shall be amended as follows.
- (2) In subsection (9), in the definition of “interest” the words from “and in applying” to the end of paragraph (b) shall be omitted.
- (3) The following subsections shall be inserted after subsection (9)—
- “(9A) In applying references in the relevant provisions to interest in relation to a qualifying distribution other than a foreign income dividend—
- (a) “gross interest” means the qualifying distribution together with the tax credit to which the recipient of the distribution is entitled in respect of it, and
- (b) “net interest” means the qualifying distribution exclusive of any such tax credit.
- (9B) In applying references in the relevant provisions to interest in relation to a foreign income dividend paid in circumstances where section 246D(1), (3) or (4) applies—
- (a) “gross interest” means the amount of the income arrived at under section 246D(1) by reference to the dividend, and
- (b) “net interest” means the dividend.
- (9C) Where a foreign income dividend is paid in circumstances other than those where section 246D(1), (3) or (4) applies—
- (a) in applying section 735(2) in relation to the dividend the words “the gross amount corresponding with” shall be disregarded, and
- (b) in applying references in the relevant provisions (including section 735(2)) to interest in relation to the dividend “net interest” means the dividend.
- (9D) In this section “foreign income dividend” shall be construed in accordance with Chapter VA of Part VI.”

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Manufactured dividends

- 18 (1) Section 737 of the Taxes Act 1988 (manufactured dividends: treatment of tax deducted) shall be amended as follows.
- (2) In subsection (3) (cases where section 737(1) does not apply) at the end of paragraph (b) there shall be inserted “ or ”, and after that paragraph there shall be inserted the following paragraph—
- “(c) the manufactured dividend is representative of a foreign income dividend.”
- (3) In subsection (6) after the definition of “dividend manufacturing regulations” there shall be inserted the following definition—
- ““foreign income dividend” shall be construed in accordance with Chapter VA of Part VI.”
- 19 In Schedule 23A to the Taxes Act 1988, in paragraph 2 (manufactured dividends on United Kingdom equities) the following sub-paragraphs shall be inserted after sub-paragraph (5)—
- “(6) In a case where—
- (a) the dividend of which the manufactured dividend is representative is a foreign income dividend, and
- (b) the dividend manufacturer is a company resident in the United Kingdom,
- the manufactured dividend shall, in addition to being treated as mentioned in sub-paragraph (2) above, be treated for all purposes of the Tax Acts as if it were a foreign income dividend; but in such a case the dividend manufacturer shall not by virtue of sub-paragraph (2) above be liable to pay advance corporation tax in respect of the manufactured dividend.
- (7) In a case where—
- (a) the dividend of which the manufactured dividend is representative is a foreign income dividend, and
- (b) the dividend manufacturer is not a company resident in the United Kingdom (so that, were the dividend of which the manufactured dividend is representative not a foreign income dividend, section 737 would apply in relation to the dividend manufacturer),
- in relation to the recipient and all persons claiming title through or under him the manufactured dividend shall, in addition to being treated as mentioned in sub-paragraph (3)(a) above, be treated as if it were a foreign income dividend.
- (8) In this paragraph “foreign income dividend” shall be construed in accordance with Chapter VA of Part VI.”

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Interest on tax overpaid

- 20 (1) Section 826 of the Taxes Act 1988 shall be amended as follows.
- (2) In subsection (1) the following paragraph shall be inserted after paragraph (a)—
- “(aa) a repayment falls to be made under sections 246N and 246Q of advance corporation tax paid by a company in respect of distributions made by it in such an accounting period; or”.
- (3) The following subsection shall be inserted after subsection (2)—
- “(2A) In relation to advance corporation tax paid by a company in respect of distributions made by it in an accounting period, the material date for the purposes of this section is the date on which corporation tax for that accounting period became (or, as the case may be, would have become) due and payable in accordance with section 10.”

SCHEDULE 17 U.K.

Section 146.

MINOR CORRECTIONS

- 1 Section 43(1) of the Taxes Act 1988 shall have effect, and be deemed always to have had effect, as if the words “or IV” were omitted.
- 2 (1) Subsection (1) of section 271 of that Act shall have effect, and be deemed always to have had effect, as if—
- (a) the words “or contract”, wherever they occur, were omitted;
- (b) in paragraph (b), the words “or the contract was made after that date” were omitted; and
- (c) in paragraph (c), the words “or, as the case may be, the body with which the contract was made” were omitted.
- (2) Subsection (2) of that section shall have effect, and be deemed always to have had effect, as if paragraph (b) and the word “or” immediately preceding it were omitted.
- 3 Subsection (6) of section 356D of that Act shall have effect, and be deemed always to have had effect, as if for the words from “in relation” onwards there were substituted “so that, in determining what (if any) part of the amount on which qualifying interest is payable is the part exceeding the limit, interest on a later loan shall be eligible for relief only to the extent that the whole amohele omo ohola amount of the limit has not been used in relation to any earlier loan or loans.”
- 4 Section 431(5) of that Act shall have effect, and be deemed always to have had effect, as if for “Subsection (4)(c)” there were substituted “Subsection (4)(f)”.
- 5 Section 561(2)(c) of that Act shall have effect, and be deemed always to have had effect, as if for “subsection (4)” there were substituted “subsection (6)”.

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- 6 Section 576(5) of that Act (in its application as amended by the ^{M222}Taxation of Chargeable Gains Act 1992) shall have effect, and be deemed always to have had effect, as if after “128(2)” there were inserted “of the 1992 Act”.

Marginal Citations

[M222 1992 c. 12.](#)

- 7 Section 768(6) of that Act (in its application as amended by the ^{M223}Capital Allowances Act 1990) shall have effect, and be deemed always to have had effect, as if for “section 161(5)” there were substituted “section 161(6)”.

Marginal Citations

[M223 1990 c. 1.](#)

- 8 Sections 842(4) and 843(2) of that Act (in their application as amended by the ^{M224}Taxation of Chargeable Gains Act 1992) shall have effect, and be deemed always to have had effect, as if, in each case, for “the 1990 Act” there were substituted “the 1992 Act”.

Marginal Citations

[M224 1992 c. 12.](#)

- 9 Paragraph 8(b) of Schedule 11 to that Act (in its application as amended by the ^{M225}Capital Allowances Act 1990) shall have effect, and be deemed always to have had effect, as if the words “Chapter II of Part I of the 1968 Act or” were omitted.

Marginal Citations

[M225 1990 c. 1.](#)

- 1 (1) Subject to sub-paragraph (2) below, sub-paragraph (3) below applies where—
- (a) a qualifying contract was at any time in an accounting period of an insurance company held by the company for the purposes of any life assurance business carried on by it, and
 - (b) the I minus E basis is applied for the period in respect of that business.

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- (2) Where the qualifying contract was held partly for the purposes of the life assurance business and partly for other purposes—
 - (a) the profit or loss on the contract for the period shall be apportioned on a just and reasonable basis, and
 - (b) any reference in sub-paragraph (3) below to that profit or loss shall be construed as a reference to so much of it as is referable to the life assurance business.
- (3) Notwithstanding anything in section 159 of this Act—
 - (a) no part of the profit or loss on the contract for the period shall be treated for the purposes of the Tax Acts as a profit or loss of a trade or part of a trade, and
 - (b) accordingly, the whole of that profit or loss shall be treated for the purposes of this paragraph as a non-trading profit or loss;and any reference in the following provisions of this paragraph to a non-trading profit or loss is a reference to a profit or loss which is treated as a non-trading one by virtue of paragraph (b) above.
- (4) Section 432A of the Taxes Act 1988 (insurance companies: apportionment of income and gains) shall have effect as if—
 - (a) any reference to income arising from assets of an insurance company's long term business fund or overseas life assurance fund included a reference to any non-trading profit or loss of an insurance company; and
 - (b) any reference to income arising from or attributable to assets linked solely to a particular category of business included a reference to any non-trading profit or loss which derives from a qualifying contract which is so linked.
- (5) Section 438 of the Taxes Act 1988 (pension business: exemption from tax) shall have effect as if the reference in subsection (1) to income from investments and deposits of so much of an insurance company's life assurance fund and separate annuity fund, if any, as is referable to pension business included a reference to so much of any non-trading profit of such a company as is so referable.
- (6) So much of any non-trading loss of an insurance company as is referable to pension business or overseas life assurance business shall not be allowable as a deduction in computing for the purposes of this Chapter the profits or losses of the company; and subsection (5)(a) of section 173 of this Act applies for the purposes of this sub-paragraph as it applies for the purposes of that section.
- (7) Where, as regards an insurance company and an accounting period, one or more non-trading profits or losses of the company for the period are referable to basic life assurance and general annuity business, subsections (5), (6) and (9) of section 129 and sections 130 and 131 of the ^{M226}Finance Act 1993 (non-trading exchange gains and losses) shall apply for the purposes of this paragraph as if—
 - (a) any reference to any amount or amounts a company is treated as receiving in the period by virtue of section 129 were a reference to the amount or amounts of any non-trading profit or profits which are referable to that class of business,
 - (b) any reference to the amount or amounts of any loss or losses a company is treated as incurring in the period by virtue of that section were a reference to the amount or amounts of any non-trading loss or losses which are so referable, and

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- (c) for subsections (3) to (14) of section 131 there were substituted the following subsection—

“(3) The relievable amount shall be set off for the purposes of corporation tax against income of the accounting period which is referable to basic life assurance and general annuity business; and that income shall be treated as reduced accordingly.”

Marginal Citations

M226 1993 c.34.

VALID FROM 29/04/1996

^{F40}1A (1) Where the I minus E basis is applied for any accounting period in respect of the life assurance business or capital redemption business of any insurance company, this Chapter shall have effect for that period in relation to contracts and options held for the purposes of that business as if the words in subsection (10) of section 150A from “but references” onwards were omitted.

- (2) Expressions used in sub-paragraph (1) above and in Part I of Schedule 11 to the Finance Act 1996 have the same meanings in this paragraph as in that Part of that Schedule.

Textual Amendments

F40 Sch. 18 paras. 1, 1A and cross-heading substituted for Sch. 18 paras. 1 and 2 (29.4.1996 with effect as mentioned in s. 105(1) of the amending Act) by 1996 c. 8, s. 104, **Sch. 14 para. 79** (with savings etc. in Pt. IV Ch. II (ss. 80-105))

Modifications etc. (not altering text)

C32 Sch. 18 para. 1A(1) modified (23.3.1999) by S.I. 1999/498, **reg. 14**

Life assurance business: Case I of Schedule D

- 2 (1) Subject to sub-paragraph (2) below, sub-paragraphs (3) and (4) below apply where—
- (a) a qualifying contract was at any time in an accounting period of an insurance company held by the company for the purposes of any life assurance business carried on by it, and
 - (b) the profits of the company in respect of that business are, for the purposes of the Tax Acts, computed in accordance with the provisions of the Taxes Act 1988 applicable to Case I of Schedule D.
- (2) Where the qualifying contract was held partly for the purposes of the life assurance business and partly for other purposes—
- (a) amounts A and B for the period shall be apportioned on a just and reasonable basis, and

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- (b) any reference in sub-paragraph (3) or (4) below to either of those amounts shall be construed as a reference to so much of it as is referable to the life assurance business.
- (3) Notwithstanding anything in sections 159 and 160 of this Act, amount A for the period shall not—
 - (a) under or by virtue of this Chapter be chargeable to corporation tax as profits of the company, or
 - (b) be taken into account as a receipt in computing for the purposes of this Chapter the profits or losses of the company.
- (4) Notwithstanding anything in those sections, amount B for the period shall not—
 - (a) be allowable as a deduction in computing for the purposes of this Chapter the profits or losses of the company, or
 - (b) under or by virtue of this Chapter be allowable as a deduction in computing any other income or profits or gains or losses of the company for the purposes of the Tax Acts.
- (5) Subsection (5)(a) of section 173 of this Act applies for the purposes of this paragraph as it applies for the purposes of that section.

Non-life mutual business

- 3 (1) Subject to sub-paragraph (2) below, sub-paragraph (3) below applies where a qualifying contract was at any time in an accounting period of a mutual trading company held by the company for the purposes of any non-life mutual business carried on by it.
- (2) Where the qualifying contract was held partly for the purposes of the non-life mutual business and partly for other purposes—
 - (a) the profit or loss on the contract for the period shall be apportioned on a just and reasonable basis, and
 - (b) any reference in sub-paragraph (3) below to that profit or loss shall be construed as a reference to so much of it as is referable to the non-life mutual business.
- (3) Notwithstanding anything in section 159 of this Act—
 - (a) no part of the profit or loss on the contract for the period shall be treated for the purposes of the Tax Acts as a profit or loss of a trade or part of a trade, and
 - (b) accordingly, the whole of that profit or loss shall be treated for the purposes of section 160 of this Act as a non-trading profit or loss.

Interpretation

- 4 In this Schedule—
 - “the I minus E basis” means the basis commonly so called (under which a company carrying on life assurance business is charged to tax on that business otherwise than under Case I of Schedule D);
 - “life assurance business” includes annuity business;

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“non-life mutual business” means any mutual trading, or any mutual insurance or other mutual business, which (in either case) is not life assurance business.

SCHEDULE 19 **U.K.**

Section 196.

MANAGEMENT: OTHER AMENDMENTS

PART I **U.K.**

AMENDMENTS OF MANAGEMENT ACT

Notice of liability to income tax and capital gains tax

- 1 (1) For section 7 of the Management Act there shall be substituted the following section—

“7 Notice of liability to income tax and capital gains tax.

- (1) Every person who—
- (a) is chargeable to income tax or capital gains tax for any year of assessment, and
 - (b) has not received a notice under section 8 of this Act requiring a return for that year of his total income and chargeable gains,
- shall, subject to subsection (3) below, within six months from the end of that year, give notice to an officer of the Board that he is so chargeable.
- (2) In the case of a person who is chargeable as mentioned in subsection (1) above as a trustee of a settlement, that subsection shall have effect as if the reference to a notice under section 8 of this Act were a reference to a notice under section 8A of this Act.
- (3) A person shall not be required to give notice under subsection (1) above in respect of a year of assessment if for that year his total income consists of income from sources falling within subsections (4) to (7) below and he has no chargeable gains.
- (4) A source of income falls within this subsection in relation to a year of assessment if—
- (a) all payments of, or on account of, income from it during that year, and
 - (b) all income from it for that year which does not consist of payments, have or has been taken into account in the making of deductions or repayments of tax under section 203 of the principal Act.
- (5) A source of income falls within this subsection in relation to any person and any year of assessment if all income from it for that year has been or will be taken into account—
- (a) in determining that person’s liability to tax, or

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- (b) in the making of deductions or repayments of tax under section 203 of the principal Act.
- (6) A source of income falls within this subsection in relation to any person and any year of assessment if all income from it for that year is—
 - (a) income from which income tax has been deducted;
 - (b) income from or on which income tax is treated as having been deducted or paid; or
 - (c) income chargeable under Schedule F,and that person is not for that year liable to tax at a rate other than the basic rate or the lower rate.
- (7) A source of income falls within this subsection in relation to any person and any year of assessment if all income from it for that year is income from which he could not become liable to tax under a self-assessment made under section 9 of this Act in respect of that year.
- (8) If any person, for any year of assessment, fails to comply with subsection (1) above, he shall be liable to a penalty not exceeding the amount of the tax—
 - (a) in which he is assessed under section 9 or 29 of this Act in respect of that year, and
 - (b) which is not paid on or before the 31st January next following that year.”
- (2) This paragraph has effect as respects the year 1995-96 and subsequent years of assessment.

European Economic Interest Groupings

- 2 In subsection (2) of section 12A of the Management Act (European Economic Interest Groupings), for the words “making assessments to income tax, corporation tax and capital gains tax on members of a grouping” there shall be substituted the words “securing that members of a grouping are assessed to income tax and capital gains tax or (as the case may be) corporation tax”.

Records for purposes of returns

- 3 After section 12A of the Management Act there shall be inserted the following section—

“ Records

12B Records to be kept for purposes of returns.

- (1) Any person who may be required by a notice under section 8, 8A, 11 or 12AA of this Act (or under any of those sections as extended by section 12 of this Act) to make and deliver a return for a year of assessment or other period shall—
 - (a) keep all such records as may be requisite for the purpose of enabling him to make and deliver a correct and complete return for the year or period; and

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- (b) preserve those records until the end of whichever of the following is the later, namely—
 - (i) the day mentioned in subsection (2) below; and
 - (ii) where a return delivered by him is enquired into by an officer of the Board, the day on which, by virtue of section 28A(5) or 28B(5) of this Act, the officer’s enquiries are treated as completed.

- (2) The day referred to in subsection (1) above is—
 - (a) in the case of a person carrying on a trade, profession or business alone or in partnership or a company, the fifth anniversary of the 31st January next following the year of assessment or (as the case may be) the sixth anniversary of the end of the period;
 - (b) in any other case, the first anniversary of the 31st January next following the year of assessment or, where a return is delivered by the person concerned after that date, the quarter day next following the first anniversary of the day on which the return is delivered;

and the quarter days for the purposes of this subsection are 31st January, 30th April, 31st July and 31st October.

- (3) In the case of a person carrying on a trade, profession or business alone or in partnership—
 - (a) the records required to be kept and preserved under subsection (1) above shall include records of the following, namely—
 - (i) all amounts received and expended in the course of the trade, profession or business and the matters in respect of which the receipts and expenditure take place, and
 - (ii) in the case of a trade involving dealing in goods, all sales and purchases of goods made in the course of the trade; and
 - (b) the duty under that subsection shall include a duty to preserve until the day mentioned in subsection (2) above all supporting documents relating to such items as are mentioned in paragraph (a)(i) or (ii) above.

- (4) The duty under subsection (1) above to preserve records may be discharged by the preservation of the information contained in them; and where information is so preserved a copy of any document forming part of the records shall be admissible in evidence in any proceedings before the Commissioners to the same extent as the records themselves.

- (5) Any person who fails to comply with subsection (1) above in relation to a year of assessment or accounting period shall be liable to a penalty not exceeding £3,000.

- (6) For the purposes of this section—
 - (a) a person engaged in the letting of property shall be treated as carrying on a trade; and
 - (b) “supporting documents” includes accounts, books, deeds, contracts, vouchers and receipts.”

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Recovery of overpayment of tax etc.

- 4 (1) After subsection (1A) of section 30 of the Management Act (recovery of overpayment of tax etc.) there shall be inserted the following subsection—

“(1B) Subsections (2) to (8) of section 29 of this Act shall apply in relation to an assessment under subsection (1) above as they apply in relation to an assessment under subsection (1) of that section; and subsection (4) of that section as so applied shall have effect as if the reference to the loss of tax were a reference to the repayment of the amount of tax which ought not to have been repaid.”

- (2) For subsection (5) of that section there shall be substituted the following subsection—

“(5) An assessment under this section shall not be out of time under section 34 of this Act if it is made before the end of whichever of the following ends the later, namely—

- (a) the chargeable period following that in which the amount assessed was repaid or paid as the case may be, or
- (b) where a return delivered by the person concerned, or an amendment of such a return, is enquired into by an officer of the Board, the period ending with the day on which, by virtue of section 28A(5) of this Act, the officer’s enquiries are treated as completed.”

Assessing procedure

- 5 (1) After section 30 of the Management Act there shall be inserted the following section—

“30A Assessing procedure.

- (1) Except as otherwise provided, all assessments to tax which are not self-assessments shall be made by an officer of the Board.
 - (2) All income tax which falls to be charged by an assessment which is not a self-assessment may, notwithstanding that it was chargeable under more than one Schedule, be included in one assessment.
 - (3) Notice of any such assessment shall be served on the person assessed and shall state the date on which it is issued and the time within which any appeal against the assessment may be made.
 - (4) After the notice of any such assessment has been served on the person assessed, the assessment shall not be altered except in accordance with the express provisions of the Taxes Acts.
 - (5) Assessments to tax which under any provision in the Taxes Acts are to be made by the Board shall be made in accordance with this section.”
- (2) This paragraph, so far as it relates to partnerships whose trades, professions or businesses are set up and commenced before 6th April 1994, has effect as respects the year 1997-98 and subsequent years of assessment.

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Amendment of partnership statement where loss of tax discovered

6 After section 30A of the Management Act there shall be inserted the following section—

“30B Amendment of partnership statement where loss of tax discovered.

(1) Where an officer of the Board or the Board discover, as regards a partnership statement made by any person (the representative partner) in respect of any period—

- (a) that any profits which ought to have been included in the statement have not been so included, or
- (b) that an amount of profits so included is or has become insufficient, or
- (c) that any relief claimed by the representative partner is or has become excessive,

the officer or, as the case may be, the Board may, subject to subsections (3) and (4) below, by notice to that partner so amend the statement as to make good the omission or deficiency or eliminate the excess.

(2) Where a partnership statement is amended under subsection (1) above, the officer shall by notice to each of the relevant partners so amend their self-assessments under section 9 or 11AA of this Act as to give effect to the amendments of the partnership statement.

(3) Where the situation mentioned in subsection (1) above is attributable to an error or mistake as to the basis on which the partnership statement was made, no amendment shall be made under that subsection if that statement was in fact made on the basis or in accordance with the practice generally prevailing at the time when it was made.

(4) No amendment shall be made under subsection (1) above unless one of the two conditions mentioned below is fulfilled.

(5) The first condition is that the situation mentioned in subsection (1) above is attributable to fraudulent or negligent conduct on the part of—

- (a) the representative partner or a person acting on his behalf, or
- (b) a relevant partner or a person acting on behalf of such a partner.

(6) The second condition is that at the time when an officer of the Board—

- (a) ceased to be entitled to give notice of his intention to enquire into the representative partner’s return under section 12AA of this Act; or
- (b) informed that partner that he had completed his enquiries into that return,

the officer could not have been reasonably expected, on the basis of the information made available to him before that time, to be aware of the situation mentioned in subsection (1) above.

(7) Subsections (6) and (7) of section 29 of this Act apply for the purposes of subsection (6) above as they apply for the purposes of subsection (5) of that section; and those subsections as so applied shall have effect as if—

- (a) any reference to the taxpayer were a reference to the representative partner;

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- (b) any reference to the taxpayer’s return under section 8, 8A or 11 were a reference to the representative partner’s return under section 12AA of this Act; and
 - (c) sub-paragraph (ii) of paragraph (a) of subsection (7) were omitted.
- (8) An objection to the making of an amendment under subsection (1) above on the ground that neither of the two conditions mentioned above is fulfilled shall not be made otherwise than on an appeal against the amendment.
- (9) In this section—
“profits” has the same meaning as in section 29 of this Act;
“relevant partner” means a person who was a partner at any time during the period in respect of which the partnership statement was made.
- (10) Any reference in this section to the representative partner includes, unless the context otherwise requires, a reference to any successor of his.”

Right of appeal

7 For subsections (1) to (3) of section 31 of the Management Act (right of appeal) there shall be substituted the following subsections—

- “(1) Subject to subsection (1A) below, an appeal may be brought against—
- (a) an amendment under section 28A(2) or (4) of this Act of a self-assessment, or
 - (b) an amendment under section 28B(3) or 30B(1) of this Act of a partnership statement, or
 - (c) an assessment to tax which is not a self-assessment,
- by a notice of appeal in writing given within 30 days after the date on which the notice of amendment or assessment was issued.
- (1A) An appeal against an amendment under subsection (2) of section 28A of this Act of a self-assessment shall not be heard and determined before the officer who made the amendment gives notice under subsection (5) of that section that he has completed his enquiries.
- (2) The notice of appeal shall be given to the officer of the Board by whom the notice of amendment or assessment was given.
- (3) The appeal shall be to the Special Commissioners if—
- (a) the appeal involves any question of the application of any of sections 660 to 685 and 695 to 702 of the principal Act, or
 - (b) in the case of an appeal against an assessment, the assessment was made by the Board.”

Error or mistake

8 (1) In subsection (1) of section 33 of the Management Act (error or mistake)—

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- (a) after the words “an assessment” there shall be inserted the words “(whether under section 9 or 11AA of this Act or otherwise)”; and
- (b) for the words from “six years” to “made” there shall be substituted the words—
 - “(a) in the case of an assessment to income tax or capital gains tax, five years after the 31st January next following the year of assessment to which the return relates; and
 - (b) in the case of an assessment to corporation tax, six years after the end of the accounting period to which the return relates.”.

- (2) The proviso to subsection (2) of that section shall cease to have effect and after that subsection there shall be inserted the following subsection—

“(2A) No relief shall be given under this section in respect of—

- (a) an error or mistake as to the basis on which the liability of the claimant ought to have been computed where the return was in fact made on the basis or in accordance with the practice generally prevailing at the time when it was made; or
- (b) an error or mistake in a claim which is included in the return.”

- 9 After section 33 of the Management Act there shall be inserted the following section—

“33A Error or mistake in partnership statement.

- (1) This section applies where, in the case of a trade, profession or business carried on by two or more persons in partnership, those persons allege that the tax charged by self-assessments of theirs under section 9 or 11AA of this Act was excessive by reason of some error or mistake in a partnership statement.
- (2) One of those persons (the representative partner) may, not later than five years after the filing date, by notice in writing make a claim to the Board for relief.
- (3) On receiving the claim the Board shall inquire into the matter and shall, subject to subsection (5) below, so amend the partnership statement so as to give such relief in respect of the error or mistake as is reasonable or just.
- (4) Where a partnership statement is amended under subsection (3) above, the Board shall by notice to each of the relevant partners so amend their self-assessments under section 9 or 11AA of this Act as to give effect to the amendment of the partnership statement.
- (5) No relief shall be given under this section in respect of an error or mistake as to the basis on which the liability of the partners ought to have been computed where the partnership statement was in fact made on the basis or in accordance with the practice generally prevailing at the time when it was made.
- (6) In determining the claim the Board—
 - (a) shall have regard to all the relevant circumstances of the case, and

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- (b) in particular shall consider whether the granting of relief would result in the exclusion from charge to tax of any part of the profits of any of the partners;
- and for the purposes of this subsection the Board may take into consideration the liability of the partners and their self-assessments in respect of chargeable periods other than that to which the claim relates.
- (7) If any appeal is brought from the decision of the Board on the claim, the Special Commissioners shall hear and determine the appeal in accordance with the principles to be followed by the Board in determining claims under this section.
- (8) Neither the representative partner nor the Board shall be entitled to require a case to be stated under section 56 of this Act otherwise than on a point of law arising in connection with the computation of profits.
- (9) In this section—
- “filing date” has the same meaning as in section 12AC of this Act;
 - “profits” has the same meaning as in section 33 of this Act;
 - “relevant partner” means a person who was a partner at any time during the period in respect of which the partnership statement was made.
- (10) Any reference in this section to the representative partner includes, unless the context otherwise requires, a reference to any successor of his.”

Time limits for assessments

- 10 In subsection (1) of section 34 of the Management Act (ordinary time limit of six years), for the words from “six years” to the end there shall be substituted the words—
- “(a) in the case of an assessment to income tax or capital gains tax, five years after the 31st January next following the year of assessment to which it relates; and
 - (b) in the case of an assessment to corporation tax, six years after the end of the accounting period to which it relates.”
- 11 (1) In subsection (1) of section 36 of the Management Act (fraudulent or negligent conduct), for the words from “twenty years” to the end there shall be substituted the words—
- “(a) in the case of an assessment to income tax or capital gains tax, twenty years after the 31st January next following the year of assessment to which it relates; and
 - (b) in the case of an assessment to corporation tax, twenty-one years after the end of the accounting period to which it relates.”
- (2) For subsection (2) of that section there shall be substituted the following subsection—
- “(2) Where the person in default carried on a trade, profession or business with one or more other persons at any time in the period for which the assessment is made, an assessment in respect of the profits or gains of the trade,

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profession or business for the purpose mentioned in subsection (1) above may be made not only on the person in default but also on his partner or any of his partners.”

- 12 In subsections (1) and (2) of section 40 of the Management Act (assessments on personal representatives), for the words “the third year next following the year of assessment” there shall be substituted the words “ the period of three years beginning with the 31st January next following the year of assessment ”.

Claims etc.

- 13 For section 42 of the Management Act there shall be substituted the following section—

“42 Procedure for making claims etc.

- (1) Where any provision of the Taxes Acts provides for relief to be given, or any other thing to be done, on the making of a claim, this section shall, unless otherwise provided, have effect in relation to the claim.
- (2) Subject to subsection (3) below, where notice has been given under section 8, 8A, 11 or 12AA of this Act, a claim shall not at any time be made otherwise than by being included in a return under that section if it could, at that or any subsequent time, be made by being so included.
- (3) Subsection (2) above shall not apply in relation to any claim which falls to be taken into account in the making of deductions or repayments of tax under section 203 of the principal Act.
- (4) A claim made by a company for payment of a tax credit shall be made by being included in a return under section 11 of this Act.
- (5) The references in subsections (2) and (4) above to a claim being included in a return include references to a claim being so included by virtue of an amendment of the return; and the reference in subsection (4) above to a claim for payment includes a reference to a claim resulting in payment.
- (6) In the case of a trade, profession or business carried on by persons in partnership, a claim under any of the provisions mentioned in subsection (7) below shall be made—
 - (a) where subsection (2) above applies, by being included in a return under section 12AA of this Act, and
 - (b) in any other case, by such one of those persons as may be nominated by them for the purpose.
- (7) The provisions are—
 - (a) sections 84, 91B, 101(2), 120(2), 401, 471, 472, 484, 504, 531, 534, 535, 537A, 538, 570, 571(4), 579(4), 723(3), 732(4), 810 of, and paragraphs 2, 6 and 11 of Schedule 5 to, the principal Act;
 - (b) section 43(5) of the Finance Act 1989;
 - (c) sections 1, 11, 17, 22, 23, 24, 25, 30, 31, 33, 37, 48, 49, 53, 55, 68(5), 68(9), 77, 78, 124A, 129(2), 140(3), 141 and 158 of the Capital Allowances Act 1990; and
 - (d) sections 41 and 42 of the Finance (No. 2) Act 1992.

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- (8) A claim may be made on behalf of an incapacitated person by his trustee, guardian, tutor or curator; and a person who under Part VIII of this Act has been charged with tax on the profits of another person may make any such claim for relief by discharge or repayment of that tax.
- (9) Where a claim has been made (whether by being included in a return under section 8, 8A, 11 or 12AA of this Act or otherwise) and the claimant subsequently discovers that an error or mistake has been made in the claim, the claimant may make a supplementary claim within the time allowed for making the original claim.
- (10) This section shall apply in relation to any elections and notices as it applies in relation to claims.
- (11) Schedule 1A to this Act shall apply as respects any claim, election or notice which—
- (a) is made otherwise than by being included in a return under section 8, 8A, 11 or 12AA of this Act, and
 - (b) does not fall to be taken into account in the making of deductions or repayments of tax under section 203 of the principal Act.
- (12) Schedule 2 to this Act shall have effect as respects the Commissioners to whom an appeal lies under Schedule 1A to this Act.
- (13) In this section “profits”—
- (a) in relation to income tax, means income,
 - (b) in relation to capital gains tax, means chargeable gains, and
 - (c) in relation to corporation tax, means profits as computed for the purposes of that tax.”
- 14 In subsection (1) of section 43 of the Management Act (time limit for making claims), for the words from “within six years” to the end there shall be substituted the words—
- “(a) in the case of a claim with respect to income tax or capital gains tax, within five years from the 31st January next following the year of assessment to which it relates; and
 - (b) in the case of a claim with respect to corporation tax, within six years from the end of the accounting period to which it relates.”
- 15 (1) In subsection (1) of section 43A of the Management Act (further assessments: claims etc.), for the words “section 29(3) of this Act” there shall be substituted the words “ section 29 of this Act ”.
- (2) This paragraph, so far as it relates to partnerships whose trades, professions or businesses are set up and commenced before 6th April 1994, has effect as respects the year 1997-98 and subsequent years of assessment.

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Determination of Commissioners

- 16 In subsection (2) of section 46 of the Management Act (determination of Commissioners), after the words “Save as otherwise provided in the Taxes Acts” there shall be inserted the words “ and in particular save as provided by section 29 of this Act ”.

Procedure on appeal

- 17 (1) For subsections (6) and (7) of section 50 of the Management Act (procedure on appeal) there shall be substituted the following subsections—

“(6) If, on an appeal, it appears to the majority of the Commissioners present at the hearing, by examination of the appellant on oath or affirmation, or by other lawful evidence—

- (a) that, by reason of an amendment under section 28A(2) or (4) of this Act, the appellant is overcharged by a self-assessment;
- (b) that, by reason of an amendment under section 28B(3) or 30B(1) of this Act, any amounts contained in a partnership statement are excessive; or
- (c) that the appellant is overcharged by an assessment other than a self-assessment,

the assessment or amounts shall be reduced accordingly, but otherwise the assessment or statement shall stand good.

(7) If, on an appeal, it appears to the Commissioners—

- (a) that the appellant is undercharged to tax by a self-assessment which has been amended under section 28A(2) or (4) of this Act;
- (b) that any amounts contained in a partnership statement which has been amended under section 28B(3) or 30B(1) of this Act are insufficient; or
- (c) that the appellant is undercharged by an assessment other than a self-assessment,

the assessment or amounts shall be increased accordingly.”

- (2) In subsection (8) of that section, after the words “an assessment” there shall be inserted the words “ (other than a self-assessment) ”.

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

“(9) Where any amounts contained in a partnership statement are reduced under subsection (6) above or increased under subsection (7) above, an officer of the Board shall by notice to the partners so amend their self-assessments under section 9 or 11AA of this Act as to give effect to the reductions or increases of those amounts.”

Postponement of tax pending appeal

- 18 (1) For subsection (1) of section 55 of the Management Act there shall be substituted the following subsection—

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“(1) This section applies to an appeal to the Commissioners against—

- (a) an amendment made under section 28A(2) or (4) of this Act of a self-assessment,
- (b) an assessment to tax made under section 29 of this Act,
- (c) an assessment to income tax made under Schedule 16 to the principal Act (income tax on company payments) other than an assessment charging tax the time for the payment of which is given by paragraph 4(1) or 9 of that Schedule, or
- (d) a notice under subsection (1) or (3) of section 753 of that Act where, before the appeal is determined, the appellant is assessed to tax under section 747(4)(a) of that Act by reference to an amount of chargeable profits specified in that notice.”

(2) In the following provisions of that section, for the word “assessment”, in each place where it occurs, there shall be substituted the words “ amendment or assessment ”.

Collection and recovery

19 (1) In subsection (1) of section 65 of the Management Act (magistrates’ courts), for paragraphs (a) and (b) and the words “the tax” immediately following those paragraphs there shall be substituted the words “the amount of—

- (a) any payment on account for the time being due and payable under section 59A of this Act, or
- (b) any income tax and capital gains tax for the time being due and payable under any assessment (whether under section 9 of this Act or otherwise),

does not exceed £2,000, the payment or tax ”.

(2) In subsection (3) of that section, for the words “any tax charged under Schedule E” there shall be substituted the following paragraphs—

- “(a) any such payment as is mentioned in subsection (1)(a) above, or
- (b) any income tax for the time being due and payable under any assessment under section 9 of this Act.”.

20 In section 69 of the Management Act (collection of interest on tax)—

- (a) for the words “Interest charged under Part IX of this Act” there shall be substituted the words “ A penalty imposed under Part II, VA or X of this Act, a surcharge imposed under Part VA of this Act and interest charged under Part IX of this Act ”; and
- (b) for the words “if it is interest on tax” there shall be substituted the words “ if it is a penalty or surcharge imposed in respect of, or if it is interest on, tax ”.

21 (1) In subsection (2) of section 70 of the Management Act (evidence), for the words “that interest is payable” to “ another collector ” there shall be substituted the words—

- “(a) that a penalty is payable under Part II, VA or X of this Act, that a surcharge is payable under Part VA of this Act or that interest is payable under Part IX of this Act, and

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- (b) that payment of the penalty, surcharge or interest has not been made to him or, to the best of his knowledge and belief, to any other collector or to any person acting on his behalf or on behalf of another collector.”.
- (2) Subsection (3) of that section shall cease to have effect.
- 22 (1) After section 70 of the Management Act there shall be inserted the following section—

“70A Payments by cheque.

- (1) For the purposes of this Act and the provisions mentioned in subsection (2) below, where—
- (a) any payment to an officer of the Board or the Board is made by cheque, and
- (b) the cheque is paid on its first presentation to the banker on whom it is drawn,
- the payment shall be treated as made on the day on which the cheque was received by the officer or the Board.
- (2) The provisions are—
- (a) sections 824 to 826 of the principal Act (repayment supplements and interest on tax overpaid); and
- (b) section 283 of the 1992 Act (repayment supplements).”
- (2) This paragraph has effect as respects cheques received on or after 6th April 1996.

Interest on overdue tax or tax recovered

- 23 (1) For section 86 of the Management Act there shall be substituted the following section—

“86 Interest on overdue income tax and capital gains tax.

- (1) The following, namely—
- (a) any amount on account of income tax which on any date becomes due and payable in accordance with section 59A of this Act, and
- (b) any income tax or capital gains tax which on any date becomes due and payable in accordance with section 59B(3) or (4) of this Act,
- shall carry interest at the rate applicable under section 178 of the Finance Act 1989 from that date until payment.
- (2) Any income tax or capital gains tax which becomes due and payable in accordance with section 55 or section 59B(5) or (6) of this Act shall carry interest at the rate applicable under section 178 of the Finance Act 1989 from the relevant date until payment; and in this subsection “the relevant date” means the date mentioned in section 59B(3) or (4) of this Act.
- (3) Subsections (1) and (2) above apply even if the date there mentioned is a non-business day within the meaning of section 93 of the Bills of Exchange Act 1882.

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- (4) Where as regards a year of assessment—
- (a) any person makes a claim under subsection (3) or (4) of section 59A of this Act in respect of both of the amounts (the section 59A amounts) payable by him in accordance with that section, and
 - (b) an amount (the section 59B amount) becomes payable by him in accordance with section 59B of this Act, or would become so payable but for one or more payments on account made otherwise than under section 59A of this Act,
- interest shall be payable under this section as if each of the section 59A amounts had been equal to the aggregate of that amount and 50 per cent. of the section 59B amount, or the amount given by section 59A(2) of this Act, whichever is the less.
- (5) Where subsection (4) above applies as regards a year of assessment, so much (if any) of 50 per cent. of the section 59B amount as does not affect the amount of interest payable on either of the section 59A amounts shall be added to 50 per cent. of the section 59B amount for the purpose of determining the amount of interest payable on the other of those amounts.
- (6) Where as regards a year of assessment—
- (a) any person makes a claim under subsection (3) or (4) of section 59A of this Act in respect of one of the amounts (the section 59A amount) payable by him in accordance with that section, and
 - (b) an amount (the section 59B amount) becomes payable by him in accordance with section 59B of this Act, or would become so payable but for one or more payments on account made otherwise than under section 59A of this Act,
- interest shall be payable under this section as if the section 59A amount had been equal to the aggregate of that amount and the section 59B amount, or the amount given by section 59A(2) of this Act, whichever is the less.
- (7) Where as regards a year of assessment—
- (a) two amounts (the section 59A amounts) become payable by any person in accordance with section 59A of this Act, and
 - (b) an amount (the section 59B amount) subsequently becomes repayable to him in accordance with section 59B of this Act,
- so much of any interest payable under this section on either of the section 59A amounts as is not attributable to the amount (if any) by which that amount exceeds 50 per cent. of the section 59B amount shall be remitted.
- (8) Where subsection (7) above applies, so much (if any) of 50 per cent. of the section 59B amount as does not affect the amount of interest remittable as respects either of the 59A amounts shall be added to 50 per cent. of the section 59B amount for the purpose of determining the amount of interest remittable as respects the other of those amounts.
- (9) Where as regards a year of assessment—
- (a) a single amount (the section 59A amount) becomes payable by any person in accordance with section 59A of this Act, and
 - (b) an amount (the section 59B amount) subsequently becomes repayable to him in accordance with section 59B of this Act,

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so much of any interest payable under this section on the section 59A amount as is not attributable to the amount (if any) by which that amount exceeds the section 59B amount shall be remitted.

(10) In determining for the purposes of subsections (4) to (9) above the amount which is payable by or repayable to any person in accordance with section 59B of this Act, no account shall be taken of any amount which is payable by him by way of capital gains tax.”

(2) This paragraph, so far as it relates to partnerships whose trades, professions or businesses are set up and commenced before 6th April 1994, has effect as respects the year 1997-98 and subsequent years of assessment.

24 In subsection (1) of section 87A of the Management Act (interest on overdue corporation tax etc.), for the words “section 10 of the principal Act” there shall be substituted the words “ section 59D of this Act ”.

Penalties

25 For section 93 of the Management Act there shall be substituted the following section—

“93 Failure to make return for income tax and capital gains tax.

(1) This section applies where—

- (a) any person (the taxpayer) has been required by a notice served under or for the purposes of section 8 or 8A of this Act (or either of those sections as extended by section 12 of this Act) to deliver any return, and
- (b) he fails to comply with the notice.

(2) The taxpayer shall be liable to a penalty which shall be £100.

(3) If, on an application made to them by an officer of the Board, the General or Special Commissioners so direct, the taxpayer shall be liable to a further penalty or penalties not exceeding £60 for each day on which the failure continues after the day on which he is notified of the direction (but excluding any day for which a penalty under this subsection has already been imposed).

(4) If—

- (a) the failure by the taxpayer to comply with the notice continues after the end of the period of six months beginning with the filing date, and
- (b) no application is made under subsection (3) above before the end of that period,

the taxpayer shall be liable to a further penalty which shall be £100.

(5) Without prejudice to any penalties under subsections (2) to (4) above, if—

- (a) the failure by the taxpayer to comply with the notice continues after the anniversary of the filing date, and
- (b) there would have been a liability to tax shown in the return,

the taxpayer shall be liable to a penalty of an amount not exceeding the liability to tax which would have been so shown.

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- (6) No penalty shall be imposed under subsection (3) above in respect of a failure at any time after the failure has been remedied.
- (7) If the taxpayer proves that the liability to tax shown in the return would not have exceeded a particular amount, the penalty under subsection (2) above, together with any penalty under subsection (4) above, shall not exceed that amount.
- (8) On an appeal against the determination under section 100 of this Act of a penalty under subsection (2) or (4) above, neither section 50(6) to (8) nor section 100B(2) of this Act shall apply but the Commissioners may—
 - (a) if it appears to them that, throughout the period of default, the taxpayer had a reasonable excuse for not delivering the return, set the determination aside; or
 - (b) if it does not so appear to them, confirm the determination.
- (9) References in this section to a liability to tax which would have been shown in the return are references to an amount which, if a proper return had been delivered on the filing date, would have been payable by the taxpayer under section 59B of this Act for the year of assessment.
- (10) In this section—

“the filing date” means the day mentioned in section 8(1A) or, as the case may be, section 8A(1A) of this Act;

“the period of default”, in relation to any failure to deliver a return, means the period beginning with the filing date and ending with the day before that on which the return was delivered.”

26 After section 93 of the Management Act there shall be inserted the following section—

“93A Failure to make partnership return.

- (1) This section applies where, in the case of a trade, profession or business carried on by two or more persons in partnership—
 - (a) a partner (the representative partner) has been required by a notice served under or for the purposes of section 12AA(2) or (3) of this Act to deliver any return, and
 - (b) he fails to comply with the notice.
- (2) Each relevant partner shall be liable to a penalty which shall be £100.
- (3) If, on an application made to them by an officer of the Board, the General or Special Commissioners so direct, each relevant partner shall be liable, for each day on which the failure continues after the day on which the representative partner is notified of the direction (but excluding any day for which a penalty under this subsection has already been imposed), to a further penalty or penalties not exceeding £60.
- (4) If—
 - (a) the failure by the representative partner to comply with the notice continues after the end of the period of six months beginning with the filing date, and

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- (b) no application is made under subsection (3) above before the end of that period,
each relevant partner shall be liable to a further penalty which shall be £100.
- (5) No penalty shall be imposed under subsection (3) above in respect of a failure at any time after the failure has been remedied.
- (6) Where, in respect of the same failure to comply, penalties under subsection (2), (3) or (4) above are determined under section 100 of this Act as regards two or more relevant partners—
- (a) no appeal against the determination of any of those penalties shall be brought otherwise than by the representative partner;
 - (b) any appeal by that partner shall be a composite appeal against the determination of each of those penalties; and
 - (c) section 100B(3) of this Act shall apply as if that partner were the person liable to each of those penalties.
- (7) On an appeal against a determination under section 100 of this Act of a penalty under subsection (2) or (4) above, neither section 50(6) to (8) nor section 100B(2) of this Act shall apply but the Commissioners may—
- (a) if it appears to them that, throughout the period of default, the representative partner had a reasonable excuse for not delivering the return, set the determination aside; or
 - (b) if it does not so appear to them, confirm the determination.
- (8) In this section—
- “the filing date” means the day specified in the notice under section 12AA(2) or (3) of this Act;
- “the period of default”, in relation to any failure to deliver a return, means the period beginning with the filing date and ending with the day before that on which the return was delivered;
- “relevant partner” means a person who was a partner at any time during the period in respect of which the return was required.”
- 27 (1) In subsection (1) of section 95 of the Management Act (incorrect return or accounts for income tax or capital gains tax), for the words “section 8 or 8A or 9 of this Act (or any of those sections)” there shall be substituted the words “ section 8 or 8A of this Act (or either of those sections) ”.
- (2) In subsection (3) of that section, the words from “and the references” to the end shall cease to have effect.
- 28 After section 95 of the Management Act there shall be inserted the following section—

“95A Incorrect partnership return or accounts.

- (1) This section applies where, in the case of a trade, profession or business carried on by two or more persons in partnership—
- (a) a partner (the representative partner)—
 - (i) delivers an incorrect return of a kind mentioned in section 12AA of this Act, or

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- (ii) makes any incorrect statement or declaration in connection with such a return, or
 - (iii) submits to an officer of the Board any incorrect accounts in connection with such a return, and
 - (b) either he does so fraudulently or negligently, or his doing so is attributable to fraudulent or negligent conduct on the part of a relevant partner.
 - (2) Each relevant partner shall be liable to a penalty not exceeding the difference between—
 - (a) the amount of income tax or corporation tax payable by him for the relevant period (including any amount of income tax deducted at source and not repayable), and
 - (b) the amount which would have been the amount so payable if the return, statement, declaration or accounts made or submitted by the representative partner had been correct;and in determining each such penalty, regard shall be had only to the fraud or negligence, or the fraudulent or negligent conduct, mentioned in subsection (1(b) above.
 - (3) Where, in respect of the same return, statement, declaration or accounts, penalties under subsection (2) above are determined under section 100 of this Act as regards two or more relevant partners—
 - (a) no appeal against the determination of any of those penalties shall be brought otherwise than by the representative partner;
 - (b) any appeal by that partner shall be a composite appeal against the determination of each of those penalties; and
 - (c) section 100B(3) of this Act shall apply as if that partner were the person liable to each of those penalties.
 - (4) In this section—
 - “relevant partner” means a person who was a partner at any time during the relevant period;
 - “relevant period” means the period in respect of which the return was made.”
- 29 After section 97 of the Management Act there shall be inserted the following section—

“97AA Failure to produce documents under section 19A.

- (1) Where a person fails to comply with a notice or requirement under section 19A(2) or (3) of this Act, he shall be liable, subject to subsection (4) below—
 - (a) to a penalty which shall be £50, and
 - (b) if the failure continues after a penalty is imposed under paragraph (a) above, to a further penalty or penalties not exceeding the relevant amount for each day on which the failure continues after the day on which the penalty under that paragraph was imposed (but excluding any day for which a penalty under this paragraph has already been imposed).

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- (2) In subsection (1)(b) above “the relevant amount” means—
- (a) in the case of a determination of a penalty by an officer of the Board under section 100 of this Act, £30;
 - (b) in the case of a determination of a penalty by the Commissioners under section 100C of this Act, £150.
- (3) An officer of the Board authorised by the Board for the purposes of section 100C of this Act may commence proceedings under that section for any penalty under subsection (1)(b) above, notwithstanding that it is not a penalty to which subsection (1) of section 100 of this Act does not apply by virtue of subsection (2) of that section.
- (4) No penalty shall be imposed under subsection (1) above in respect of a failure within that subsection at any time after the failure has been remedied.”
- 30 (1) For subsection (2) of section 98B of the Management Act (European Economic Interest Groupings) there shall be substituted the following subsections—
- “(2) Subsections (2A) to (4) below apply where a grouping or member of a grouping required by a notice given under section 12A of this Act to deliver a return or other document fails to comply with the notice.
- (2A) The grouping or member shall be liable to a penalty not exceeding £300 multiplied by the number of members of the grouping at the time of the failure to comply.
- (2B) If, on an application made to them by an officer of the Board, the General or Special Commissioners so direct, the grouping or member shall be liable, for each day on which the failure continues after the day on which the grouping or member is notified of the direction (but excluding any day for which a penalty under this subsection has already been imposed), to a further penalty or penalties not exceeding £60 multiplied by the number of members of the grouping at the end of that day.”
- (2) In subsection (3) of that section, for the words “subsection (2)” there shall be substituted the words “ subsection (2A) or (2B) ”.
- (3) In subsection (4) of that section, for the words “subsection (2)” there shall be substituted the words “ subsections (2A) and (2B) ”.
- 31 (1) In subsection (1) of section 100B of the Management Act (appeals against penalty determinations), after the words “subject to” there shall be inserted the words “ sections 93, 93A and 95A of this Act ”.
- (2) At the beginning of subsection (2) of that section there shall be inserted the words “ Subject to sections 93(8) and 93A(7) of this Act ”.
- 32 In subsection (2) of section 103 of the Management Act (time limit for penalties), for the words “the end of the chargeable period” there shall be substituted the words “ the 31st January next following the chargeable period ”.
- 33 After section 103 of the Management Act there shall be inserted the following section—

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“103A Interest on penalties.

A penalty under any of the provisions of Part II or VA or this Part of this Act shall carry interest at the rate applicable under section 178 of the Finance Act 1989 from the date on which it becomes due and payable until payment.”

Interpretation

- 34 (1) In subsection (1) of section 118 of the Management Act (interpretation), after the definition of “return” there shall be inserted the following definitions—

““successor”, in relation to a person who has made and delivered a return under section 12AA of this Act, and “predecessor” and “successor”, in relation to the successor of such a person, shall be construed in accordance with section 12AC(6) of this Act;”.

- (2) Subsection (3) of that section (effect of assessments in partnership name) shall cease to have effect.
- (3) Sub-paragraph (2) above, so far as it relates to partnerships whose trades, professions or businesses are set up and commenced before 6th April 1994, has effect as respects the year 1997-98 and subsequent years of assessment.

Claims etc. not included in returns

- 35 After Schedule 1 to the Management Act there shall be inserted the following Schedule—

“SCHEDULE 1A **U.K.**

CLAIMS ETC. NOT INCLUDED IN RETURNS

Preliminary

- 1 In this Schedule—

“claim” means a claim, election or notice as respects which this Schedule applies;

“partnership claim” means a claim made in accordance with section 42(6)(b) of this Act;

“profits” has the same meaning as in section 42 of this Act;

“relevant partner”, in relation to a partnership claim, means any person who was a partner at any time during the period in respect of which the claim is made;

“successor”, in relation to a person who—

- (a) has made a partnership claim, but
(b) is no longer a partner or is otherwise no longer available,

means such other partner who may at any time be nominated for the purposes of this paragraph by the majority of the partners at that

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time, and “predecessor” and “successor”, in relation to a person so nominated, shall be construed accordingly.

Making of claims

- 2 (1) Subject to any provision in the Taxes Acts for a claim to be made to the Board, every claim shall be made to an officer of the Board.
- (2) No claim requiring the repayment of tax shall be made unless the claimant has documentary proof that the tax has been paid by deduction or otherwise.
- (3) A claim shall be made in such form as the Board may determine.
- (4) The form of claim shall provide for a declaration to the effect that all the particulars given in the form are correctly stated to the best of the information and belief of the person making the claim.
- (5) The form of claim may require—
 - (a) a statement of the amount of tax which will be required to be discharged or repaid in order to give effect to the claim;
 - (b) a return of profits to be made in support of the claim; and
 - (c) any such particulars of assets acquired as may be required in a return by virtue of section 12 of this Act.
- (6) In the case of a claim made by or on behalf of a person who is not resident, or who claims to be not resident or not ordinarily resident or not domiciled, in the United Kingdom, an officer of the Board or the Board may require a statement or declaration in support of the claim to be made by affidavit.

Amendments of claims

- 3 (1) Subject to sub-paragraph (2) below—
 - (a) at any time before the end of the period of nine months beginning with the day on which a claim is made, an officer of the Board may by notice to the claimant so amend the claim as to correct any obvious errors or mistakes in the return (whether errors of principle, arithmetical mistakes or otherwise); and
 - (b) at any time before the end of the period of twelve months beginning with the day on which the claim is made, the claimant may amend his claim by notice to an officer of the Board.
- (2) No amendment of a claim may be made under sub-paragraph (1) above at any time during the period—
 - (a) beginning with the day on which an officer of the Board gives notice of his intention to enquire into the claim, and
 - (b) ending with the day on which the officer’s enquiries into the claim are completed.

Giving effect to claims and amendments

- 4 (1) An officer of the Board or the Board shall, as soon as practicable after a claim other than a partnership claim is made, or such a claim is amended under paragraph 3 above, give effect to the claim or amendment by discharge or repayment of tax.

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- (2) An officer of the Board or the Board shall, as soon as practicable after a partnership claim is made, or such a claim is amended under paragraph 3 above, give effect to the claim or amendment, as respects each of the relevant partners, by discharge or repayment of tax.

Power to enquire into claims

- 5 (1) An officer of the Board may enquire into—
- (a) a claim made by any person, or
 - (b) any amendment made by any person of a claim made by him,
- if, before the end of the period mentioned in sub-paragraph (2) below, he gives notice in writing of his intention to do so to that person or, in the case of a partnership claim, any successor of that person.
- (2) The period referred to in sub-paragraph (1) above is the period ending with the quarter day next following the first anniversary of the day on which the claim or amendment was made; and the quarter days for the purposes of this subsection are 31st January, 30th April, 31st July and 31st October.
- (3) A claim or amendment which has been enquired into under sub-paragraph (1) above shall not be the subject of a further notice under that sub-paragraph.

Power to call for documents for purposes of enquiries

- 6 (1) This paragraph applies where an officer of the Board gives notice under paragraph 5 above to any person (the claimant) of his intention to enquire into—
- (a) a claim made by the claimant, or
 - (b) any amendment made by the claimant of such a claim.
- (2) For the purpose of enquiring into the claim or amendment, the officer may at the same or any subsequent time by notice in writing require the claimant, within such time (which shall not be less than 30 days) as may be specified in the notice—
- (a) to produce to the officer such documents as are in the claimant's possession or power and as the officer may reasonably require for the purpose of determining whether and, if so, the extent to which the claim or amendment is incorrect, and
 - (b) to furnish the officer with such accounts or particulars as he may reasonably require for that purpose.
- (3) Subsections (3) to (11) of section 19A of this Act apply for the purposes of this paragraph as they apply for the purposes of that section; and those subsections as so applied shall have effect as if any reference to subsection (2) of that section were a reference to sub-paragraph (2) above.
- (4) Where this paragraph applies in relation to a partnership claim, any reference in this paragraph to the claimant includes a reference to any predecessor or successor of his.

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Amendments of claims where enquiries made

- 7 (1) This paragraph applies where an officer of the Board gives notice under paragraph 5(1) above to any person (the claimant) of his intention to enquire into—
- (a) a claim made by the claimant, or
 - (b) any amendment made by the claimant of such a claim.
- (2) At any time in the period of 30 days beginning with the day on which the officer's enquiries are completed, the claimant may so amend his claim—
- (a) as to eliminate or make good any excess or deficiency which, on the basis of the conclusions stated in the officer's notice under sub-paragraph (4) below, is an excess or deficiency which could be made good or eliminated under sub-paragraph (3) below; or
 - (b) as to give effect to any amendments to the claim which he has notified to the officer.
- (3) If, at any time in the period of 30 days beginning immediately after the period mentioned in sub-paragraph (2) above, the officer is of opinion that—
- (a) the claimant's claim is excessive or insufficient, and
 - (b) in a case falling within sub-paragraph (1)(b) above, the excess or deficiency is attributable (wholly or partly) to the claimant's amendment,
- the officer may by notice to the claimant so amend the claim as to eliminate or make good the excess or deficiency or, where paragraph (b) above applies, so much of the excess or deficiency as is so attributable.
- (4) Subject to sub-paragraph (5) below, the officer's enquiries shall be treated as completed at such time as he by notice—
- (a) informs the claimant that he has completed his enquiries, and
 - (b) states his conclusions as to the amount which should be the amount of the claimant's claim.
- (5) Subsections (6) and (7) of section 28A of this Act apply for the purposes of sub-paragraph (4) above as they apply for the purposes of subsection (5) of that section.
- (6) Where this paragraph applies in relation to a partnership claim, any reference in this paragraph to the claimant includes a reference to any predecessor or successor of his.

Giving effect to such amendments

- 8 (1) An officer of the Board or the Board shall, within 30 days of a claim other than a partnership claim being amended under paragraph 7(2) or (3) above, give effect to the amendment by making such adjustment as may be necessary, whether—
- (a) by way of assessment on the claimant, or
 - (b) by discharge of tax or, on proof to the satisfaction of the officer or the Board that any tax has been paid by the claimant by deduction or otherwise, by repayment of tax.

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- (2) An officer of the Board or the Board shall, within 30 days of a partnership claim being amended under paragraph 7(2) or (3) above, give effect to the amendment, as respects each of the relevant partners, by making such adjustment as may be necessary, whether—
 - (a) by way of assessment on the partner, or
 - (b) by discharge of tax or, on proof to the satisfaction of the officer or the Board that any tax has been paid by the partner by deduction or otherwise, by repayment of tax.
- (3) An assessment made under sub-paragraph (1) or (2) above shall not be out of time if it is made within the time mentioned in that sub-paragraph.

Appeals against such amendments

- 9 (1) An appeal may be brought against an amendment made under paragraph 7(3) above by giving written notice to the officer within 30 days of the amendment being made.
 - (2) Where, in the case of such an appeal, the issues arising include—
 - (a) any question arising under section 278 of the principal Act (personal reliefs for non-residents);
 - (b) any question of residence, ordinary residence or domicile; or
 - (c) the question whether a fund is one to which section 615(3) of that Act applies (pension funds for service abroad),the time for bringing the appeal shall be three months from the making of the amendment under paragraph 7(3) above.
 - (3) On an appeal under this paragraph, the Commissioners may vary the amendment appealed against whether or not the variation is to the advantage of the appellant.
 - (4) Where an amendment made under paragraph 7(3) above is varied, whether by the Commissioners or by the order of any court, paragraph 8 above shall (with the necessary modifications) apply in relation to the variation as it applied in relation to the amendment.”

- 36 (1) In paragraph 1 of Schedule 2 to the Management Act (jurisdiction in appeals on claims)—
 - (a) in sub-paragraph (1), for the words “the decision of an inspector on a claim” there shall be substituted the words “ an amendment of a claim ”; and
 - (b) in sub-paragraphs (1A) and (1B), for the words “the inspector or other officer of the Board” there shall be substituted the words “ the officer of the Board ”.
- (2) In paragraph 2 of that Schedule, for the words “from a decision of an inspector on a claim”, in both places where they occur, there shall be substituted the words “ against an amendment of a claim ”.
- (3) For paragraph 3 of that Schedule there shall be substituted the following paragraph—

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Supplemental

- “3 Any reference in this Schedule to an amendment of a claim is a reference to such an amendment made under paragraph 6(3) of Schedule 1A to this Act.”

PART II U.K.

AMENDMENTS OF TAXES ACT 1988

Time limits for claims under section 96

- 37 (1) In subsection (8) of section 96 of the Taxes Act 1988 (farming and market gardening: relief for fluctuating profits)—
- (a) for the words “two years after the end of” there shall be substituted the words “twelve months from the 31st January next following”; and
 - (b) for the words “before the end of” there shall be substituted the words “before the 31st January next following”.
- (2) This paragraph has effect where the first of the two years of assessment to which the claim relates is the year 1996-97 or any subsequent year.

Interest on Schedule E tax

- 38 In subsection (2)(dd) of section 203 of the Taxes Act 1988 (PAYE), the words from “(being not less” to “due)” shall cease to have effect.

Time limits for claims under sections 534 and 537A

- 39 In subsection (5) of section 534 of the Taxes Act 1988 (relief for copyright payments etc.), for the words from “and such a claim” to the end there shall be substituted the words “and such a claim may be made at any time not later than seven years from the 31st January next following the year of assessment in which the work’s first publication occurs.”
- 40 In subsection (5) of section 537A of the Taxes Act 1988 (relief for payments in respect of designs), for the words from “and such a claim” to “eight years after” there shall be substituted the words “and such a claim may be made at any time not later than seven years from the 31st January next following the year of assessment in which”.

Repayment supplements: income tax

- 41 (1) For subsection (1) of section 824 of the Taxes Act 1988 (repayment supplements: individuals and others) there shall be substituted the following subsection—
- “(1) Subject to the following provisions of this section, a repayment made by the Board or an officer of the Board of any of the following, namely—
- (a) an amount paid on account of income tax under section 59A of the Management Act;

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- (b) any income tax paid by or on behalf of an individual for a year of assessment;
- (c) a surcharge imposed under section 59C of that Act; and
- (d) a penalty incurred by an individual under any of the provisions of that Act,

shall be increased under this section by an amount (a “repayment supplement”) equal to interest on the amount repaid at the rate applicable under section 178 of the Finance Act 1989 for the period (if any) between the relevant time and the date on which the order for the repayment is issued.”

- (2) For subsection (3) of that section there shall be substituted the following subsection—

“(3) For the purposes of subsection (1) above—

- (a) if the repayment is of an amount paid on account of income tax, the relevant time is either the date on which the amount became due and payable in accordance with section 59A of the Management Act or, if later, the date on which the amount was paid;
- (b) if the repayment is of income tax, the relevant time is either the 31st January next following the year of assessment for which the tax was charged or, if later, the date on which the tax was paid; and
- (c) if the repayment is of a penalty or surcharge, the relevant time is either the date following the expiry of 30 days from the date on which the penalty or surcharge was incurred or imposed or, if later, the date on which the penalty or surcharge was paid.”

- (3) The following shall cease to have effect, namely—

- (a) subsection (5) of that section;
- (b) in subsection (9) of that section the words “a partnership” and the words “(within the meaning of section 111 of the Finance Act 1989)”; and
- (c) subsection (10) of that section.

- (4) This paragraph, so far as it relates to partnerships whose trades, professions or businesses are set up and commenced before 6th April 1994, has effect as respects the year 1997-98 and subsequent years of assessment.

Interest on tax overpaid

- 42 In subsection (2) of section 826 of the Taxes Act 1988 (interest on tax overpaid), for the words “section 10” there shall be substituted the words “ section 59D of the Management Act (payment of corporation tax) ”.

Time limits for elections under Schedule 5

- 43 (1) In sub-paragraph (3) of paragraph 2 of Schedule 5 to the Taxes Act 1988 (farming: election for the herd basis), for the words from “not later” to the end there shall be substituted the following paragraphs—
- “(a) in the case of an election by a person chargeable to income tax, not later than twelve months from the 31st January next following the qualifying year of assessment;

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- (b) in the case of an election on behalf of persons in partnership, not later than twelve months from the 31st January next following the year of assessment in which the qualifying period of account ends; and
 - (c) in the case of an election by a person chargeable to corporation tax, not later than two years from the end of the qualifying accounting period.”
- (2) In sub-paragraph (4) of that paragraph, for paragraphs (a) and (b) there shall be substituted the following paragraphs—
- “(a) in a case falling within sub-paragraph (3)(a) above, for the qualifying year of assessment and all subsequent years;
 - (b) in a case falling within sub-paragraph (3)(b) above, for the qualifying period of account and all subsequent periods of account; and
 - (c) in a case falling within sub-paragraph (3)(c) above, for the qualifying accounting period and all subsequent accounting periods.”
- (3) After that sub-paragraph there shall be inserted the following sub-paragraphs—
- “(5) Where, in a case falling within sub-paragraph (3)(a) above, the commencement year immediately precedes the qualifying year of assessment, sub-paragraph (4)(a) above shall have effect as if the reference to the qualifying year of assessment were a reference to the commencement year.
- (6) In this paragraph—
- “commencement year”, in relation to a person chargeable to income tax, means the year of assessment in which his trade is set up and commenced;
 - “period of account”, in relation to persons in partnership, means any period for which accounts are drawn up;
 - “qualifying accounting period”, in relation to a person chargeable to corporation tax, means the first accounting period during the whole or part of which it kept a production herd of the class in question;
 - “qualifying period of account”, in relation to persons in partnership, means the first period of account during the whole or part of which those persons kept such a herd;
 - “qualifying year of assessment”, in relation to a person chargeable to income tax, means the first year of assessment after the commencement year for which the amount of profits or gains or losses in respect of his farming is computed for tax purposes by reference to the facts of a period during the whole or part of which he kept such a herd.”
- (4) In paragraph 6 of that Schedule, for sub-paragraphs (2) to (4) there shall be substituted the following sub-paragraphs—
- “(2) An election for the herd basis made by virtue of sub-paragraph (1) above shall only be valid if made—

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- (a) in the case of an election by a person chargeable to income tax, not later than twelve months from the 31st January next following the qualifying year of assessment;
 - (b) in the case of an election on behalf of persons in partnership, not later than twelve months from the 31st January next following the year of assessment in which the qualifying period of account ends; and
 - (c) in the case of an election by a person chargeable to corporation tax, not later than two years from the end of the qualifying accounting period.
- (3) An election for the herd basis made by virtue of sub-paragraph (1) above shall, notwithstanding paragraph 2(4) above, have effect—
- (a) in a case falling within sub-paragraph (2)(a) above, for the qualifying year of assessment and all subsequent years;
 - (b) in a case falling within sub-paragraph (2)(b) above, for the qualifying period of account and all subsequent periods of account; and
 - (c) in a case falling within sub-paragraph (2)(c) above, for the qualifying accounting period and all subsequent accounting periods.
- (4) In this paragraph—
- “period of account”, in relation to persons in partnership, means any period for which accounts are drawn up;
 - “qualifying accounting period”, in relation to a person chargeable to corporation tax, means the first accounting period in which the compensation is relevant;
 - “qualifying period of account”, in relation to persons in partnership, means the first period of account in which the compensation is relevant;
 - “qualifying year of assessment”, in relation to a person chargeable to income tax, means the first year of assessment for which the amount of profits or gains or losses in respect of his farming falls to be computed for tax purposes by reference to the facts of a period in which the compensation is relevant.”

PART III U.K.

AMENDMENTS OF OTHER ENACTMENTS

Setting of rates of interest

- 44 In subsection (2)(f) of section 178 of the ^{M227}Finance Act 1989 (setting of rates of interest), for the words “sections 86, 86A, 87, 87A, and 88” there shall be substituted the words “ sections 59C, 86, 86A, 87, 87A, 88 and 103A ”.

Marginal Citations

M227 1989 c. 26.

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Class 4 contributions

- 45 In subsection (1) of section 16 of the ^{M228}Social Security Contributions and Benefits Act 1992 (application of Income Tax Acts to class 4 contributions), for paragraph (b) there shall be substituted the following paragraph—
- “(b) the provisions of Part VA (payment of tax) and Part X (penalties) of the Taxes Management Act 1970.”

Marginal Citations

M228 1992 c. 4.

Repayment supplements: capital gains tax

- 46 (1) In subsection (1) of section 283 of the ^{M229}Taxation of Chargeable Gains Act 1992 (repayment supplements)—
- (a) for the words from “for which” to “that year of assessment” there shall be substituted the words “ a repayment of that tax is made by the Board or an officer of the Board ”, and
- (b) for the words “the end of the tax month in which” there shall be substituted the words “ the date on which ”.
- (2) For subsection (2) of that section there shall be substituted the following subsection—
- “(2) For the purposes of subsection (1) above, the relevant time is either the 31st January next following the year of assessment for which the tax was payable or, if later, the date on which the tax was paid.”
- (3) In subsection (4) of that section, for the words from “partnership” to “section 701(9) of that Act)” there shall be substituted the words “ trust or ”.
- (4) Subsection (5) of that section shall cease to have effect.

Marginal Citations

M229 1992 c. 12.

Assessment under Cases I and II of Schedule D

- 1 (1) Subject to paragraph 3(2) below, this paragraph applies in the case of a trade, profession or vocation set up and commenced before 6th April 1994 and continuing after 5th April 1997.
- (2) The basis period for the year 1996-97 shall be as follows—

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- (a) where an accounting date falls within the year, the period of twelve months ending with that accounting date; and
 - (b) in any other case, the period of twelve months ending with 5th April 1997.
 - (3) Where the basis period for the year 1996-97 is given by paragraph (b) of subparagraph (2) above, section 62 of the Taxes Act 1988 shall have effect in relation to the accounting change by virtue of which that paragraph applies as if that change were made in the first year of assessment in which accounts are made up to the new date.
 - (4) In this paragraph “accounting date” and “the new date” have the same meanings as in section 62 of the Taxes Act 1988.
- 2
 - (1) Subject to paragraph 3(2) and (4) below, this paragraph applies in the case of a trade, profession or vocation set up and commenced before 6th April 1994 and continuing after 5th April 1997.
 - (2) Subject to subparagraph (3) below, sections 60 to 63A of the Taxes Act 1988 shall have effect in relation to the year 1996-97 as if they required income tax under Case I or II of Schedule D to be charged on the appropriate percentage of the aggregate of—
 - (a) the full amount of the profits or gains of the basis period for that year, and
 - (b) the full amount of the profits or gains of the relevant period.
 - (3) Where, in the case of the year 1995-96, the period on the profits or gains of which income tax is chargeable under Case I or II of Schedule D is that year, subparagraph (2) above shall have effect as if for the words from “the appropriate percentage” to the end there were substituted the words “the full amount of the profits or gains of that year”.
 - (4) Section 63A of the Taxes Act 1988 shall have effect as if the amount of profits or gains of the basis period for the year 1997-98 which arise before 6th April 1997 were an overlap profit for the purposes of that section.
 - (5) In this paragraph—

“the appropriate percentage” means the following expressed as a percentage, that is, 365 divided by the number of days in the basis period for the year 1996-97 and the relevant period taken together;

“the relevant period” means the period which—

 - (a) begins immediately after the end of the period on the profits or gains of which tax is chargeable for the year 1995-96, and
 - (b) ends immediately before the beginning of the basis period for the year 1996-97.
- 3
 - (1) In the case of a trade, profession or vocation set up and commenced before 6th April 1994 and ceasing before 6th April 1997, sections 60 to 63 of the Taxes Act 1988 shall have effect as if sections 200 to 205 of this Act had not been enacted.
 - (2) If, in the case of a trade, profession or vocation set up and commenced before 6th April 1994 and ceasing on or after 6th April 1997 but before 6th April 1998, an officer of the Board so directs—
 - (a) paragraphs 1 and 2 above shall not apply, and
 - (b) sections 60 to 63 of the Taxes Act 1988 shall have effect as if sections 200 to 205 of this Act had not been enacted.

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- (3) Sub-paragraph (4) below applies where, in the case of a trade, profession or vocation set up and commenced before 6th April 1994 and ceasing on or after 6th April 1998 but before 6th April 1999, the profits or gains arising in the year 1996-97 exceed—
- (a) the amount on which income tax has been charged for that year; or
 - (b) the amount on which income tax would have been charged for that year if no deduction or set-off under section 385 of the Taxes Act 1988 had been allowed.
- (4) Notwithstanding anything in sections 60 to 63A of the Taxes Act 1988, if an officer of the Board so directs, income tax for the year 1996-97 shall be charged instead, but subject to any deduction or set-off under section 385 of that Act, on the amount of the profits or gains arising in that year.
- (5) All such adjustments shall be made, whether by way of an assessment to tax or a reduction or discharge of such an assessment or otherwise, as may be necessary to give effect to a direction under sub-paragraph (2) or (4) above.

Modifications etc. (not altering text)

C33 Sch. 20 para. 3(2) restricted (31.7.1998) by 1998 c. 36, s. 56(5)(9)

Assessment under Case III of Schedule D

- 4 (1) Subject to sub-paragraph (3) below, this paragraph applies in the case of income which—
- (a) is from a source arising before 6th April 1994 and continuing after 5th April 1998, and
 - (b) is chargeable to tax under Case III of Schedule D.
- (2) Section 64 of the Taxes Act 1988 shall have effect in relation to the year 1996-97 as if it required income tax under Case III of Schedule D to be computed on 50 per cent. of the aggregate of—
- (a) the full amount of the income arising within that year; and
 - (b) the full amount of the income arising within the year 1995-96.
- (3) This paragraph does not apply if section 66(1)(c) of that Act applied in relation to the year 1995-96.

Modifications etc. (not altering text)

C34 Sch. 20 para. 4(2) modified (1.5.1995) by 1995 c. 4, s. 123, Sch. 22 paras. 9, 13
 Sch. 20 para. 4(2) modified (1.5.1995) by 1995 c. 4, s. 123, Sch. 22 paras. 10, 13

- 5 In the case of income which—
- (a) is from a source arising before 6th April 1994 and ceasing before 6th April 1998, and
 - (b) is chargeable to tax under Case III of Schedule D,
- sections 64, 66 and 67 of the Taxes Act 1988 shall have effect as if section 206 of this Act had not been enacted.

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Assessment under Cases IV and V of Schedule D

- 6 (1) This paragraph applies in the case of income which—
- (a) is from a source arising before 6th April 1994 and continuing after 5th April 1998, and
 - (b) is chargeable to tax under Case IV or V of Schedule D.
- (2) Subject to sub-paragraph (3) below, section 65 of the Taxes Act 1988 shall have effect in relation to the year 1996-97 as if—
- (a) subsection (1) required income tax chargeable under Case IV or V of Schedule D to be computed on 50 per cent. of the aggregate of—
 - (i) the full amount of the income arising within that year; and
 - (ii) the full amount of the income arising within the year 1995-96,subject (in either case) to the deductions and allowances there mentioned in the case of income not received in the United Kingdom;
 - (b) paragraph (a) of subsection (5) required income tax chargeable under Case IV of Schedule D to be computed on 50 per cent. of the aggregate of—
 - (i) the full amount, so far as it can be computed, of the sums received in the United Kingdom in that year; and
 - (ii) the full amount, so far as it can be computed, of the sums received in the United Kingdom in the year 1995-96,without (in either case) any deduction or abatement; and
 - (c) paragraph (b) of that subsection required income tax chargeable under Case V of Schedule D to be computed on 50 per cent. of the aggregate of—
 - (i) the full amount of the actual sums received in the United Kingdom in that year; and
 - (ii) the full amount of the actual sums received in the United Kingdom in the year 1995-96,without (in either case) any deduction or abatement other than as there mentioned.
- (3) Sub-paragraph (2) above does not apply if section 66(1)(c) of that Act applied in relation to the year 1995-96.
- (4) Section 63A of the Taxes Act 1988 (as applied by section 65(3) of that Act) shall have effect as if the amount of profits or gains of the basis period for the year 1997-98 which arise before 6th April 1997 were an overlap profit for the purposes of that section.

Modifications etc. (not altering text)

- C35** Sch. 20 para. 6(2)(a) modified (1.5.1995) by 1995 c. 4, s. 123, Sch. 22 paras. 6, 13, 14
Sch. 20 para. 6(2)(a) modified (1.5.1995) by 1995 c. 4, s. 123, Sch. 22 paras. 9, 13
Sch. 20 para. 6(2)(a) modified (1.5.1995) by 1995 c. 5, s. 123, Sch. 22 paras. 10, 13
- C36** Sch. 20 para. 6(4) modified (1.5.1995) by 1995 c. 4, s. 123, Sch. 22 paras. 7, 12, 13, 14

- 7 In the case of income which—
- (a) is from a source arising before 6th April 1994 and ceasing before 6th April 1998, and
 - (b) is chargeable to tax under Case IV or V of Schedule D,

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sections 65 to 68 of that Act shall have effect as if section 207 of this Act and its associated repeals had not been enacted.

Loss relief

- 8 Sections 380(1) and 574(1) of the Taxes Act 1988 (as substituted by sections 209(1) and 210(1) of this Act) shall have effect as respects the years 1994-95 and 1995-96 as if for the words “twelve months from the 31st January next following” there were substituted the words “two years after”.

Capital allowances

- 9 (1) This paragraph applies in the case of a trade, profession or vocation set up and commenced before 6th April 1994 and continuing after 5th April 1997.
- (2) Section 140 of the ^{M230}Capital Allowances Act 1990 shall have effect as if the allowances which fall to be made in taxing the trade, profession or vocation for the first period of account ending after 5th April 1997 under the provisions of that Act as they apply for the purposes of income tax included any allowance or part of any allowance—
- (a) which falls to be made in taxing the trade, profession or vocation for the year 1996-97, or is carried forward to that year from a previous year of assessment, and
 - (b) to which full effect cannot be given in the year 1996-97.

Marginal Citations

M230 1990 c.1.

Double taxation relief

- 10 (1) Subject to paragraph 12(2) below, this paragraph applies in the case of—
- (a) a trade, profession or vocation set up and commenced before 6th April 1994 and continuing after 5th April 1998; or
 - (b) income from a source arising before the former date and continuing after the latter date.
- (2) Subject to sub-paragraph (3) below, the amount of foreign tax to be taken into account in determining whether and, if so, what credit is allowable under Part XVIII of the Taxes Act 1988 against income tax which, in respect of income from any source, is chargeable under Case I or II of Schedule D for the year 1996-97 shall be the appropriate percentage of the aggregate of—
- (a) the amount of foreign tax paid on income from that source arising in the basis period for that year, and
 - (b) the amount of foreign tax paid on income from that source arising in the relevant period.
- (3) Where the period on the profits or gains of which income tax is chargeable under Case I or II of Schedule D for the year 1995-96 is that year, sub-paragraph (2) above shall have effect as if for the words from “the appropriate percentage” to the end

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there were substituted the words “the amount of foreign tax paid on income arising in that year”.

(4) Where—

- (a) the amount of the profits or gains on which income tax is chargeable under Case I or II of Schedule D for the year 1996-97 is given by paragraph 2(2) above, and
- (b) that amount includes income from any source in respect of which credit is allowable under Part XVIII of the Taxes Act 1988,

the amount of income from that source to be taken into account in determining what credit is so allowable shall be the appropriate percentage of the aggregate of the full amount of the income of the basis period for that year and the full amount of the income of the relevant period.

(5) The amount of foreign tax to be taken into account in determining whether and, if so, what credit is allowable under Part XVIII of the Taxes Act 1988 against income tax which, in respect of income from any source, is chargeable for the year 1996-97 under Case IV or V of Schedule D shall be 50 per cent. of the aggregate of—

- (a) the amount of foreign tax paid on income from that source arising, or (as the case may require) received in the United Kingdom, in that year; and
- (b) the amount of foreign tax paid on income from that source arising, or (as the case may require) received in the United Kingdom, in the year 1995-96.

(6) In this paragraph—

“the appropriate percentage” and “the relevant period” have the same meanings as in paragraph 2 above;

“double taxation arrangements” means arrangements having effect by virtue of section 788 of the Taxes Act 1988;

“foreign tax” means tax chargeable under the law of a territory outside the United Kingdom for which credit may be allowed under double taxation arrangements or section 790(1) of that Act.

11 (1) Subject to paragraph 12(2) below, this paragraph applies in the case of—

- (a) a trade, profession or vocation set up and commenced before 6th April 1994 and continuing after 5th April 1998; or
- (b) income from a source arising before the former date and continuing after the latter date.

(2) Sub-paragraph (3) below applies where—

- (a) credit against income tax for the year 1995-96 or any earlier year of assessment is or has been allowed by virtue of subsection (1) of section 804 of the Taxes Act 1988 in respect of any income (“the original income”), and
- (b) the source of that income ceases in a subsequent year of assessment (“the subsequent year”).

(3) The following shall be set off one against the other, namely—

- (a) the amount of the credit which, under Part XVIII of the Taxes Act 1988 (including section 804), has been allowed against income tax in respect of the original income, and
- (b) the aggregate of—
 - (i) the amount of the credit which, apart from that section, would have been so allowed, and

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- (ii) the difference between the amount of the credit which, on the assumptions mentioned in sub-paragraph (4) below, would have been allowable under Part XVIII of that Act for the year 1996-97 and the amount of credit which has been so allowed;

and if the amount given by paragraph (a) exceeds that given by paragraph (b) above, the person chargeable in respect of income (if any) arising in the subsequent year from the same source as the original income shall be treated as having received in that year a payment chargeable under Case VI of Schedule D of an amount such that income tax on it at the basic rate is equal to the excess.

- (4) The assumptions are—
- (a) that the words “the appropriate percentage of” were omitted from paragraph 2(2) above;
 - (b) that the words “50 per cent. of” were omitted from paragraphs (a), (b) and (c) of paragraph 6(2) above; and
 - (c) that paragraph 10 above had not been enacted.
- (5) Where the period on the income of which income tax is chargeable for the year 1996-97 is that year, sub-paragraph (3) above shall have effect as if for paragraph (b) there were substituted the following paragraph—
- “(b) the amount of the credit which, apart from that section, would have been so allowed;”.
- (6) Any reference in sub-paragraph (2) or (3) above to section 804 or Part XVIII of the Taxes Act 1988 includes a reference to the corresponding provisions of any earlier enactments.
- (7) Any payment which a person is treated by virtue of sub-paragraph (3) above as having received shall not on that account constitute income of his for any of the purposes of the Income Tax Acts other than that sub-paragraph and in particular no part of it shall constitute profits or gains brought into charge to income tax for the purposes of section 348 of the Taxes Act 1988.
- 12 (1) In the case of—
- (a) a trade, profession or vocation set up and commenced before 6th April 1994 and ceasing before 6th April 1998, being a trade, profession or vocation in respect of which a direction has been given under paragraph 3(2) above, or
 - (b) income from a source arising before the former date and ceasing before the latter date, being income to which paragraph 7 above applies,
- section 804 of the Taxes Act 1988 shall have effect as if section 217 of this Act and its associated repeals had not been enacted.
- (2) In the case of a trade, profession or vocation set up and commenced before 6th April 1994 and ceasing on or after 6th April 1998 but before 6th April 1999, being a trade, profession or vocation in respect of which a direction has been given under paragraph 3(4) above—
- (a) paragraphs 10 and 11 above shall not apply, and
 - (b) section 804 of the Taxes Act 1988 shall have effect as if section 217 of this Act and its associated repeals had not been enacted.
- 13 Paragraphs 2(2) and 6(2) above shall have effect as if any reference to the full amount of any profits or gains, or the full amount of any income, were a reference

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to that amount after any reduction which is treated as made by section 811 of the Taxes Act (deduction for foreign tax where no credit allowable).

Supplemental

- 14 (1) In this Schedule—
- (a) any reference to a source of income arising before any date (“the earlier date”) and continuing after or ceasing before some other date (“the later date”) is a reference to a source of income arising to any person before the earlier date and continuing to be possessed by that person after, or (as the case may be) ceasing to be possessed by that person before, the later date; and
 - (b) any reference to a source of income includes a reference to a part of such a source.
- (2) Where, as respects income from any source, income tax is to be charged under Case IV or V of Schedule D by reference to the amounts of income received in the United Kingdom, the source shall be treated for the purposes of this Schedule as arising on the date on which the first amount of income is so received.

SCHEDULE 21 **U.K.**

Section 228.

LLOYD’S UNDERWRITERS: INDIVIDUALS

Year of assessment in which profits or losses arise

- 1 (1) After subsection (2) of section 171 of the 1993 Act (taxation of profits and allowance of losses) there shall be inserted the following subsection—
- “(2A) Where the profits arising for any year of assessment from the assets of a member’s premiums trust fund include dividends which are foreign income dividends for the purposes of Chapter VA of the Taxes Act 1988, subsection (2) above shall apply in relation to the actual amount of those dividends notwithstanding anything in section 246D of that Act.”
- (2) Subsection (3) of that section shall cease to have effect.
- (3) In this paragraph—
- (a) sub-paragraph (1) has effect for the year 1992-93 and subsequent years of assessment; and
 - (b) sub-paragraph (2) has effect for the year 1996-97 and subsequent years of assessment.
- 2 (1) In subsection (1) of section 172 of the 1993 Act (year of assessment in which profits or losses arise), for paragraphs (a) and (b) there shall be substituted the following paragraphs—
- “(a) in the case of profits or losses arising directly from his membership of one or more syndicates, those of any previous year or years which are declared in the corresponding underwriting year;
 - (b) in the case of profits or losses arising from assets forming part of a premiums trust fund, those allocated under the rules or practice of

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Lloyd’s to any previous year or years the profits or losses of which are declared in the corresponding underwriting year; and”.

- (2) Sub-paragraph (1) above does not have effect for the years 1994-95, 1995-96 and 1996-97, but in relation to those years that section shall have effect as if paragraphs (a) and (b) of subsection (1) were omitted.

Premiums trust funds

- 3 For subsection (1) of section 174 of the 1993 Act (premiums trust funds) there shall be substituted the following subsection—

“(1) For the purposes of the Income Tax Acts and the Gains Tax Acts—

- (a) a member shall be treated as absolutely entitled as against the trustees to the assets forming part of a premiums trust fund of his; and
- (b) where a deposit required by a regulatory authority in a country or territory outside the United Kingdom is paid out of such a fund, the money so paid shall be treated as still forming part of that fund.”

Reinsurance to close

- 4 (1) After subsection (4) of section 177 of the 1993 Act (reinsurance to close) there shall be inserted the following subsection—

“(5) This section also applies in any case where the member to whom the premium is payable is a corporate member within the meaning of Chapter V of Part IV of the Finance Act 1994.”

- (2) This paragraph has effect for the underwriting year 1993 and subsequent underwriting years.

Stop-loss and quota share insurance

- 5 (1) In subsection (2) of section 178 of the 1993 Act (stop-loss and quota share insurance)

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- (a) for the word “him” there shall be substituted the words “ a member ”; and
- (b) for the word “arose” there shall be substituted the words “ was declared ”.

- (2) This paragraph has effect as respects insurance money and other amounts payable in respect of losses declared in the underwriting year 1997 or subsequent underwriting years.

Cessation etc.

- 6 (1) In section 179 of the 1993 Act (cessation: final year of assessment), subsection (3) and, in subsection (2), the words “to subsection (3) below and” shall cease to have effect.

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

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“179A Death of member.

- (1) This section applies where a member ceases to carry on his underwriting business by reason of death.
- (2) For the purposes of assessing the profits of the member’s underwriting business, the member shall be treated as having died at the end of the year of assessment which corresponds to the underwriting year immediately preceding that in which he actually died.
- (3) For the purposes of the Income Tax Acts—
 - (a) the carrying on of the member’s underwriting business by his personal representatives shall not be treated as a change in the persons engaged in the carrying on of that business; and
 - (b) subject to the provisions of any regulations made by the Board, the business shall be treated as continuing until the member’s deposit at Lloyd’s is paid over to his personal representatives.”
- (3) This paragraph has effect in any case where the member dies after the end of the year 1993-94.

Regulations

- 7 (1) In section 182 of the 1993 Act (regulations), subsections (2) to (4) shall cease to have effect.
- (2) This paragraph has effect for the year 1997-98 and subsequent years of assessment.

Interpretation

- 8 (1) In subsection (1) of section 184 of the 1993 Act (interpretation and commencement)
 - (a) in the definition of “ancillary trust fund”, the words “or the managing agent of a syndicate of which he is a member” shall cease to have effect; and
 - (b) in the definition of “member”, for the words “a member of Lloyd’s who” there shall be substituted the words “ an individual who is a member of Lloyd’s and ”.
- (2) In subsection (2)(c) of that section, for the word “agent”, in both places where it occurs, there shall be substituted the words “ managing agent ”.

Assessment and collection of tax

- 9 (1) In Schedule 19 to the 1993 Act (assessment and collection of tax), in sub-paragraph (1) of paragraph 2 (returns by managing agent), for the words “after the end of the closing year for a year of assessment” there shall be substituted the words “ after the beginning of a year of assessment ”.
- (2) In sub-paragraph (2) of that paragraph, for the words “the 1st September next following the end of the closing year for the year of assessment” there shall be substituted the words “ 1st September in the year of assessment ”.
- (3) This paragraph has effect for the year 1997-98 and subsequent years of assessment.

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- 10 Part II of that Schedule (payments on account of tax) shall cease to have effect.
- 11 (1) After sub-paragraph (3) of paragraph 13 of that Schedule (repayment of tax deducted etc. from investment income) there shall be inserted the following sub-paragraph—
- “(3A) For the purposes of this paragraph a member who is not resident in the United Kingdom shall be treated as entitled to all such tax credits in respect of qualifying distributions as he would be entitled to if he were so resident.”
- (2) After sub-paragraph (4) of that paragraph there shall be inserted the following sub-paragraph—
- “(4A) Where any payment of a tax credit is made under sub-paragraph (1)(b) above—
- (a) each apportioned part of the tax credit which is paid to the members’ agent of a member under sub-paragraph (3)(b) above shall be treated, for the purposes of section 171 of this Act and all other purposes of the Income Tax Acts, as part of the profits arising to the member from assets forming part of a premiums trust fund; but
- (b) subject to that, the tax credit shall be ignored for all purposes of the Income Tax Acts.”
- (3) This paragraph has effect as respects the underwriting year 1992 and subsequent underwriting years.

Special reserve funds

- 12 (1) In Schedule 20 to the 1993 Act (special reserve funds), in paragraph 1(1) (preliminary), after the definition of “overall premium limit” there shall be inserted the following definition—
- ““payment”, unless the contrary intention appears, means a payment in money;”.
- (2) In paragraph 7(2) of that Schedule (payments out of fund on cessation), for the words “money’s worth” there shall be substituted the words “ in assets forming part of the fund ”.
- (3) This paragraph has effect for the year 1992-93 and subsequent years of assessment.
- 13 (1) For paragraph 8 of that Schedule (entitlement of member for tax purposes) there shall be substituted the following paragraph—
- “8 (1) Subject to sub-paragraph (2) below, a member shall be treated for the purposes of the Income Tax Acts and the Gains Tax Acts as absolutely entitled as against the trustees to the assets forming part of his special reserve fund.
- (2) Where an asset is disposed of by a member to the trustees of his special reserve fund, nothing in sub-paragraph (1) above shall affect the operation of the Gains Tax Acts in relation to that disposal.”
- (2) This paragraph has effect for the year 1994-95 and subsequent years of assessment.

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- 14 (1) In sub-paragraphs (1) to (4) of paragraph 10 of that Schedule (tax consequences of payments into and out of fund), for the word “corresponding”, in each place where it occurs, there shall be substituted the word “ relevant ”.
- (2) After sub-paragraph (4) of that paragraph there shall be inserted the following sub-paragraph—
- “(5) In this paragraph “the relevant underwriting year”, in relation to a year of assessment, means the underwriting year next but two before its corresponding underwriting year.”
- (3) Sub-paragraphs (1) and (2) above do not have effect for the years 1994-95, 1995-96 and 1996-97, but in relation to those years that Schedule shall have effect as if paragraph 10 were omitted.
- 15 (1) In sub-paragraph (2) of paragraph 11 of that Schedule (tax consequences of cessation), for the words “the final year of assessment” there shall be substituted the words “ the relevant year of assessment ” and for the words “the relevant year” there shall be substituted the words “ the relevant underwriting year ”.
- (2) In sub-paragraphs (3) and (4) of that paragraph, for the words “the relevant year” there shall be substituted the words “ the penultimate underwriting year ”.
- (3) For sub-paragraph (5) of that paragraph there shall be substituted the following sub-paragraph—
- “(5) In this paragraph, subject to the provisions of any regulations made by the Board—
- “the penultimate underwriting year” means the underwriting year immediately preceding that in which the member’s deposit at Lloyd’s is paid over to him or his personal representatives or assigns;
- “the relevant underwriting year” means—
- (a) in the case of a member who dies before his deposit at Lloyd’s is paid over to him or his assigns, the underwriting year immediately preceding that corresponding to the relevant year of assessment; and
- (b) in any other case, the underwriting year immediately preceding that in which his deposit at Lloyd’s is paid over to him or his assigns;
- “the relevant year of assessment” means—
- (a) in the case of a member who dies before his deposit at Lloyd’s is paid over to him or his assigns, the year of assessment at the end of which he is treated, by virtue of section 179A(2) of this Act, as having died; and
- (b) in any other case, his final year of assessment.”
- 16 (1) In sub-paragraph (1) of paragraph 13 of that Schedule (winding up of old-style funds), the words from “and a transfer” to the end shall cease to have effect.
- (2) After sub-paragraph (5) of that paragraph there shall be inserted the following sub-paragraph—
- “(6) A transfer or payment under this paragraph of an amount of capital shall be in money or in assets forming part of the fund or both, as the member may direct.”

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(3) This paragraph has effect for the year 1992-93 and subsequent years of assessment.

SCHEDULE 22 U.K.

Sections 231 and 234.

SUPPLEMENTARY PROVISIONS AS TO ELECTIONS BY REFERENCE TO PIPE-LINE USAGE

PART I U.K.

PROCEDURE FOR AND IN CONNECTION WITH AN ELECTION

The election

- 1 (1) An election shall be made by serving it on the Board, shall be in such form as may be prescribed by the Board and shall contain such information as the Board may reasonably require with respect to—
 - (a) the oil field to which the election is to apply, the pipe-line by reference to which the election is being made and whether the election is to be limited in accordance with subsection (6) of section 231 of this Act;
 - (b) all other assets which, if the election were to be accepted, would at the date of the election be assets to which the election applies;
 - (c) the electing participator's interest in those assets;
 - (d) the sums to which, if the election is accepted, it is reasonable to expect that section 233 of this Act will apply and the sources, quantities and descriptions of oil which will give rise to those sums;
 - (e) any other oil field (whether taxable or non-taxable) in connection with which any of the assets referred to in paragraph (b) above is or is expected to be used or in respect of which services or other business facilities in connection with that use are or are expected to be provided; and
 - (f) the initial usage fraction and the amounts which make up the numerator and the denominator of that fraction.
- (2) The reference in sub-paragraph (1)(e) above to an oil field includes a reference to any area which the electing participator expects might be determined as an oil field under Schedule 1 to the principal Act.
- (3) An election shall include a declaration that it is correct and complete to the best of the knowledge and belief of the electing participator.
- (4) An election shall be irrevocable.

Conditions for acceptance of an election

- 2 (1) The Board shall reject an election if they are not satisfied—
 - (a) that the conditions relating to the pipe-line in paragraphs (a) to (d) of subsection (1) or in subsection (3) of section 231 of this Act are fulfilled; or
 - (b) that the conditions relating to the oil field or the participator in subsection (2) of that section are fulfilled; or
 - (c) that, if the election were to be accepted, the assets to which the election would apply (having regard to any limitation under subsection (6) of that

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section) have the capacity and characteristics, and are otherwise suitable, to handle the quantities and descriptions of oil specified in accordance with paragraph 1(1)(d) above.

- (2) Subject to sub-paragraph (3) below, the Board shall also reject an election if it appears to them—
 - (a) that any of the information required to be contained in the election by virtue of paragraph 1(1) above is incorrect; or
 - (b) that, after receiving notice in writing from the Board, the electing participator has failed to furnish to the Board on or before the specified date any information which the Board have reasonably required either with respect to the matters specified in paragraph 1(1) above or for the purpose of satisfying themselves as to the matters referred to in sub-paragraph (1) above.
- (3) Before rejecting an election under sub-paragraph (2)(a) above the Board may, if they think fit, by notice in writing give the electing participator an opportunity to correct any error in the information and, if he does so, the information shall then be treated as having been provided in the correct form.
- (4) In sub-paragraph (2)(b) above “the specified date” means such date as may be specified in the notice concerned, being a date not earlier than one month after the date on which the notice was given.
- (5) A notice under sub-paragraph (2)(b) above shall be given within the period of three months beginning on the date on which the election was received by the Board.

Notice of acceptance or rejection

- 3 (1) Notice of the acceptance or rejection of an election shall be served on the electing participator before the expiry of the period of three months beginning on whichever of the following dates is the later or latest—
 - (a) the date on which the election was received by the Board;
 - (b) if a notice was given under paragraph 2(2)(b) above relating to the election, the date or, as the case may be, the last date which is the specified date, as defined in paragraph 2(4) above, in relation to such a notice;
 - (c) if a notice was given under paragraph 2(3) above relating to the election, the date on which that notice was given.
- (2) If no such notice of acceptance or rejection is so served, the Board shall be deemed to have accepted the election and to have served notice of their acceptance on the last day of the period referred to in sub-paragraph (1) above.

Appeals

- 4 (1) Where the Board serve notice on an electing participator under paragraph 3 above rejecting an election, he may appeal to the Special Commissioners against the notice.
- (2) An appeal under sub-paragraph (1) above shall be made by notice of appeal served on the Board within thirty days beginning on the date of the notice in respect of which the appeal is brought.
- (3) Where, at any time after the service of notice of appeal under this paragraph and before the determination of the appeal by the Commissioners, the Board and the appellant agree that the notice in respect of which the appeal is brought should

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stand or that the election to which it related should be accepted with or without modification, the same consequences shall ensue as if the Commissioners had determined the appeal to that effect.

- (4) On the hearing of an appeal under this paragraph, the Commissioners shall either dismiss the appeal or allow it; and if the Commissioners allow the appeal, they shall direct either—
- (a) that the election shall be accepted; or
 - (b) that the election shall have effect subject to such modifications as may be specified in the direction and shall be accepted in its modified form.
- (5) Sub-paragraphs (2), (8) and (11) of paragraph 14 of Schedule 2 to the principal Act shall apply in relation to an appeal against a notice under paragraph 3 above rejecting an election as they apply in relation to an appeal against an assessment or determination made under the principal Act.
- (6) Any reference in this Chapter to an election accepted by the Board shall be construed as including a reference to an election accepted in pursuance of an appeal under this paragraph.

Information to the responsible person

- 5 (1) Within thirty days of the relevant date, the electing participator shall furnish to the responsible person for the field to which the election applies (or would apply if the election were accepted) a copy of—
- (a) any election made by him; and
 - (b) any notice under paragraph 3 above accepting or rejecting the election.
- (2) For the purposes of sub-paragraph (1) above, the relevant date is—
- (a) in the case of an election made by the electing participator, the date on which it was served on the Board; and
 - (b) in the case of a notice under paragraph 3 above, the date on which the electing participator received it.
- (3) In a case where paragraph 9 below applies (or would apply if an election were accepted) sub-paragraphs (1) and (2) above shall require the electing participator additionally to furnish copies of the same documents to the responsible person for any non-chargeable field mentioned in sub-paragraph (3) of that paragraph.
- (4) In a case where paragraph 11 below applies (or would apply if an election were accepted) sub-paragraphs (1) and (2) above shall require the electing participator additionally to furnish copies of the same documents to the old participator referred to in that paragraph.

Penalties for incorrect information

- 6 Where a participator fraudulently or negligently furnishes any incorrect information or makes any incorrect declaration in or in connection with an election he shall be liable to a penalty not exceeding—
- (a) in the case of negligence, £50,000, and
 - (b) in the case of fraud, £100,000.

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Re-opening election decisions on grounds of incorrect information

- 7
- (1) Without prejudice to paragraph 6 above, this paragraph applies if, at any time after notice of the acceptance of an election has been served by the Board, it appears to the Board that, as a result of an error in the information furnished to the Board, the election should not have been accepted.
 - (2) If, in a case where this paragraph applies, either—
 - (a) the error was attributable, in whole or in part, to the fraudulent or negligent conduct of the electing participator or a person acting on his behalf, or
 - (b) on the error coming to the notice of the electing participator, or a person acting on his behalf, the error was not remedied without unreasonable delay, the Board may serve on the electing participator and on the responsible person for the field to which the election applies a notice rescinding the acceptance and stating what appears to the Board to be the correct position.
 - (3) When a notice under sub-paragraph (2) above becomes effective, the election shall be treated as having been rejected in accordance with paragraph 3 above.
 - (4) If, in a case where this paragraph applies,—
 - (a) neither of the conditions in sub-paragraph (2) above is fulfilled, and
 - (b) the Board are of the opinion that, if the correct information had been furnished, the election could have been accepted,the election shall be treated as having been made and accepted subject to such modifications (being modifications to correct the effect of the error) as the Board may direct, by notice served on the electing participator and on the responsible person for the field to which the election applies.
 - (5) A notice served under sub-paragraph (2) or sub-paragraph (4) above shall become effective either—
 - (a) on the expiry of the period during which notice of appeal against the notice may be served on the Board under paragraph 8 below without such notice of appeal being served; or
 - (b) where such notice of appeal is served, when the notice can no longer be varied or quashed by the Special Commissioners or by the order of any court.

Appeals against re-opening notices

- 8
- (1) This paragraph applies where the Board serve notice under sub-paragraph (2) or sub-paragraph (4) of paragraph 7 above; and in the following provisions of this paragraph such a notice is referred to as a “re-opening notice”.
 - (2) The electing participator may, by notice of appeal served on the Board within thirty days beginning on the date of the re-opening notice, appeal to the Special Commissioners against the re-opening notice.
 - (3) A notice of appeal under sub-paragraph (2) above shall state the grounds on which the appeal is brought.
 - (4) An appeal under this paragraph may at any time be abandoned by notice served on the Board by the electing participator.
 - (5) A re-opening notice may be withdrawn at any time before it becomes effective.
 - (6) In any case where—

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- (a) the electing participator serves notice of appeal against a re-opening notice served under sub-paragraph (4) of paragraph 7 above, and
- (b) before the appeal is determined by the Special Commissioners, the Board and the electing participator agree as to the modifications necessary to correct the effect of the error concerned,

the re-opening notice shall take effect subject to such modifications as may be necessary to give effect to that agreement; and thereupon the appeal shall be treated as having been abandoned.

- (7) Subject to sub-paragraph (8) below, on an appeal against a re-opening notice the Special Commissioners may vary the notice, quash the notice or dismiss the appeal; and the notice may be varied whether or not the variation is to the advantage of the electing participator.
- (8) The provisions relating to the variation of a re-opening notice referred to in sub-paragraph (7) above shall not apply in respect of any such notice served under sub-paragraph (2) of paragraph 7 above.

PART II U.K.

SUPPLEMENTARY PROVISIONS

Assets used in connection with more than one taxable field

- 9 (1) The provisions of this paragraph apply where—
 - (a) an election is in operation; and
 - (b) any of the assets to which the election applies is used or expected to be used in connection with two or more taxable fields.
- (2) Any reference in this paragraph to allowable expenditure has the same meaning as in Part II of Schedule 1 to the 1983 Act and is a reference to expenditure incurred on an asset to which the election applies.
- (3) Sub-paragraph (4) below applies if, by virtue of paragraph 5 of Schedule 1 to the 1983 Act (which, in a case falling within this paragraph, provides for the apportionment of allowable expenditure between two or more fields), any part of the allowable expenditure is apportioned to a taxable field (a “non-chargeable field”) other than the field to which the election applies.
- (4) Where this sub-paragraph applies, then, so far as concerns the electing participator (as a participator in a non-chargeable field), section 232 of this Act shall apply in relation to that part of the allowable expenditure which is apportioned to the non-chargeable field as it applies in relation to the part apportioned to the field to which the election applies.

Transfer of interests

- 10 (1) If, while an election is in operation, the electing participator (or a person who is treated as an electing participator by virtue of this paragraph) transfers the whole or part of his interest in the field to which the election applies, then, so far as concerns that interest or part, the new participator shall thereafter be treated as the electing participator for the purposes of this Chapter, other than paragraph 11 below, and, in particular,—

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- (a) any restriction on the amount of expenditure allowed or allowable by virtue of section 232 of this Act shall continue to apply to any expenditure relief transferred to the new participator under paragraph 6 of Schedule 17 to the ^{M231}Finance Act 1980; and
 - (b) any relief from tax under section 233 of this Act shall apply in relation to the new participator as it applied in relation to the old participator.
- (2) If, in a case where paragraph 9 above applies, the electing participator, as a participator in the non-chargeable field (within the meaning of that paragraph) transfers the whole or part of his interest in that field, sub-paragraph (1) above (except paragraph (b)) shall apply in relation to that transfer as if—
- (a) any reference to the field to which the election applies were a reference to the non-chargeable field; and
 - (b) any reference to the electing participator were a reference to him in his capacity as a participator in the non-chargeable field.
- (3) In sub-paragraph (1) above the expressions “the old participator” and “the new participator” have the same meaning as in Schedule 17 to the Finance Act 1980.

Marginal Citations

^{M231} 1980 c. 48.

- 11 (1) This paragraph applies in any case where—
- (a) the electing participator acquired the whole or any part of his interest in the field to which the election applies as a result of a transfer to which Part I of Schedule 17 to the ^{M232}Finance Act 1980 applies (so that the electing participator is the new participator); and
 - (b) some or all of the relief in respect of any expenditure incurred (before the transfer) on any asset to which the election applies did not fall to be transferred to the electing participator (whether by virtue of paragraph 6 or paragraph 7 of that Schedule).
- (2) With regard to so much of the expenditure referred to in sub-paragraph (1)(b) above as falls to be taken into account under paragraph (b)(i) or paragraph (c)(i) of subsection (9) of section 2 of the principal Act in computing, for any chargeable period ending before the transfer period, the assessable profit or allowable loss accruing to the old participator or any predecessor of his, section 232 of this Act shall apply in the case of the old participator or, as the case may be, his predecessor as it is expressed to apply in the case of the electing participator.
- (3) If, as a result of the operation of sub-paragraph (2) above, there is a reduction in the amount which would otherwise be the accumulated capital expenditure of the old participator at the end of the last chargeable period before the transfer period, paragraph 8 of Schedule 17 to the Finance Act 1980 shall be taken to have transferred a correspondingly reduced amount to the electing participator.
- (4) In this paragraph—
- (a) the expressions “the old participator”, “the new participator” and “the transfer period” have the same meaning as in Schedule 17 to the Finance Act 1980; and
 - (b) any reference to a predecessor of the old participator is a reference to a person who (before the transfer referred to in sub-paragraph (1)(a) above)

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transferred the whole or part of his interest in the field to which the election applies either to the old participator or to another person who is a predecessor in title of the old participator in respect of that interest or part.

Marginal Citations

M232 1980 c. 48.

Transfer of elected assets

- 12 (1) This paragraph applies if there is a disposal of an asset which, immediately before the disposal or at an earlier time, was an asset to which an election applies; and in this paragraph—
- (a) “the asset transferred” means the asset so disposed of;
 - (b) “the vendor” means the electing participator or other person by whom the asset is disposed of.
- (2) Where a person has incurred expenditure on the acquisition of a transferred asset, he shall be treated for the purposes of the expenditure relief provisions as having incurred that expenditure only to the extent that it does not exceed the amount which, having regard to section 232 of this Act or the previous operation of this paragraph, was (in the case of the vendor) allowable under those provisions immediately before the disposal in respect of his expenditure on the asset.
- (3) Any expenditure incurred on the asset after the disposal shall be left out of account for the purposes of the expenditure relief provisions.

*Restriction of relief for expenditure incurred after 30th
 November 1993 and before the date of an election*

- 13 (1) This paragraph applies if, after 30th November 1993 and before the date of an election, expenditure was incurred by the electing participator under a contract—
- (a) for the acquisition from any other person of, or of an interest in, an asset to which the election applies; or
 - (b) for the provision by any other person of services or other business facilities of whatever kind in connection with the use of an asset to which the election applies.
- (2) If, in a case where this paragraph applies, the other person referred to in paragraph (a) or paragraph (b) of sub-paragraph (1) above (“the contractor”) has performed his obligations by entering into one or more further contracts, the contractor shall be treated for the purposes of subsection (2) of section 191 of the ^{M233}Finance Act 1993 (time when expenditure is incurred) as having performed his obligations under the contract only to the extent that, at that time, the asset or interest in question has been acquired by or, as the case may be, the services or other business facilities have been provided to, the electing participator.

Marginal Citations

M233 1993 c. 34.

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SCHEDULE 23 U.K.

Section 236.

AMENDMENTS OF THE PRINCIPAL ACT RELATING TO VALUATION OF LIGHT GASES

- 1 (1) In section 2 (assessable profits and allowable losses), in subsection (5) (amounts to be included in calculation of gross profit or loss) in each of paragraphs (b) and (c), after the word “oil”, in the first place where it occurs, there shall be inserted “ (not being light gases) ” and after paragraph (c) there shall be inserted—
 - “(ca) the market value, ascertained in accordance with paragraph 3A of Schedule 3 to this Act, of so much of any light gases so won and disposed of by him otherwise than in sales at arm’s length as was delivered by him in the period; and
 - (cb) the market value, ascertained in accordance with paragraph 3A of Schedule 3 to this Act, of so much of any light gases so won as was relevantly appropriated by him in the period without being disposed of; and”.
- (2) In subsection (9) of that section (amounts to be taken into account in determining amount of debit or credit in respect of expenditure), in paragraph (a)—
 - (a) in sub-paragraph (i) the words “or, as the case may be” shall be omitted;
 - (b) in that sub-paragraph after the words “delivery was made” there shall be inserted the words “ or (in the case of light gases) its market value as determined in accordance with paragraph 3A of Schedule 3 to this Act, as the case may require ”; and
 - (c) at the end of sub-paragraph (ii) there shall be inserted the words “ or (in the case of light gases) the market value as determined in accordance with paragraph 3A of Schedule 3 to this Act ”.
- 2 In Schedule 2 (management and collection of PRT), in paragraph 2(2) (returns by participators), in paragraph (a)(iii) after the words “delivery was made” and in paragraph (b)(ii) after the word “made” there shall be inserted the words “ or (in the case of light gases) the market value as determined in accordance with paragraph 3A of Schedule 3 to this Act ”.
- 3 (1) In Schedule 3 (miscellaneous provisions relating to PRT), in paragraph 2 (definition of market value of oil)—
 - (a) at the beginning of sub-paragraph (1) there shall be inserted the words “ Except in the case of light gases ”; and
 - (b) at the end of that sub-paragraph there shall be added the words “ and, accordingly, references in the following provisions of this paragraph to oil do not apply to light gases ”.
- (2) In paragraph 2A of that Schedule (definition of market value of oil consisting of or including gas), after sub-paragraph (1) there shall be inserted the following sub-paragraph—

“(1A) Sub-paragraphs (2) and (3) below also apply where the market value of any light gases falls to be ascertained under paragraph 3A below.”
- (3) In sub-paragraph (2) of paragraph 2A, after the words “paragraph 2 above”, in each place where they occur, there shall be inserted “ or, as the case may require, sub-paragraph (2)(b) of paragraph 3A below ”.

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- (4) In sub-paragraph (3) of paragraph 2A, after the words “paragraph 2”, in the first place where they occur, there shall be inserted “ or, as the case may require, in accordance with paragraph 3A below ”.
- (5) Sub-paragraph (4) of paragraph 2A shall be omitted.
- 4 After paragraph 3 of Schedule 3 (aggregate market value of oil) there shall be inserted—

“ Definition of market value of light gases

- 3A (1) The market value of any light gases for the purposes of this Part of this Act is the price at which, having regard to all the circumstances relevant to the disposal or appropriation in question, light gases of that kind might reasonably have been expected to be sold under a contract of sale satisfying the conditions specified in sub-paragraph (2) below.
- (2) The conditions referred to in sub-paragraph (1) above are that—
- (a) the contract is for the sale of the gases at arm’s length to a willing buyer;
 - (b) the contract requires the gases to have been subjected to appropriate initial treatment before delivery; and
 - (c) the contract requires the gases to be delivered—
 - (i) in the case of gases extracted in the United Kingdom, at the place of extraction; or
 - (ii) in the case of gases extracted from strata in the sea bed and subsoil of the territorial sea of the United Kingdom or of a designated area, at the place in the United Kingdom or another country at which the seller could reasonably be expected to deliver the gases or, if there is more than one such place, the one nearest to the place of extraction.
- (3) If the circumstances referred to in sub-paragraph (1) above are such that the price referred to in that sub-paragraph might reasonably be expected to include—
- (a) any such payments as are referred to in subsection (2) of section 114 of the Finance Act 1984 (treatment of certain payments relating to gas sales), or
 - (b) any capacity payments, as defined in subsection (5) of that section,
- section 114 of the Finance Act 1984 shall apply accordingly in relation to the notional contract specified in sub-paragraph (1) above as it applies in relation to an actual contract.
- (4) This paragraph has effect subject to sub-paragraphs (2) and (3) of paragraph 2A above.”

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SCHEDULE 24 U.K.

Section 252.

PROVISIONS RELATING TO THE RAILWAYS ACT 1993

Interpretation

1 (1) In this Schedule—

“the Allowances Act” means the ^{M234}Capital Allowances Act 1990;

“the Board” means the British Railways Board;

“fixture” has the same meaning as it has in Chapter VI of Part II of the Allowances Act;

“franchise company” has the meaning given by section 85(8) of the ^{M235}Railways Act 1993;

“the Franchising Director” means the Director of Passenger Rail Franchising;

“the Gains Act” means the ^{M236}Taxation of Chargeable Gains Act 1992;

“predecessor”, in relation to any relevant transfer, means the body from which the property, rights or liabilities in question are transferred by virtue of the restructuring scheme in question;

“property”, “rights” and “liabilities” have the same meaning as they have in Part II of the Railways Act 1993;

“publicly owned railway company” has the same meaning as it has in the Railways Act 1993;

“relevant transfer” means a transfer of any property, rights or liabilities by virtue of a restructuring scheme;

“restructuring scheme” means a section 85 transfer scheme made by, or pursuant to a direction of, the Secretary of State, if and to the extent that the transfer scheme provides for the transfer of property, rights or liabilities from—

(a) the Board,

(b) a wholly owned subsidiary of the Board,

(c) a publicly owned railway company, or

(d) a company which is wholly owned by the Franchising Director,

to any other body falling within paragraphs (a) to (d) above;

“section 85 transfer scheme” means a scheme made under or by virtue of section 85 of the Railways Act 1993;

“subsidiary” has the meaning given by section 736 of the ^{M237}Companies Act 1985;

“successor company” has the same meaning as it has in Part II of the Railways Act 1993;

“transfer date” shall be construed in accordance with section 85(6) of the Railways Act 1993;

“transfer scheme” means a scheme made under or by virtue of section 85 or 86 of the Railways Act 1993;

“transferee”, in relation to a relevant transfer, means the body to which the property, rights or liabilities in question are transferred by virtue of the restructuring scheme in question;

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“wholly owned subsidiary” has the meaning given by section 736 of the ^{M238}Companies Act 1985.

- (2) Section 151(2) and (3) of the ^{M239}Railways Act 1993 (companies wholly owned by the Crown or the Franchising Director) shall have effect for the purposes of this Schedule as it has effect for the purposes of that Act.
- (3) Any reference in this Schedule to “assignment” shall be construed in Scotland as a reference to “assignment”.
- (4) This Schedule—
- (a) so far as it relates to income tax, shall be construed as one with the Income Tax Acts,
 - (b) so far as it relates to corporation tax, shall be construed as one with the Corporation Tax Acts, and
 - (c) so far as it relates to capital allowances, shall be construed as one with the Capital Allowances Acts.

Marginal Citations

- M234** 1990 c. 1.
M235 1993 c. 43.
M236 1992 c. 12.
M237 1985 c. 6.
M238 1985 c. 6.
M239 1993 c. 43.

Chargeable gains: transfer to be without gain or loss

- 2 (1) For the purposes of the Gains Act, where there is a relevant transfer, the disposal of property, rights and liabilities which is constituted by that transfer shall, subject to the following provisions of this Schedule, be taken, in relation to the transferee as well as the predecessor, to be for a consideration such that no gain or loss accrues to the predecessor.
- (2) Section 35(3)(d) of the Gains Act (list of provisions for transfers without gain or loss for purposes of provisions applying to assets held on 31st March 1982) shall have effect with the omission of the word “and” at the end of sub-paragraph (vii) and with the insertion, after sub-paragraph (viii), of the following sub-paragraph—
- “(ix) paragraphs 2(1), 7(2), 11(3) and (4) and 25(2) of Schedule 24 to the Finance Act 1994;”.
- (3) Section 171(1) of the Gains Act (which makes provision in relation to the disposal of assets from one member of a group of companies to another member of the group) shall not apply where the disposal in question is a relevant transfer.

Chargeable gains: receipt of compensation or insurance policies

- 3 (1) Subsection (4) of section 23 of the Gains Act (adjustments where compensation or insurance money used for purchase of replacement asset) shall have effect in accordance with sub-paragraph (3) below in any case where—
- (a) there is a relevant transfer such that—

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- (i) any capital sum received by the predecessor by way of compensation for the loss or destruction of any asset, or under a policy of insurance of the risk of the loss or destruction of any asset, becomes available to the transferee; or
 - (ii) any right of the predecessor to receive such a sum is transferred to the transferee, and the transferee receives that sum; and
 - (b) the transferee acquires an asset in circumstances where—
 - (i) had there been no such relevant transfer, and
 - (ii) had the predecessor acquired the asset by the application of that sum, the predecessor would be treated for the purposes of that subsection as having so acquired the asset in replacement for the asset lost or destroyed.
- (2) Subsection (5) of that section (adjustments where a part of any compensation or insurance money is used for the purchase of a replacement asset) shall have effect in accordance with sub-paragraph (3) below in any case where—
 - (a) there is a relevant transfer such that—
 - (i) any capital sum received by the predecessor by way of compensation for the loss or destruction of any asset, or under a policy of insurance of the risk of the loss or destruction of any asset, becomes available to the transferee; or
 - (ii) any right of the predecessor to receive such a sum is transferred to the transferee, and the transferee receives that sum; and
 - (b) the transferee acquires an asset in circumstances where—
 - (i) had there been no such relevant transfer, and
 - (ii) had the predecessor acquired the asset by the application of all of that sum except for a part which was less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal of the asset lost or destroyed, the predecessor would be treated for the purposes of that subsection as having so acquired the asset in replacement for the asset lost or destroyed.
- (3) In a case falling within sub-paragraph (1) or (2) above, subsection (4) or, as the case may be, subsection (5) of section 23 of the Gains Act shall have effect as if the transferee and the predecessor were the same person, except that—
 - (a) in a case falling within sub-paragraph (1)(a)(i) or (2)(a)(i) above—
 - (i) any claim under the subsection in question must be made by the predecessor and the transferee; and
 - (ii) any adjustment to be made in consequence of paragraph (a) of that subsection shall be made for the purposes only of the taxation of the predecessor; and
 - (b) in a case falling within sub-paragraph (1)(a)(ii) or (2)(a)(ii) above—
 - (i) any claim under the subsection in question must be made by the transferee; and
 - (ii) any adjustment to be made in consequence of paragraph (a) of that subsection shall be made for the purposes only of the taxation of the transferee.

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Chargeable gains: section 30 of the Gains Act

- 4 (1) Nothing in Part II or III of the ^{M240}Railways Act 1993, and no instrument or agreement made, or other thing done, under or by virtue of either of those Parts, shall be regarded as a scheme or arrangement for the purposes of section 30 of the Gains Act (value-shifting).
- (2) In any case where—
- (a) an asset which is the subject of a relevant transfer or qualifying disposal has previously been the subject of a scheme or arrangements falling within subsection (1) of that section,
 - (b) in consequence, subsection (5) of that section (consideration on disposal to be treated as increased for certain purposes) would, apart from sub-paragraph (3) below, have had effect in relation to the consideration for the relevant transfer or qualifying disposal, and
 - (c) the consideration for the relevant transfer or qualifying disposal falls to be determined under paragraph 2 above or paragraph 7(2), 11(3) or 25(2) below, sub-paragraph (3) below shall apply.
- (3) Where this sub-paragraph applies—
- (a) the said subsection (5) shall not have effect in relation to the consideration for the relevant transfer or qualifying disposal; but
 - (b) on the first subsequent disposal of the asset which is neither a relevant transfer or qualifying disposal nor a group disposal—
 - (i) that subsection shall have effect in relation to the consideration for that disposal (whether or not it would otherwise have done so); and
 - (ii) the increase that falls to be made under that subsection shall be so calculated as to include any increase which would, but for paragraph (a) above, have fallen to be made in relation to the relevant transfer or qualifying disposal.
- (4) In this paragraph—
- “group disposal” means a disposal which falls to be treated by virtue of section 171(1) of the Gains Act as made for a consideration such that no gain or loss accrues to the person making the disposal;
- “qualifying disposal” means—
- (a) a disposal to which paragraph 7(2) below applies; or
 - (b) a disposal falling within paragraph 11(3) or 25(2) below.

Commencement Information

I22 Sch. 24 para. 4 in force retrospectively (5.11.1993 as to para. 4(1) and otherwise 11.1.1994) as mentioned in s. 252(2)(3).

Marginal Citations

M240 1993 c. 43.

Chargeable gains: section 41 of the Gains Act

- 5 Subsection (1) of section 174 of the Gains Act (which applies section 41 of that Act to cases where assets have been acquired without gain or loss) shall have effect,

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without prejudice to paragraph 2 above or paragraph 7(2), 11(3) or (4) or 25(2) below, where there has been—

- (a) a relevant transfer,
- (b) a disposal to which paragraph 7(2) below applies, or
- (c) a disposal falling within paragraph 11(3) or (4) or 25(2) below,

as if the asset to which the transfer or disposal relates had thereby been transferred and acquired in relevant circumstances, within the meaning of that subsection.

Chargeable gains: roll-over relief

- 6 (1) Subject to the following provisions of this paragraph, where any asset, or any interest in an asset, is the subject of a relevant transfer, sections 152 to 160 of the Gains Act (roll-over relief on replacement of business assets) shall have effect as if—
- (a) the asset or interest had been acquired by the transferee—
 - (i) at the time at which, and for the consideration for which, the predecessor acquired it; and
 - (ii) for the purpose of the asset's use in a trade carried on by the transferee (and not wholly or partly for the purpose of realising a gain from the disposal of the asset or interest), but only to the extent that the predecessor's acquisition was for the purpose of the asset's use in a trade carried on by him (and not wholly or partly for the purpose of realising a gain from the disposal of the asset or interest);
 - (b) throughout the period during which the asset or interest was owned by the predecessor, it had been owned by the transferee; and
 - (c) to the extent that the predecessor—
 - (i) used the asset, or
 - (ii) in the case of an asset falling within head A of Class 1 in section 155 of that Act, used and occupied the asset,during that period for the purposes of a trade carried on by him, the transferee had used or, as the case may be, used and occupied the asset for the purposes of a trade carried on by him.
- (2) In any case where—
- (a) a held-over gain would, but for the provisions of section 154 of the Gains Act (depreciating assets), have been carried forward to a depreciating asset, and
 - (b) that asset is the subject of a relevant transfer,
- that section shall have effect as if the gain had accrued to, and the claim for it to be held over had been made by, the transferee and as if the predecessor's acquisition of the depreciating asset had been the transferee's acquisition of that asset.
- (3) Where an asset, or an interest in an asset, is the subject of a relevant transfer, the predecessor shall not be entitled at any time after the coming into force of the relevant transfer to make any claim under section 152 or 153 of the Gains Act in respect of his acquisition of the asset or interest.
- (4) Where an asset, or an interest in an asset, is the subject of a relevant transfer, the transferee shall not, by virtue of any provision of this Schedule, be treated for the purposes of sections 152 to 154 of the Gains Act as having applied the whole or any part of the consideration for any disposal—
- (a) in acquiring the asset or interest by virtue of the relevant transfer; or

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- (b) in acquiring the asset or interest as postulated in sub-paragraph (1)(a) above, if the predecessor has made a claim under section 152 or 153 of that Act in respect of his acquisition of the asset or interest.
- (5) Without prejudice to paragraph 1(4)(b) above, expressions used in sub-paragraph (2) above and in section 154 of the Gains Act have the same meaning in that sub-paragraph as they have in that section.

*Chargeable gains: agreements and instruments by
virtue of section 91(1)(c) of the Railways Act 1993*

- 7 (1) Sub-paragraph (2) below applies to any disposal effected pursuant to an obligation imposed by a section 85 transfer scheme by virtue of section 91(1)(c) of the ^{M241}Railways Act 1993 (obligations to enter into agreements or execute instruments) if the person making the disposal is—
- (a) the Board,
 - (b) a wholly owned subsidiary of the Board,
 - (c) a publicly owned railway company, or
 - (d) a company which is wholly owned by the Franchising Director,
- and the person to whom the disposal is made is either a person falling within paragraphs (a) to (d) above or the Franchising Director.
- (2) A disposal to which this sub-paragraph applies shall be taken for the purposes of corporation tax on chargeable gains, in relation to the person to whom the disposal is made as well as the person making the disposal, to be effected for a consideration such that no gain or loss accrues to the person making the disposal.
- (3) Section 171(1) of the Gains Act (transfers within a group) shall not apply where the disposal in question is one to which sub-paragraph (2) above applies.
- (4) Section 17 of that Act (disposals and acquisitions treated as made at market value) shall not have effect in relation to a disposal or the corresponding acquisition if—
- (a) the disposal is effected pursuant to an obligation imposed by a section 85 transfer scheme by virtue of section 91(1)(c) of the ^{M242}Railways Act 1993,
 - (b) the person making the disposal is either a person falling within paragraphs (a) to (d) of sub-paragraph (1) above or the Franchising Director, and
 - (c) the person making the corresponding acquisition is neither a person falling within those paragraphs nor the Franchising Director,
- unless the person making the disposal is connected with the person to whom the disposal is made.
- (5) In this paragraph, “the corresponding acquisition”, in the case of any disposal, means the acquisition made by the person to whom the disposal is made.

Marginal Citations

M241 1993 c. 43.
M242 1993 c. 43.

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Chargeable gains: group transactions

- 8
- (1) For the purposes of section 179 of the Gains Act (company ceasing to be a member of a group), where any company (“the degrouped company”) ceases, by virtue of a qualifying transaction, to be a member of a group of companies, the degrouped company shall not, by virtue of that qualifying transaction, be treated under that section as having sold, and immediately reacquired, any asset acquired from a company which was at the time of acquisition a member of that group.
 - (2) Where sub-paragraph (1) above applies in relation to any asset, section 179 of the Gains Act shall have effect on the first subsequent occasion on which the degrouped company ceases to be a member of a group of companies (the “subsequent group”), otherwise than by virtue of a qualifying transaction, as if both the degrouped company and the company from which the asset was acquired had been members of the subsequent group at the time of acquisition.
 - (3) Where, disregarding any preparatory transactions, a company would be regarded for the purposes of section 179 of the Gains Act (and, accordingly, of this paragraph) as ceasing to be, or becoming, a member of a group of companies by virtue of a qualifying transaction, it shall be regarded for those purposes as so doing by virtue of the qualifying transaction and not by virtue of any preparatory transactions.
 - (4) In this paragraph—
 - “preparatory transaction” means anything done under or by virtue of Part II of the Railways Act 1993 for the purpose of initiating, advancing or facilitating the qualifying transaction in question;
 - “qualifying transaction” means—
 - (a) a relevant transfer;
 - (b) any other transfer or disposal under or by virtue of section 85, 88(6) or (7) or 89 of the Railways Act 1993.
 - (5) Expressions used in this paragraph and in section 179 of the Gains Act have the same meaning in this paragraph as they have in that section.

Chargeable gains: disposal of debts

- 9
- (1) Where by virtue of any relevant transfer—
 - (a) any debt owed to the predecessor is transferred to the transferee, and
 - (b) the predecessor would, apart from this sub-paragraph, be the original creditor in relation to that debt for the purposes of section 251 of the Gains Act (disposal of debts),that Act shall have effect as if the transferee and not the predecessor were the original creditor for those purposes.
 - (2) Where, by virtue of any relevant transfer, any obligations of the predecessor under a guarantee of the repayment of a loan are transferred to the transferee, the transferee shall be treated for the purposes of section 253(4) of the Gains Act (relief for guarantors) as a person who gave the guarantee.
 - (3) In any case where—
 - (a) by virtue of any relevant transfer, a debt owed to the predecessor is transferred to the transferee,

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(b) that debt is either—

- (i) a right to the repayment of any amount outstanding as principal on a loan which is a qualifying loan for the purposes of either of sections 253 and 254 of the Gains Act (relief for irrecoverable debts owed by traders and payments under guarantees), or
- (ii) a right to recover any amount paid under a guarantee of the repayment of such a loan or of a loan which would be such a loan but for section 253(1)(c) of that Act (exclusion of debts not on security), and

(c) no allowable loss in respect of the amount mentioned in paragraph (b)(i) or (ii) above has been claimed by the predecessor under either of sections 253 and 254 of that Act before the coming into force of the relevant transfer,

those sections shall have effect with the modifications set out in sub-paragraph (4) below.

(4) Those modifications are—

- (a) that the loan or, as the case may be, the guarantee shall be treated as if it had been made or given by the transferee, and
- (b) that any payment made under the guarantee by the predecessor shall be treated as if it had been made by the transferee,

and those sections shall accordingly have effect as if there had been no assignment of the right to recover the principal of the loan or of any right to recover an amount paid under the guarantee.

(5) In any case where—

- (a) a debt falling within sub-paragraph (3)(b) above is transferred by virtue of a relevant transfer, and
- (b) before the coming into force of the relevant transfer, the predecessor has claimed a loss in respect of the amount mentioned in sub-paragraph (3)(b) (i) or (ii) above under section 253 or 254 of the Gains Act,

the relevant transfer shall not be treated as an assignment of the debt for the purposes of those sections and sub-paragraph (2) above shall not have effect in relation to the transferee, so far as relating to the amount mentioned in paragraph (b) above.

(6) In any case where—

- (a) any right to the recovery of an amount falling within subsection (3) of section 253 of the Gains Act (relief in respect of certain irrecoverable loans) is transferred by virtue of a relevant transfer,
- (b) an allowable loss determined by reference to that amount has been treated under that subsection as accruing to the predecessor, and
- (c) the whole or any part of that amount is at any time recovered by the transferee or by a company in the same group of companies as the transferee,

that Act shall have effect as if a chargeable gain equal to so much of the allowable loss as corresponds to the amount recovered had accrued to the transferee or, as the case may be, to the company in the same group as the transferee.

(7) In any case where—

- (a) any right to the recovery of an amount falling within subsection (4) of section 253 of the Gains Act is transferred by virtue of a relevant transfer,
- (b) an allowable loss determined by reference to that amount has been treated under that subsection as accruing to the predecessor, and

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- (c) the whole or any part of the amount mentioned in subsection (4)(a), or the whole or any part of the amount of the payment mentioned in subsection (4)(b), of that section is at any time recovered by the transferee or by a company in the same group of companies as the transferee,
- that Act shall have effect as if a chargeable gain equal to so much of the allowable loss as corresponds to the amount recovered had accrued to the transferee or, as the case may be, to the company in the same group as the transferee.
- (8) In any case where—
- (a) any right to recovery of the relevant outstanding amount, as defined in subsection (11) of section 254 of the Gains Act, is transferred by virtue of a relevant transfer,
- (b) an allowable loss determined by reference to that amount has been treated under subsection (2) of that section (relief for debts on qualifying corporate bonds) as accruing to the predecessor, and
- (c) the whole or any part of that amount is at any time recovered by the transferee or by a company in the same group of companies as the transferee,
- that Act shall have effect as if a chargeable gain equal to so much of the allowable loss as corresponds to the amount recovered had accrued to the transferee or, as the case may be, to the company in the same group as the transferee.
- (9) In any case where sub-paragraph (6), (7) or (8) above applies in relation to an allowable loss, subsections (7) and (8) of section 253 of the Gains Act and subsection (10) of section 254 of that Act (which deem a chargeable gain to arise where an amount treated as an allowable loss is recovered by another company in the same group) shall not apply in relation to that allowable loss.
- (10) Expressions used in this paragraph and in section 253 or 254 of the Gains Act have the same meaning in this paragraph as they have in that section.

Chargeable gains: assets held before 6th April 1965

- 10 Schedule 2 to the Gains Act (assets held on 6th April 1965) shall have effect in relation to any assets which vest in the transferee by virtue of a relevant transfer as if—
- (a) the predecessor and the transferee were the same person; and
- (b) those assets, to the extent that they were in fact acquired or provided by the predecessor, were acquired or, as the case may be, provided by the transferee.

Chargeable gains: miscellaneous disposals and acquisitions

- 11 (1) In this paragraph, “relevant disposal” means—
- (a) a disposal by virtue of a section 85 transfer scheme, other than a restructuring scheme, to the extent that the scheme provides for the transfer of property, rights and liabilities of—
- (i) the Board,
- (ii) a wholly owned subsidiary of the Board,
- (iii) a publicly owned railway company, or
- (iv) a company which is wholly owned by the Franchising Director, to a franchise company or to the Franchising Director;

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- (b) a disposal pursuant to a direction under section 88(6) or (7) or 89 of the ^{M243}Railways Act 1993;
 - (c) a disposal by or pursuant to an agreement or instrument made or executed, transaction effected or direction given under or by virtue of paragraph 2, 3 or 14(2) of Schedule 8 to that Act, in a case where the transfer scheme in question is a section 85 transfer scheme, other than a restructuring scheme; or
 - (d) a disposal pursuant to a requirement imposed under paragraph 7(2)(b) of that Schedule, in a case where the transfer to which that Schedule applies is a transfer by virtue of a section 85 transfer scheme.
- (2) Subject to sub-paragraph (3) below, section 17 of the Gains Act (disposals and acquisitions treated as made at market value) shall not have effect—
- (a) in relation to a relevant disposal or the corresponding acquisition,
 - (b) in relation to an acquisition by a franchise company, in a case where the corresponding disposal is a disposal by the Franchising Director by virtue of a section 85 transfer scheme, or
 - (c) in relation to a disposal of a historical record or artefact in accordance with directions under section 125 of the ^{M244}Railways Act 1993 (railway heritage), unless, in a case falling within paragraph (a) or (b) above, the person making the disposal is connected with the person making the acquisition.
- (3) Where there is a relevant disposal of an asset of—
- (a) the Board,
 - (b) a subsidiary of the Board,
 - (c) a publicly owned railway company, or
 - (d) a company wholly owned by the Franchising Director,
- to the Franchising Director or a company wholly owned by the Crown, the disposal shall be taken for the purposes of the Gains Act, in relation to the person making the disposal and, if the disposal is made to a company wholly owned by the Crown, the person to whom the disposal is made, to be for a consideration such that no gain or loss accrues on the disposal.
- (4) Where there is a disposal of a historical record or artefact in accordance with directions under section 125 of the ^{M245}Railways Act 1993 and the disposal is either—
- (a) for a consideration not exceeding the sums which are allowable as a deduction under section 38 of the Gains Act (consideration for, and incidental costs of, original acquisition etc), or
 - (b) for no consideration,
- the disposal shall be taken for the purposes of the Gains Act, in relation to the person to whom the disposal is made as well as the person making the disposal, to be for a consideration such that no gain or loss accrues on the disposal.
- (5) In this paragraph—
- “the corresponding acquisition”, in the case of any disposal, means the acquisition made by the person to whom the disposal is made;
 - “the corresponding disposal” in the case of any acquisition, means the disposal to the person by whom the acquisition is made.

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Marginal Citations

M243 1993 c. 43.

M244 1993 c. 43.

M245 1993 c. 43.

Transfers of trading stock

- 12 (1) This paragraph applies in any case where—
- (a) by virtue of a relevant transfer, any trading stock belonging to a trade carried on by the predecessor (“the predecessor’s trade”) vests in the transferee, and
 - (b) the trading stock is acquired by the transferee as trading stock for the purposes of a trade which he carries on or which he begins to carry on after the relevant transfer (“the transferee’s trade”).
- (2) Where this paragraph applies, the trading stock in question shall, for the purposes (whether in relation to the predecessor or the transferee) of computing for the purposes of the Corporation Tax Acts the profits or gains of the predecessor’s trade and the transferee’s trade,—
- (a) be taken to have been both disposed of by the predecessor and acquired by the transferee in the course of those trades and (subject to that) at the time when the transfer comes into force; and
 - (b) be valued in each case as if that disposal and acquisition had been for a consideration which in relation to the predecessor would have resulted in neither a profit nor a loss being brought into account in respect of the disposal in the accounting period of the predecessor which is current at that time.
- (3) In this paragraph “trading stock” has the same meaning as in section 100 of the Taxes Act 1988.

Transfer of rights to receipts

- 13 Where, by virtue of any relevant transfer, there is transferred any right of the predecessor to receive any amount which is for the purposes of corporation tax—
- (a) an amount brought into account as a trading receipt of the predecessor for any accounting period ending before the time when the transfer comes into force, or
 - (b) an amount falling to be so brought into account if it is assumed, where it is not the case, that the accounting period of the predecessor current on the day before the transfer comes into force ends immediately before that time,
- the transfer shall not require any modification of the way in which that amount has been and is to be treated in relation to the predecessor for those purposes or entitle any amount due or paid in respect of that right to be treated as a trading receipt of the transferee for any accounting period.

Transfer of liabilities

- 14 (1) If the whole or any part of the amount of a liability transferred by virtue of a relevant transfer falls, for the purposes of corporation tax,—

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- (a) to be brought into account as deductible in computing the predecessor's profits, or any description of the predecessor's profits, for any accounting period ending before the time when the transfer comes into force, or
- (b) to be so brought into account if it is assumed, where it is not the case, that the accounting period of the predecessor current on the day before the transfer comes into force ends immediately before that time,

then the transfer shall not require any modification of the way in which that amount or, as the case may be, that part of that amount has been or is to be treated in relation to the predecessor for those purposes or entitle any amount due or paid in respect of that liability or, as the case may be, the corresponding part of that liability to be deductible in computing the transferee's profits, or any description of the transferee's profits, for any accounting period.

- (2) If and to the extent that the amount of any liability which, in consequence of any relevant transfer, falls to be discharged by the transferee is an amount which would (but for that and any other transfer) have fallen to be deductible in computing the predecessor's profits, or any description of the predecessor's profits, for any accounting period beginning with the coming into force of the transfer or at any subsequent time, that amount shall, to that extent,—

- (a) not be so deductible; but
- (b) subject to sub-paragraph (3) below, be deductible in computing the transferee's profits to the same extent as if the transferee had become subject to the obligation in pursuance of which the liability arises or has arisen at the same time and for the same consideration, and otherwise on the same terms and in the same circumstances, as the predecessor;

and for the purposes of this sub-paragraph it shall be assumed, where it is not the case, that the accounting period of the predecessor current on the day before the transfer comes into force ends immediately before the coming into force of that transfer.

- (3) For the purposes of corporation tax, where any relevant transfer has the effect that any liability falls to any extent to be discharged by the transferee instead of by the predecessor, the amounts deductible in computing the transferee's profits, or any description of the transferee's profits, for any accounting period shall not include any amount in respect of so much of that liability as falls to be so discharged unless it is an amount which (but for that and any other transfer) would have fallen to be deductible in computing the predecessor's profits, or any description of the predecessor's profits, for any accounting period beginning or ending after the coming into force of that transfer.
- (4) The preceding provisions of this paragraph shall apply in relation to the deduction of charges on income against the total profits of the predecessor or transferee for any period as they apply in relation to the deduction of any amount in the computation for that period of the profits of the predecessor or, as the case may be, of the transferee.
- (5) For the purposes of Chapter II of Part VI of the Taxes Act 1988 (definition of distributions), where in the case of any relevant transfer any consideration given or treated as given in respect of a security relating to—
- (a) any liability, or
 - (b) the use of the principal to which any liability, being a liability to interest or an equivalent liability, relates,

would fall (apart from this sub-paragraph) to be regarded for those purposes as new consideration received by the predecessor, that consideration shall be treated instead,

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to the extent that it relates to so much of the liability as falls in consequence of the transfer to be discharged by the transferee, as if it were new consideration received by the transferee.

Trading losses

- 15 (1) Subject to the following provisions of this paragraph, where as a result of a relevant transfer, the predecessor falls to be regarded for the purposes of section 343 of the Taxes Act 1988 (company reconstructions without change of ownership) as ceasing to carry on a trade and the transferee falls to be regarded for the purposes of that section as beginning to carry on that trade—
- (a) the transferee shall not, by virtue of those matters, be entitled to any relief under section 393(1) (trading losses) of that Act to which it would, apart from this paragraph, have been entitled by virtue of section 343(3) of that Act; and
 - (b) after the coming into force of the relevant transfer, the loss in question shall continue to be regarded for the purposes of the Corporation Tax Acts as a loss incurred in the trade for the time being carried on by the predecessor to the same extent as it would have been so regarded apart from the relevant transfer (and shall be eligible for relief accordingly).
- (2) The following provisions of this paragraph apply in any case where—
- (a) a restructuring scheme makes express provision for the transfer from the predecessor to the transferee of the right to obtain tax relief in respect of such an amount of the predecessor's unrelieved trading losses or unrelieved transferred losses as may be specified in, or determined in accordance with, the scheme; and
 - (b) after the relevant date the transferee carries on, or begins to carry on, any trade (whether or not the trade, or a part of the trade, carried on by the predecessor);
- and any reference in this paragraph to a transferred loss is a reference to the amount mentioned in paragraph (a) above.
- (3) The transferee shall be entitled to relief under section 393(1) of the Taxes Act 1988 for the transferred loss, as for a loss sustained by the transferee in carrying on its trade, but the transferred loss may only be set off against trading income of the transferee which arises in an accounting period throughout which the transferee is a public sector railway company.
- (4) Where the transferee ceases to be a public sector railway company, it shall be assumed for the purposes of giving relief by virtue of sub-paragraph (3) above that—
- (a) on the occasion of the cessation (unless a true accounting period of the transferee ends then) an accounting period of the transferee ends and a new one begins, the new accounting period to end with the end of the true accounting period; and
 - (b) the amount of the trading income for the true accounting period of the transferee against which the relief may be allowed is apportioned to the component accounting periods;

and any apportionment under this sub-paragraph shall be on a time basis according to the respective lengths of the component accounting periods except that, if it appears

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that that method would work unreasonably or unjustly, such other method shall be used as appears just and reasonable.

- (5) Relief by virtue of sub-paragraph (3) above in respect of a transferred loss shall be given against the trading income of any accounting period of the transferee before relief is given against that income in respect of losses incurred by the transferee after the relevant date.
- (6) As from the relevant date—
- (a) the amount of the predecessor’s unrelieved transferred losses (if any) shall be regarded for the purposes of this paragraph as reduced by an amount equal to the transferred loss; and
 - (b) if the transferred loss exceeds the amount of the predecessor’s unrelieved transferred losses before the reduction under paragraph (a) above, or if there are no such losses, the predecessor’s unrelieved trading losses shall be regarded for the purposes of the Corporation Tax Acts as reduced by the amount of that excess or, as the case may be, by an amount equal to the transferred loss.
- (7) Without prejudice to the generality of sub-paragraphs (1) and (3) above, if the conditions in subsection (1) of section 343 of the Taxes Act 1988 become satisfied at any time on or after the relevant date in relation to any trade (or, where subsection (8) of that section applies, any part of a trade which falls to be treated for the purposes of that section as a separate trade), the company which is the successor, within the meaning of that section, shall not become entitled to relief by virtue of subsection (3) of that section in respect of any amount for which the company which is the predecessor, within the meaning of that section, would have been entitled to relief by virtue of sub-paragraph (3) above had it continued to carry on the trade (or the part of the trade which falls to be treated as a separate trade).
- (8) Subject to sub-paragraph (9) below, the provisions of a restructuring scheme providing for the determination of the amount which is to be that of any transferred loss may include provision—
- (a) for such a determination to be made by the Secretary of State in such manner as may be described in the scheme;
 - (b) for any amount determined to be calculated by reference to such factors, or to the opinion of such person, as may be so described; and
 - (c) for a determination under those provisions to be capable of being modified, on one or more occasions, in such manner and in such circumstances as may be so described.
- (9) The consent of the Treasury shall be required for the making or modification of a determination of any such amount as is mentioned in sub-paragraph (8) above; and the consent of the transferee shall also be required for any such modification after the coming into force of the relevant transfer.
- (10) Where there is a determination, or a modification of a determination, for any purposes of this paragraph, all necessary adjustments shall be made by making assessments or by repayment or discharge of tax, and shall be so made notwithstanding any limitation on the time within which assessments may be made.
- (11) For the purposes of this paragraph, a transferee is at any time a “public sector railway company” if, and only if, it is at that time—
- (a) the Board;

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- (b) a wholly owned subsidiary of the Board;
- (c) a publicly owned railway company; or
- (d) a company wholly owned by the Crown.

(12) In this paragraph—

“the relevant date” means the date on which the transfer mentioned in sub-paragraph (2)(a) above takes effect;

“trading income” has the same meaning as it has in section 393 of the Taxes Act 1988;

“unrelieved trading losses” means any losses—

- (a) which were incurred by the predecessor in carrying on a trade in accounting periods ending before the relevant date, or
- (b) for which the predecessor has, by virtue of section 343(3) of the Taxes Act 1988, become entitled to relief under section 393(1) of that Act,

and which would, apart from the restructuring scheme mentioned in sub-paragraph (2)(a) above, have fallen to be set off under the said section 393(1) against trading income of the predecessor arising in the accounting period in which the relevant date falls;

“unrelieved transferred losses” means so much of a transferred loss as would, apart from the restructuring scheme mentioned in sub-paragraph (2) (a) above, have fallen to be set off under section 393(1) of the Taxes Act 1988, as it applies by virtue of sub-paragraph (3) above, against trading income of the predecessor arising in the accounting period in which the relevant date falls.

(13) It shall be assumed for the purposes of the definitions of “unrelieved trading losses” and “unrelieved transferred losses” in sub-paragraph (12) above (if it is not in fact the case) that the trading income mentioned in those definitions is at least equal to the aggregate amount of the losses in question of each of those descriptions.

No reduction in allowable losses on extinguishment of certain liabilities

- 16 Where any of the liabilities of a successor company are extinguished by virtue of section 106(1) of the ^{M246}Railways Act 1993, section 400 of the Taxes Act 1988 (reduction of allowable losses on write-off of government investment) shall not have effect in relation to any amount of government investment in a body corporate which, apart from this paragraph, would thereby fall to be regarded as written-off for the purposes of that section.

Marginal Citations

M246 1993 c. 43.

Group relief

- 17 (1) The existence of the powers of the Secretary of State or the Franchising Director under Part II of the Railways Act 1993 shall not be regarded as constituting arrangements falling within subsection (1) or (2) of section 410 of the Taxes Act 1988 (arrangements for the transfer of a company to another group or consortium).

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- (2) Nothing in Part II of the Railways Act 1993, and no direction given by the Secretary of State under or by virtue of any provision of that Part, shall be regarded as constituting option arrangements for the purposes of paragraph 5B of Schedule 18 to the Taxes Act 1988.
- (3) Arrangements relating to the transfer, pursuant to any provision of Part II of the Railways Act 1993, of shares of a subsidiary of the Board to—
- (a) the Secretary of State,
 - (b) the Franchising Director,
 - (c) a publicly owned railway company,
 - (d) a company which is wholly owned by the Crown, or
 - (e) a person acting on behalf of a person falling within any of paragraphs (a) to (d) above,
- shall not, so far as so relating, be regarded as constituting arrangements falling within subsection (1)(b)(i) or (ii) of section 410 of the Taxes Act 1988.
- (4) Arrangements relating to the transfer, by virtue of a section 85 transfer scheme, of the whole or any part of a trade carried on by the Board or a wholly owned subsidiary of the Board to—
- (a) a publicly owned railway company, or
 - (b) a company wholly owned by the Franchising Director,
- shall not, so far as so relating, be regarded as constituting arrangements falling within section 410(1)(b)(iii) of the Taxes Act 1988.
- (5) Arrangements relating to the transfer, pursuant to any provision of Part II of the Railways Act 1993, of shares of a subsidiary of the Board, or shares of a company owned by a consortium, to—
- (a) the Secretary of State,
 - (b) the Franchising Director,
 - (c) a publicly owned railway company,
 - (d) a company which is wholly owned by the Crown, or
 - (e) a person acting on behalf of a person falling within any of paragraphs (a) to (d) above,
- shall not, so far as so relating, be regarded as constituting arrangements falling within section 410(2)(b)(ii) of the Taxes Act 1988.
- (6) None of sub-paragraphs (3) to (5) above shall have effect in relation to any arrangements if—
- (a) notwithstanding the provisions of those sub-paragraphs, the arrangements to any extent fall within section 410(1) or (2) of the Taxes Act 1988; or
 - (b) the arrangements form part of a series of subsisting arrangements which to any extent—
 - (i) relate to the transfer of any shares or assets of, or the whole or any part of the trade carried on by, a company to which the first-mentioned arrangements relate, and
 - (ii) notwithstanding the provisions of sub-paragraphs (3) to (5) above, fall within section 410(1) or (2) of the Taxes Act 1988.

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- (7) Section 413(6)(a) of the Taxes Act 1988 (company owned by a consortium) shall have effect for the purposes of sub-paragraph (5) above as it has effect for the purposes of Chapter IV of Part X of that Act.
- (8) In this paragraph—
“arrangements” has the same meaning as in section 410 of the Taxes Act 1988;
“shares” includes stock.

Securities issued under section 98 or 106 of the Railways Act 1993

- 18 (1) Subject to sub-paragraph (2) below, any shares issued by a relevant company in pursuance of section 98 or 106 of the ^{M247}Railways Act 1993 (initial share holding in, and extinguishment of certain liabilities of, successor companies) shall be treated for the purposes of the Corporation Tax Acts as if they had been issued wholly in consideration of a subscription paid to that company (and attributable equally between those shares) of an amount equal—
- (a) in the case of shares issued under section 98 of that Act, to the value, as at the transfer date, of the property, rights and liabilities vested in that company in accordance with the transfer scheme mentioned in subsection (1) of that section, or
- (b) in the case of shares issued under section 106 of that Act, to the amount of the liabilities extinguished by the order under subsection (1) of that section, reduced, in either case, by the principal sum payable under any debentures issued by the company in pursuance of the section in question.
- (2) Where two or more classes of share are issued by a relevant company in pursuance of section 98 or, as the case may be, section 106 of the Railways Act 1993—
- (a) the issued shares of each of those classes shall be valued, as at the day on which, in consequence of section 98(4) or, as the case may be, section 106(5) of that Act, no more shares can be directed to be issued by the company under the section in question;
- (b) the amount of the consideration mentioned in sub-paragraph (1) above shall be apportioned between those classes of share in proportion to the aggregate value of the issued shares of each of those classes, as determined pursuant to paragraph (a) above; and
- (c) the portion attributed to any class of share pursuant to paragraph (b) above shall be divided by the number of issued shares of that class, the resulting amount being referred to in the following provisions of this sub-paragraph as the “appropriate price” for a share of that class;
- and each of the issued shares of any of those classes shall be treated for the purposes of the Corporation Tax Acts as if it had been issued wholly in consideration of a subscription paid to the relevant company of an amount equal to the appropriate price for a share of that class.
- (3) Any debenture issued by a relevant company in pursuance of section 98 or 106 of the ^{M248}Railways Act 1993 shall be treated for the purposes of the Corporation Tax Acts as if it had been issued—
- (a) wholly in consideration of a loan made to that company of an amount equal to the principal sum payable under the debenture; and

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- (b) wholly and exclusively for the purposes of the trade or business carried on by that company.
- (4) If any debenture issued as mentioned in sub-paragraph (3) above includes provisions for the payment of a sum expressed as interest in respect of a period which falls wholly or partly before the issue of the debenture, any payment made in pursuance of that provision in respect of that period shall be treated for the purposes of the Corporation Tax Acts as if the debenture had been issued at the commencement of that period and, accordingly, as interest on the principal sum payable under the debenture.
- (5) The value required to be determined for the purposes of sub-paragraph (1)(a) or (2)(a) above is market value, as defined in section 272 of the Gains Act.
- (6) In this paragraph—
“company” means a body corporate;
“relevant company” means a company which is—
(a) a successor company; or
(b) in the application of this paragraph in relation to shares or debentures issued pursuant to section 106 of the ^{M249}Railways Act 1993, the company, or one of the companies, wholly owning (within the meaning of that section) the successor company whose liabilities are extinguished by the order under subsection (1) of that section.

Marginal Citations

M247 1993 c. 43.

M248 1993 c. 43.

M249 1993 c. 43.

Leased assets

- 19 (1) For the purposes of section 781 of the Taxes Act 1988 (assets leased to traders and others), where the interest of the lessor or the lessee under a lease, or any other interest in an asset, vests in any person by virtue of a relevant transfer—
(a) the transfer shall (notwithstanding anything in section 783(4) of that Act) be treated as made without any capital sum having been obtained in respect of that interest by the predecessor or the transferee; and
(b) in a case where the interest is an interest under a lease, payments made by the predecessor under the lease before the coming into force of the transfer shall be treated as if they had been made under that lease by the transferee.
- (2) No charge shall arise under section 781(1) of the Taxes Act 1988 by virtue of section 783(2) of that Act in a case where the capital sum mentioned in section 781(1)(b)(i) or (ii) of that Act is the consideration obtained (or treated by section 783(4) of that Act as obtained) by the Board on a disposal pursuant to a direction under Part II of the ^{M250}Railways Act 1993 of securities of a subsidiary of the Board.
- (3) The grant of a lease of an asset—

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- (a) by a person to an associate of his, pursuant to an obligation imposed by a restructuring scheme by virtue of section 91(1)(c) of the ^{M251}Railways Act 1993,
 - (b) by a person to an associate of his, pursuant to paragraph 2 of Schedule 8 to that Act in connection with a restructuring scheme, or
 - (c) by the Board, any of the Board's wholly owned subsidiaries, a publicly owned railway company or a company wholly owned by the Franchising Director to an associate of the grantor, pursuant to a direction under that Act,
- shall be treated for the purposes of section 781 of the Taxes Act 1988 (notwithstanding anything in section 783(4) of that Act) as made without any capital sum having been obtained by the grantor.
- (4) No charge shall arise under section 781(1) of the Taxes Act 1988 in a case where the capital sum mentioned in section 781(1)(b)(i) or (ii) of that Act is the consideration obtained (or treated by section 783(4) of that Act as obtained) on a disposal of, or of an interest in, rolling stock by—
- (a) the Board,
 - (b) a wholly owned subsidiary of the Board,
 - (c) a publicly owned railway company,
 - (d) a company wholly owned by the Franchising Director, or
 - (e) a body which, at the time when it acquired the rolling stock, fell within paragraph (b), (c) or (d) above,
- in any case where before, at or after the time when the disposal is made the lessee's interest in a lease of the rolling stock has belonged to an associate of the person making the disposal.
- (5) Section 782 of the Taxes Act 1988 (leased assets: special cases) shall not apply to payments made by—
- (a) the Board,
 - (b) a wholly owned subsidiary of the Board,
 - (c) a publicly owned railway company,
 - (d) a company wholly owned by the Franchising Director,
 - (e) a successor company, or
 - (f) a franchise company,
- under a lease of an asset which at any time before the creation of the lease was used by a body falling within paragraphs (a) to (d) above for the purposes of a trade carried on by that body and which was, when so used, owned by that body.
- (6) Section 781 of the Taxes Act 1988 shall not, by virtue of sub-paragraph (5) above, apply to any payments to which, by virtue of section 782 of that Act, it would not have applied apart from that sub-paragraph.
- (7) In this paragraph—
- “asset” has the meaning given by section 785 of the Taxes Act 1988;
 - “associate” shall be construed in accordance with section 783(10) of that Act;
 - “capital sum” has the meaning given by section 785 of that Act;
 - “lease” has the meaning given by section 785 of that Act;
 - “rolling stock” has the meaning given by section 83(1) of the ^{M252}Railways Act 1993;

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“securities” has the meaning given by section 142 of the ^{M253}Financial Services Act 1986.

Marginal Citations

M250 1993 c. 43.

M251 1993 c. 43.

M252 1993 c. 43.

M253 1986 c. 60.

Continuity in relation to capital allowances etc where trade transferred

- 20 (1) Subject to the following provisions of this Schedule, where, apart from this paragraph—
- (a) the predecessor would be treated for the purposes of the Corporation Tax Acts as having ceased, by virtue of the coming into force of a relevant transfer, to carry on any trade, and
 - (b) the transferee would be treated as having begun, on the coming into force of that transfer, to carry it on,
- then the trade shall not be treated as permanently discontinued, nor a new trade as set up, for the purposes of the allowances and charges provided for by the Capital Allowances Acts, but sub-paragraphs (2) to (4) below shall apply.
- (2) Subject to sub-paragraphs (3) and (4) below, in a case falling within sub-paragraph (1) above—
- (a) there shall be made to or on the transferee in accordance with the Capital Allowances Acts all such allowances and charges as would, if the predecessor had continued to carry on the trade, have fallen to be made to or on the predecessor; and
 - (b) the amount of any such allowance or charge shall be computed as if—
 - (i) the transferee had been carrying on the trade since the predecessor began to do so; and
 - (ii) everything done to or by the predecessor had been done to or by the transferee (but so that the relevant transfer itself, so far as it relates to any assets in use for the purpose of the trade, shall not be treated as giving rise to any such allowance or charge).
- (3) For the purposes of the Corporation Tax Acts, only such amounts (if any) as may be specified in or determined in accordance with the restructuring scheme providing for a relevant transfer shall be allocated to the transferee in respect of expenditure by reference to which capital allowances may be made by virtue of sub-paragraph (2) above in relation to anything to which the transfer relates.
- (4) Sub-paragraph (2) above shall affect the amounts falling to be taken into account in relation to the predecessor as expenditure by reference to which capital allowances may be made only so far as necessary to give effect to a reduction of any such amount by a sum equal to so much of that amount as is allocated to the transferee as mentioned in sub-paragraph (3) above.

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- (5) Subject to sub-paragraph (6) below, the provisions of a restructuring scheme providing for the determination of any amount which for the purposes of sub-paragraph (3) above is to be allocated, in the case of any relevant transfer, to the transferee may include provision—
- (a) for such a determination to be made by the Secretary of State in such manner as may be described in the scheme;
 - (b) for any amount determined to be calculated by reference to such factors or to the opinion of such person as may be so described; and
 - (c) for a determination under those provisions to be capable of being modified, on one or more occasions, in such manner and in such circumstances as may be so described.
- (6) The consent of the Treasury shall be required for the making or modification of a determination of any such amount as is mentioned in sub-paragraph (5) above; and the consent of the transferee shall also be required for any such modification after the coming into force of the relevant transfer.
- (7) This sub-paragraph applies in any case where assets which are the subject of a relevant transfer became vested in the predecessor by virtue of a transfer made by a company; and in any such case—
- (a) if the predecessor held a direct or indirect interest in the company at the time of the transfer by the company, that interest shall be treated for the purposes of sub-paragraph (2)(b)(ii) above as if it had instead been held by the transferee;
 - (b) if the company held a direct or indirect interest in the predecessor at the time of the transfer by the company, the interest which the company held in the predecessor shall be treated for the purposes of sub-paragraph (2)(b)(ii) above as if it had instead been the corresponding interest in the transferee; and
 - (c) if there was a person who, at the time of the transfer by the company, held—
 - (i) a direct or indirect interest in the predecessor, and
 - (ii) a direct or indirect interest in the company,the interest which that person held at that time in the predecessor shall be treated for the purposes of sub-paragraph (2)(b)(ii) above as if it had instead been the corresponding interest in the transferee.
- (8) Neither section 343 of the Taxes Act 1988 (company reconstructions without change of ownership) nor section 77 of the Allowances Act (successions to trades: connected persons) shall have effect in a case falling within sub-paragraph (1) above.
- (9) In determining whether sub-paragraph (1) above has effect in relation to a relevant transfer in a case where—
- (a) the predecessor continues to carry on any trade or part of a trade after the coming into force of the transfer, or
 - (b) the transferee was carrying on any trade before the coming into force of the transfer,
- the trade or part of a trade which is continued or, as the case may be, was being carried on shall for the purposes of that sub-paragraph be treated in relation to any trade or part of a trade which is transferred by virtue of the transfer as a separate trade and shall accordingly be disregarded.

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- (10) Where there is a determination, or a modification of a determination, for any purposes of this paragraph, all necessary adjustments shall be made by making assessments or by repayment or discharge of tax, and shall be so made notwithstanding any limitation on the time within which assessments may be made.

Capital allowances in certain cases where paragraph 20 does not apply

- 21 (1) The Capital Allowances Acts shall have effect in accordance with this paragraph in relation to any property if—
- (a) it is property to which a relevant transfer relates; and
 - (b) paragraph 20 above does not apply in relation to its transfer to the transferee; and in this paragraph “the relevant scheme”, in relation to property to which a relevant transfer relates, means the restructuring scheme that provides for that transfer.
- (2) In any case where—
- (a) subsection (6) of section 21 of the Allowances Act (transfer of industrial buildings or structures to be deemed to be sale at market price) applies on the relevant transfer in relation to the property, and
 - (b) the relevant scheme contains provision for the sale of that property which is deemed to occur by virtue of that subsection to be deemed for the purposes of the Capital Allowances Acts to be at a price specified in or determined in accordance with the scheme,
- that deemed sale shall be treated as a sale at the price so specified or determined (instead of at the price determined by virtue of that subsection or any other provision of those Acts), sections 157 and 158 of the Allowances Act shall not apply and that provision of the scheme shall have an equivalent effect in relation to the expenditure which the transferee is to be treated as having incurred in making the corresponding purchase.
- (3) Where the property is plant or machinery which would, for the purposes of the Capital Allowances Acts, be treated on the coming into force of the relevant transfer as disposed of by the predecessor to the transferee and the relevant scheme contains provision for the disposal value of that property to be deemed for the purposes of those Acts to be of such amount as may be specified in or determined in accordance with the scheme—
- (a) that provision shall have effect, instead of section 26(1) or 59 of the Allowances Act, for determining an amount as the disposal value of the property or, as the case may be, as the price at which any fixture is to be treated as sold;
 - (b) the transferee shall be deemed to have incurred expenditure of that amount on the provision of that property; and
 - (c) in the case of a fixture, the expenditure which falls to be treated as incurred by the transferee shall be deemed for the purposes of section 54 of that Act to be incurred by the giving of a consideration consisting in a capital sum of that amount.
- (4) Sub-paragraphs (5) and (6) of paragraph 20 above shall apply in relation to any determination of any amount in accordance with any provision made by a

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restructuring scheme for the purposes of this paragraph as they apply for the purposes of a determination such as is mentioned in those sub-paragraphs.

- (5) Where there is a determination, or a modification of a determination, for any purposes of this paragraph, all necessary adjustments shall be made by making assessments or by repayment or discharge of tax, and shall be so made notwithstanding any limitation on the time within which assessments may be made.

Capital allowances: actual consideration to be the disposal value in certain other cases

- 22 (1) In this paragraph, “relevant disposal” means—
- (a) a disposal by virtue of a section 85 transfer scheme, other than a restructuring scheme, to the extent that the scheme provides for the transfer of property, rights and liabilities of—
 - (i) the Board,
 - (ii) a wholly owned subsidiary of the Board,
 - (iii) a publicly owned railway company, or
 - (iv) a company which is wholly owned by the Franchising Director,to a franchise company or to the Franchising Director;
 - (b) a disposal pursuant to a direction under section 89 of the ^{M254}Railways Act 1993;
 - (c) a disposal in accordance with directions under section 125 of that Act;
 - (d) a disposal by or pursuant to an agreement or instrument made or executed, transaction effected or direction given under or by virtue of paragraph 2, 3 or 14(2) of Schedule 8 to that Act, in a case where the transfer scheme in question is a section 85 transfer scheme, other than a restructuring scheme; or
 - (e) a disposal pursuant to a requirement imposed under paragraph 7(2)(b) of that Schedule, in a case where the transfer to which that Schedule applies is a transfer by virtue of a section 85 transfer scheme.
- (2) A relevant disposal of the relevant interest in—
- (a) an industrial building or structure, or
 - (b) a qualifying hotel or a commercial building or structure,
- shall be treated for the purposes of Part I of the Allowances Act, and the other provisions of that Act which are relevant to that Part, as a sale of that relevant interest; and sections 157 and 158 of that Act (sales between connected persons or without change of control) shall not have effect in relation to that sale.
- (3) Where there is a relevant disposal of machinery or plant, the amount which, in consequence of that disposal, is to be brought into account as the disposal value of that machinery or plant for the purposes of section 24 of the Allowances Act (balancing adjustments) shall, subject to section 26(2) and (3) of that Act (disposal value of machinery or plant not to exceed capital expenditure incurred on its provision) be taken—
- (a) if consideration is given in respect of the relevant disposal, to be an amount equal to the amount or value of that consideration, or
 - (b) if no such consideration is given, to be nil,
- notwithstanding any other provision of the Capital Allowances Acts.

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- (4) Where, in consequence of a relevant disposal, a fixture is treated by section 57(2) of the Allowances Act as ceasing to belong to a person at any time, the amount which, in consequence of that disposal, is to be brought into account as the disposal value of the fixture for the purposes of section 24 of that Act shall, subject to section 26(2) and (3) of that Act, be taken—
- (a) if consideration is given in respect of the relevant disposal, to be an amount equal to that portion of the amount or value of that consideration which falls (or, if the person to whom the relevant disposal is made were entitled to an allowance, would fall) to be treated for the purposes of Part II of that Act as expenditure incurred by that person on the provision of the fixture, or
 - (b) if no such consideration is given, to be nil,
- notwithstanding any other provision of the Capital Allowances Acts.

Marginal Citations

M254 1993 c. 43.

Sale and lease-back: limitation on tax reliefs

- 23 (1) Section 779 of the Taxes Act 1988 (sale and lease back) shall not apply by virtue of subsection (1) or (2) of that section in any case where the liability of the transferor, or of the person associated with the transferor, is—
- (a) a liability under an access agreement, within the meaning of Part I of the ^{M255}Railways Act 1993;
 - (b) a liability under an agreement or instrument made or executed—
 - (i) pursuant to an obligation imposed by a restructuring scheme by virtue of section 91(1)(c) of that Act; or
 - (ii) pursuant to paragraph 2 of Schedule 8 to that Act;
 - (c) a liability under an exempt lease; or
 - (d) a liability to pay exempt rent or to make other exempt payments.
- (2) A lease is “exempt” for the purposes of sub-paragraph (1)(c) above if—
- (a) the transfer mentioned in subsection (1) of section 779 of the Taxes Act 1988 is—
 - (i) a transfer by virtue of a restructuring scheme;
 - (ii) a transfer pursuant to an obligation imposed by a restructuring scheme by virtue of section 91(1)(c) of the ^{M256}Railways Act 1993; or
 - (iii) a transfer pursuant to paragraph 2 of Schedule 8 to that Act; and
 - (b) the lease is granted after that transfer and otherwise than pursuant to—
 - (i) an obligation imposed by a restructuring scheme by virtue of section 91(1)(c) of the ^{M257}Railways Act 1993; or
 - (ii) paragraph 2 of Schedule 8 to that Act.
- (3) Rent or other payments are “exempt” for the purposes of paragraph (d) of sub-paragraph (1) above if—
- (a) the rent or other payments would, apart from that paragraph, be rent or other payments to which section 779 of the Taxes Act 1988 applies by virtue of subsection (1) or (2) of that section;

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- (b) the transfer mentioned in subsection (1) or, as the case may be, subsection (2) (a) of that section is—
 - (i) a transfer by virtue of a restructuring scheme;
 - (ii) a transfer pursuant to an obligation imposed by a restructuring scheme by virtue of section 91(1)(c) of the ^{M258}Railways Act 1993; or
 - (iii) a transfer pursuant to paragraph 2 of Schedule 8 to that Act; and
 - (c) the transaction or series of transactions mentioned in subsection (1)(b) or, as the case may be, subsection (2)(b) of the said section 779 is effected after that transfer.
- (4) In this paragraph “transferor”, “lease” and “rent” have the same meaning as they have in section 779 of the Taxes Act 1988 and “associated” shall be construed in accordance with subsection (11) of that section.

Marginal Citations

[M255](#) 1993 c. 43.

[M256](#) 1993 c. 43.

[M257](#) 1993 c. 43.

[M258](#) 1993 c. 43.

Sales of land with right to reconveyance

- 24 No charge to tax shall arise by virtue of section 36 of the Taxes Act 1988 (charge on sale of land with right to reconveyance) where the sale in question is constituted by a disposition to a franchise company—
- (a) by virtue of a transfer scheme;
 - (b) pursuant to an obligation imposed by a transfer scheme by virtue of section 91(1)(c) of the ^{M259}Railways Act 1993; or
 - (c) pursuant to paragraph 2 of Schedule 8 to that Act.

Marginal Citations

[M259](#) 1993 c. 43.

Modifications of restructuring scheme

- 25 (1) Subject to sub-paragraph (2) below, where the effect of a restructuring scheme is modified in pursuance of an agreement or direction under paragraph 2 or 3 of Schedule 8 to the ^{M260}Railways Act 1993, the Corporation Tax Acts and this Schedule shall have effect as if—
- (a) the scheme originally made had been the scheme as modified; and
 - (b) anything done by or in relation to the preceding holder had, so far as relating to the property, rights or liabilities affected by the modification, been done by or in relation to the subsequent holder.
- (2) A disposal of an asset—

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- (a) which is effected in pursuance of an agreement or direction under paragraph 2 of Schedule 8 to the ^{M261}Railways Act 1993, and
- (b) which is either the grant of a lease of land or the creation of other liabilities and rights over land,

shall be taken for the purposes of corporation tax on chargeable gains, in relation to the person to whom the disposal is made as well as the person making the disposal, to be effected for a consideration such that no gain or loss accrues to the person making the disposal.

- (3) Section 171(1) of the Gains Act (transfers within a group) shall not apply where the disposal in question falls within sub-paragraph (2) above.
- (4) Any reference in sub-paragraph (1) or (2) above to an agreement or direction under paragraph 2 or 3 of Schedule 8 to the ^{M262}Railways Act 1993 includes a reference to such an agreement or direction as varied in accordance with a direction given by the Secretary of State under paragraph 14(2) of that Schedule.
- (5) For the purposes of sub-paragraph (1)(b) above—
 - “the preceding holder” means the person who without the modification in question—
 - (a) became, by virtue of the restructuring scheme in question, entitled or subject to the property, rights or liabilities affected by the modification, or
 - (b) remained, notwithstanding the restructuring scheme in question, entitled or subject to the property, rights or liabilities affected by the modification,

as the case may be;

“the subsequent holder” means the person who, in consequence of the modification in question, becomes, or resumes being, entitled or subject to the property, rights or liabilities affected by the modification.

Marginal Citations

M260 1993 c. 43.

M261 1993 c. 43.

M262 1993 c. 43.

Income tax exemption for certain interest

- 26 Where liability for a loan made to the Board is vested in a successor company by virtue of a section 85 transfer scheme, the vesting shall not affect any direction given, or having effect as if given, by the Treasury under section 581 of the Taxes Act 1988 (income tax exemption for interest on foreign currency securities) in respect of the loan.

Employee benefits: transport vouchers

- 27 (1) This paragraph applies to any person (an “eligible person”)—
- (a) who on 11th January 1994 was in the employment of—

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- (i) the Board,
 - (ii) a wholly owned subsidiary of the Board, or
 - (iii) any other subsidiary of the Board which, at that date, was a passenger transport undertaking; and
 - (b) who at that date was provided, or was eligible to be provided, by reason of that employment, with a transport voucher falling within subsection (6) of section 141 of the Taxes Act 1988 (exclusion of subsection (1) of that section in relation to certain transport vouchers);
- but this sub-paragraph is subject to sub-paragraph (2) below.
- (2) This paragraph shall not apply, or shall cease to apply, to a person if, on or after 11th January 1994, any of the following conditions became or becomes satisfied in his case, that is to say—
- (a) he ceases, otherwise than—
 - (i) by virtue of anything done under or by virtue of, or pursuant to, the ^{M263}Railways Act 1993, or
 - (ii) by virtue of any other enactment or statutory instrument, in consequence of anything so done,to be in the employment of a person falling within sub-paragraph (i) or, as the case may be, sub-paragraph (ii) or (iii) of sub-paragraph (1)(a) above;
 - (b) he is not in the employment of any person engaged in the railway industry; or
 - (c) the continuity of the period of his employment is broken.
- (3) Subsection (6) of section 141 of the Taxes Act 1988 shall, if and so long as the conditions in sub-paragraph (4) below are satisfied, have effect in relation to a transport voucher provided for an eligible person, notwithstanding—
- (a) that the employer of the eligible person does not fall to be regarded as a passenger transport undertaking;
 - (b) that the arrangements under which the transport voucher is provided were not in operation on 25th March 1982; or
 - (c) that the passenger transport services which may be obtained by means of the transport voucher are provided, in whole or in part, otherwise than as mentioned in paragraphs (a) to (d) of that subsection;
- but this sub-paragraph is subject to sub-paragraph (2) above.
- (4) The conditions mentioned in sub-paragraph (3) above are—
- (a) that the eligible person is in the employment of an employer engaged in the railway industry;
 - (b) that the transport voucher is provided by reason of the eligible person's being in the employment of such an employer;
 - (c) that the transport voucher is intended to enable the eligible person or a relation of his to obtain passenger transport services; and
 - (d) that the current transport voucher benefits in the case of the eligible person are not significantly better than the former transport voucher benefits for comparable employees.
- (5) The Secretary of State may, with the consent of the Treasury, by order prescribe for any purposes of this paragraph circumstances—
- (a) in which a person who ceases, or ceased, as mentioned in sub-paragraph (2) (a) above to be in the employment there mentioned shall be treated—

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- (i) as if he had not ceased to be in that employment, or
 - (ii) as if he had not so ceased to be in that employment;
 - (b) in which a person shall be treated for a period during which he is not or was not in the employment of any person engaged in the railway industry as if he were or had been in the employment of such a person;
 - (c) in which a break in the continuity of a person’s period of employment shall be disregarded; or
 - (d) in which a transport voucher shall be treated as if it were, or had been, provided for a person by reason of his being in the employment of an employer engaged in the railway industry.
- (6) The employers who are to be regarded for the purposes of this paragraph as “engaged in the railway industry” are those who carry on activities of a class or description specified for the purposes of this sub-paragraph in an order made by the Secretary of State with the consent of the Treasury; and the Secretary of State may so specify any class or description of activity which, in his opinion, falls within, or is related to or connected with, the railway industry.
- (7) Any power to make an order under this paragraph shall be exercisable by statutory instrument; and a statutory instrument containing such an order shall be subject to annulment pursuant to a resolution of the House of Commons.
- (8) In determining for the purposes of sub-paragraph (4)(d) above whether the current transport voucher benefits in the case of an eligible person are not significantly better than the former transport voucher benefits for comparable employees, regard shall be had, in particular, to—
- (a) the passenger transport services which may be, or (as the case may be) might have been, obtained by means of transport vouchers under the arrangements in question,
 - (b) whether, and (if so) the extent to which, free or concessionary travel is or (as the case may be) was available under those arrangements,
 - (c) the rate of any discount to the standard fare which is or (as the case may be) was available in the case of concessionary travel under those arrangements, and
 - (d) any limitations on the availability or use of transport vouchers under the arrangements in question.
- (9) Apart from paragraph 18, so much of Schedule 13 to the ^{M264}Employment Protection (Consolidation) Act 1978 as has effect for the purpose of ascertaining whether any period of employment is continuous shall apply for the purposes of this paragraph as it applies for the purposes of that Act, except that, in the case of an employee—
- (a) who is employed for less than sixteen hours, but for at least one hour, in any week, or
 - (b) whose relations with the employer are governed during the whole or part of a week by a contract of employment which normally involves employment for less than sixteen hours, but for at least one hour, weekly,
- that Schedule shall so apply in relation to that employee and that week with the modifications in sub-paragraph (10) below.
- (10) Those modifications are that the said Schedule 13 shall have effect—
- (a) as if paragraph 3 provided for any week—

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- (i) during the whole or part of which the employee's relations with the employer are governed otherwise than by a contract of employment which requires him to be employed for a minimum number of hours weekly, and
 - (ii) in which the employee is employed for one hour or more, to count in computing a period of employment;
 - (b) as if paragraph 4 provided for any week during the whole or part of which the employee's relations with the employer are governed by a contract of employment which normally involves employment for at least one hour, but for less than sixteen hours, weekly to count in computing a period of employment; and
 - (c) as if paragraphs 5 to 7 and, in paragraphs 9, 10 and 15, the references to paragraph 5, were omitted.
- (11) Expressions used in sub-paragraph (9) or (10) above and in Schedule 13 to the ^{M265}Employment Protection (Consolidation) Act 1978 have the same meaning in that sub-paragraph as they have in that Schedule.
- (12) In this paragraph—
- “the current transport voucher benefits”, in the case of an eligible person, means the totality of the benefits which, by reason of his employment by an employer engaged in the railway industry, are available in the year in question—
 - (a) to the eligible person, and
 - (b) to relations of his,by way of transport voucher under the arrangements under which the transport voucher in question is provided;
 - “the former transport voucher benefits for comparable employees”, in the case of an eligible person, means the totality of the benefits which would, by reason of the employment by the Board of a person of similar status to the eligible person (“the comparable person”), have been available in the year 1993-94—
 - (a) to the comparable person, and
 - (b) to relations of his,by way of transport voucher under arrangements in operation on 25th March 1982.
- (13) Subject to paragraph 1(1) and sub-paragraphs (11) and (12) above, expressions used in this paragraph and in section 141 of the Taxes Act 1988 have the same meaning in this paragraph as they have in that section.
- (14) This paragraph has effect—
- (a) in relation to transport vouchers received by an employee on or after 11th January 1994; and
 - (b) in relation to expense incurred on or after that date in, or in connection with, the provision of—
 - (i) any transport voucher, or
 - (ii) the money, goods or services for which it is capable of being exchanged,

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irrespective of when the transport voucher falls to be regarded as received by the employee in question.

Marginal Citations

M263 1993 c. 43.

M264 1978 c. 44.

M265 1978 c. 44.

SCHEDULE 25 **U.K.**

Section 253.

NORTHERN IRELAND AIRPORTS LIMITED

Interpretation

1 (1) In this Schedule—

“the final accounting period” means the last complete accounting period of NIAL ending before the transfer date;

“the Holding Company” means the Northern Ireland Transport Holding Company established under section 47 of the ^{M266}Transport Act (Northern Ireland) 1967;

“NIAL” means the subsidiary of the Holding Company incorporated under the name of Northern Ireland Airports Limited;

“the Order” means the ^{M267}Airports (Northern Ireland) Order 1994 and any reference to an Article is to an Article of the Order;

“the successor company” means the company nominated under Article 51(1) as the successor company for the purposes of the Order;

“the transfer date” means the day appointed under Article 54(2);

“the transferred trade” means the trade carried on by NIAL and transferred under Article 54(2) to the successor company.

(2) This Schedule, so far as it relates to corporation tax on chargeable gains, shall be construed as one with the ^{M268}Taxation of Chargeable Gains Act 1992.

Marginal Citations

M266 1967 c. 37 (N.I.).

M267 S.I. 1994/426 (N.I.).

M268 1992 c. 12.

Transfers from NIAL to successor company: general

2 (1) The following shall apply for the purposes of the Corporation Tax Acts—

- (a) the transferred trade shall be treated as having been, at the time when it began to be carried on by NIAL and at all times since that time, a separate trade carried on by the successor company;

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- (b) the trade carried on by the successor company on and after the transfer date shall be treated as the same trade as that which, by virtue of paragraph (a) above, it is treated as having carried on before that date;
 - (c) all property, rights and liabilities of NIAL which are transferred under Article 54(2) to the successor company shall be treated as having been, at the time when they became vested in NIAL and at all times since that time, property, rights and liabilities of the successor company; and
 - (d) anything done by NIAL in relation to any property, rights and liabilities which are transferred under Article 54(2) to the successor company shall be deemed to have been done by the successor company.
- (2) This paragraph shall have effect in relation to accounting periods beginning after the final accounting period.

Roll-over relief

- 3 (1) This paragraph applies where NIAL has, before the transfer date, disposed of (or of its interest in) any assets used, throughout the period of ownership, wholly or partly for the purposes of the transferred trade.
- (2) Sections 152 to 156 of the ^{M269}Taxation of Chargeable Gains Act 1992 (roll-over relief on replacement of business assets) shall have effect in relation to that disposal as if NIAL and the successor company were the same person.

Marginal Citations

M269 1992 c. 12.

Transfers from Holding Company to successor company

- 4 (1) This paragraph applies where under Article 54(2) an asset of the Holding Company is transferred to the successor company.
- (2) The disposal of the asset by the Holding Company shall be taken for the purposes of corporation tax on chargeable gains to be effected for a consideration of such amount as would secure that on the disposal neither a gain nor a loss would accrue to the Holding company.
- (3) In section 35(3)(d) of the Taxation of Chargeable Gains Act 1992 after subparagraph (ix) there shall be inserted—
“(x) paragraph 4(2) of Schedule 25 to the Finance Act 1994.”

Leasehold interests in industrial buildings or structures

- 5 (1) This paragraph applies where—
- (a) NIAL is entitled, under a lease granted by the Holding Company, to a leasehold interest in a building or structure,
 - (b) by virtue of Article 52(2)(b) that interest is deemed to have been surrendered by NIAL,

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- (c) under Article 52(3) the Holding Company and NIAL enter into a lease under which NIAL is entitled to a leasehold interest (“the new interest”) in the property, and
 - (d) under Article 54(2) that interest is transferred to the successor company.
- (2) For the purposes of the 1990 Act—
- (a) the surrender shall be deemed to be for such an amount (by way of sale, insurance, salvage or compensation moneys) as would secure that no balancing allowance or balancing charge would be made to or on NIAL by reason of the surrender (“the surrender value”);
 - (b) the successor company shall be treated for the purposes of the 1990 Act—
 - (i) as if the new interest were the relevant interest in relation to the capital expenditure incurred on the construction of the property; and
 - (ii) as if the amount of the residue of that expenditure immediately after the transfer of the new interest were equal to the surrender value.
- (3) In this paragraph—
- “the 1990 Act” means the ^{M270}Capital Allowances Act 1990;
 - “balancing allowance” and “balancing charge” have the same meanings as in section 4 of the 1990 Act;
 - “the property” means the building or structure referred to in subparagraph (1); and
 - “relevant interest” has the same meaning as in section 20 of the 1990 Act.

Marginal Citations

M270 1990 c. 1.

Securities of successor company

- 6
- (1) Any share issued by the successor company under Article 57 shall be treated for the purposes of the Corporation Tax Acts as if it had been issued wholly in consideration of a subscription paid to the company of an amount equal to the nominal value of the share.
 - (2) Any debenture issued by the successor company under Article 57 shall be treated for the purposes of the Corporation Tax Acts as if it had been issued—
 - (a) wholly in consideration of a loan made to the company of an amount equal to the principal sum payable under the debenture, and
 - (b) wholly and exclusively for the purposes of the trade carried on by the company.
 - (3) If any such debenture includes provision for the payment of a sum expressed as interest in respect of a period which falls wholly or partly before the issue of the debenture, any payment made in pursuance of that provision in respect of that period shall be treated for the purposes of the Corporation Tax Acts as if the debenture had been issued at the commencement of that period and, accordingly, as interest on the principal sum payable under the debenture.

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SCHEDULE 26 **U.K.**

Section 258.

REPEALS

PART I **U.K.**

VEHICLES EXCISE DUTY

Commencement Information

I23 [Sch. 26 Pt. I](#) in force at Royal Assent except for the repeals at (2) which come into force at 1.6.1994

(1) Rates

Chapter	Short title	Extent of repeal
1971 c. 10.	The Vehicles (Excise) Act 1971.	In Schedule 1, in Part I, paragraph 4(a). In Schedule 2, in Part I, paragraphs 3 and 5. In Schedule 4, paragraph 6(6) (a), (c) and (d).
1985 c. 54.	The Finance Act 1985.	Section 4(4).
1991 c. 31.	The Finance Act 1991.	In Schedule 3, in Part I, paragraph 21.
1993 c. 34.	The Finance Act 1993.	Section 17(3)(a) and (7)(b). Section 20(3).

These repeals have effect in relation to licences taken out after 30th November 1993.

(2) Transitional modifications

Chapter	Short title	Extent of repeal
1971 c. 10.	The Vehicles (Excise) Act 1971.	In section 2A(1), the words “(other than licences for one calendar year)”. In Schedule 7, in Part I, paragraphs 1(c), 3(b), 18, 19, 21, and 22 and, so far as it relates to section 26(2), paragraph 23.
1988 c. 54.	The Road Traffic (Consequential Provisions) Act 1988.	In Schedule 2, in Part III, paragraph 23.

These repeals come into force on 1st June 1994.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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(3) Other provisions

Chapter	Short title	Extent of repeal
1971 c. 10.	The Vehicles (Excise) Act 1971.	Section 1(4). In section 3(3), the words “the restoration of any forfeiture and”. Section 4(3)(a).
1971 c. 10. (contd.)	The Vehicles (Excise) Act 1971. (contd.)	In section 16(4), the words following paragraph (b). In section 18, subsections (8) and (9) and, in subsection (10), paragraph (b) and the word “and” immediately preceding it. Section 21. In section 22, in subsection (1), the words “or sign to be exhibited”, “or 21” and “or exhibited” and, in subsection (2), the words “or sign exhibited” and “or sign”. In section 23, as set out in paragraph 20 of Part I of Schedule 7, in subsection (1) (f), the words “or the signs” and “or signs”. In section 25, in subsection (1), in paragraph (a), the words “temporary licences or” and, in paragraph (b), the words from the beginning to “allocated to the dealer in pursuance of this Act or” and, in subsection (2), the words “requirement or” (in both places). In section 26, in subsection (1), the words “or sign to be exhibited” and “or 21” and, in subsection (2) (a), the words “temporary licences or”. In section 28(1), “11(2),”.

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		In section 29(4), “11(2),”.
		In section 35(2), the words “and forfeitures” (in both places).
		Section 36.
		In section 37—in subsection (3), as set out in paragraph 22 of Part I of Schedule 7, “2(5), 11(3), 14,” in subsection (3A), as so set out, “14,” and “14 or”, and in subsection (4), “11(3), 14, 15(1), 17(1),”.
		In Schedule 4, paragraph 5 and, in paragraph 15(1), in the definition of “goods vehicle”, the words “(including a tricycle as defined in Schedule 1 to this Act and weighing more than 425 kilograms unladen)”.
1976 c. 40.	The Finance Act 1976.	In section 11, in subsection (2)(c), the words “or, if it falls” onwards and subsection (5).
		In section 12(2)(a), the words “either” and “, or elsewhere”.
1983 c. 28.	The Finance Act 1983.	In Schedule 3, in Part II, paragraph 9.
1986 c. 41.	The Finance Act 1986.	In Schedule 2, in Part I, in paragraph 4, in sub-paragraph (5), in paragraph (a), the words “, including those words where they appear in the subsection as set out in paragraph 12 of Part I of Schedule 7,” and paragraph (c) and sub-paragraph (7)(b).
1987 c. 16.	The Finance Act 1987.	In Schedule 1, in Part III, paragraphs 16(2) and 18(2) and (3).
1988 c. 53.	The Road Traffic Offenders Act 1988.	In Schedule 5, the entry relating to the Vehicles (Excise) Act 1971.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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1988 c. 54.	The Road Traffic (Consequential Provisions) Act 1988.	In Schedule 3, paragraph 15.
1990 c. 29.	The Finance Act 1990.	In Schedule 2, in Part II, paragraph 6(1) to (3).
1991 c. 31.	The Finance Act 1991.	In Schedule 3, Part II.
1993 c. 34.	The Finance Act 1993.	In section 19(2), the words “including that subsection as set out in paragraph 12 of Part I of Schedule 7”.

PART II U.K.

GAMING MACHINE LICENCE DUTY

Commencement Information

I24 Sch. 26 Pt. II: repeals have effect in accordance with Sch. 3 (with appropriate commencement dates)

Chapter	Short title	Extent of repeal
1981 c. 63.	The Betting and Gaming Duties Act 1981.	Section 21A. Section 22(5). In section 24, subsection (2), in subsections (3) and (4) the word “such”, in subsection (3) the words from “but” to the end, in subsection (4) the words “or there are special licences in force with respect to those machines” and in subsection (6)(a) the words from “or” at the end of sub- paragraph (i) to “greater”. In section 26, in subsection (4) the words “section 22(5) or”.
1982 c. 39.	The Finance Act 1982.	In Schedule 4, paragraphs 9, 10 and 11A.
1984 c. 43.	The Finance Act 1984.	In Schedule 6, paragraphs 9, 11 and 15. In Schedule 3, paragraphs 3 to 5, 6(b) to (d) and (f), 7(3) to (7) and (9) to (11).

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1985 c. 54.	The Finance Act 1985.	In Schedule 5, paragraphs 2, 3(1) and 9(1).
1987 c. 16.	The Finance Act 1987.	Section 4. Section 5(1), (4) and (5).
1993 c. 34.	The Finance Act 1993.	Section 15. In section 16, subsections (4) (b) and (5).

These repeals have effect in accordance with Schedule 3 to this Act.

VALID FROM 01/01/1995

PART III U.K.

EXCISE DUTIES: ENFORCEMENT AND APPEALS

Chapter	Short title	Extent of repeal
1979 c. 2.	The Customs and Excise Management Act 1979.	Section 111(2). In section 113(4), the words from “and the trader” onwards. Section 116A. Section 127.
1979 c. 4.	The Alcoholic Liquor Duties Act 1979.	Section 13(4). Section 15(8). Section 19(3).
1979 c. 7.	The Tobacco Products Duty Act 1979.	Section 8(3).
1981 c. 35.	The Finance Act 1981.	In Schedule 8— (a) in paragraph 2(d), paragraph (ii) and the word “and” immediately preceding it; (b) paragraph 7; (c) in paragraph 12, in subparagraph (b), the words from “and after” onwards and subparagraph (c); (d) in paragraph 14, the words from “and after” in

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1981 c. 63.	The Betting and Gaming Duties Act 1981.	sub-paragraph (c) to the end of sub-paragraph (d); and (e) in paragraph 15, sub-paragraph (c) and the word “and” immediately preceding it. In section 24(5), the words after paragraph (f). In Schedule 1— (a) paragraph 11; (b) in paragraph 14(3), the word “reasonably”; and (c) in paragraph 15(1), the words from “(not being” to “9 above)”. In Schedule 2, paragraph 5 and, in paragraph 7(6), the words “(1) or”. In Schedule 3, paragraphs 14 and 16(4). In Schedule 4, paragraph 16(2).
1985 c. 54.	The Finance Act 1985.	In Schedule 5, paragraph 9(2).
1989 c. 26.	The Finance Act 1989.	Section 15.
1992 c. 48.	The Finance (No. 2) Act 1992.	In Schedule 2, paragraph 2(6).
Section 19 of this Act applies to these repeals as it applies to Chapter II of Part I of this Act.		

PART IV U.K.

VALUE ADDED TAX

Chapter	Short title	Extent of repeal
1985 c. 54.	The Finance Act 1985.	In section 20(2)(a) the words “one month after”.

This repeal has effect in accordance with section 46 of this Act.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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PART V U.K.

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

(1) Reliefs

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	Section 257BB(6). In section 257D(5)(d), the words “section 257A and”. In section 265(3)(b), the words from “section 257A” to “or under”. In section 347B(2), the words “Notwithstanding section 347A(1)(a) but”.
1988 c. 39.	The Finance Act 1988.	In Schedule 3, paragraph 33.
1992 c. 48.	The Finance (No. 2) Act 1992.	In Schedule 5, paragraph 8(2).

The repeals in section 347B of the Income and Corporation Taxes Act 1988 and in the Finance Act 1988 have effect in relation to payments becoming due on or after 6th April 1994 and the other repeals have effect in accordance with section 77(7) of this Act.

(2) Interest relief

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	Section 257D(8)(a). Section 265(3)(a). Section 353(4) and (5).
1991 c. 31.	The Finance Act 1991.	Section 27(1) to (5) and (7).
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	In section 6(1), the words “353(4), 369(3A)”, the words “certain interest etc. and” and paragraph (a).
1992 c. 48.	The Finance (No. 2) Act 1992.	In section 19, in subsection (3), the words “353(5), 369(3B)” and subsection (5).
1993 c. 34.	The Finance Act 1993.	Section 57(7). In Schedule 6, in paragraph 1, the words “353(5), 369(3B)”.

These repeals have effect in accordance with section 81(6) of this Act.

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(3) Medical insurance

Chapter	Short title	Extent of repeal
1988 c.1.	The Income and Corporation Taxes Act 1988.	In section 257D(8), paragraph (d). In section 265(3), paragraph (d).
1989 c.26.	The Finance Act 1989.	In section 55, in subsection (2) paragraph (e) and the word “and” immediately preceding it, and subsections (3) to (6).

(1) The repeals in the Income and Corporation Taxes Act 1988 have effect in accordance with paragraph 3 of Schedule 10 to this Act.

(2) The repeals in the Finance Act 1989 have effect in accordance with paragraph 5 of that Schedule.

(4) Vocational training

Chapter	Short title	Extent of repeal
1991 c. 31.	The Finance Act 1991.	In section 32(10), the words after paragraph (b).

This repeal comes into force in accordance with section 84(4) of this Act.

(5) Beneficial loans

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 160(4), the words from “and Part III” to the end. Section 167(2A). Section 191B(14). In Schedule 7, in paragraph 1(5) the words “his employer, being” and Parts III to V.
1991 c. 31.	The Finance Act 1991.	Section 31. In Schedule 6, paragraphs 2 and 5.

These repeals have effect in accordance with section 88(5) of this Act.

(6) Vouchers

Chapter	Short title	Extent of repeal
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1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 141(1), the words following paragraph (b).
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(7)Relief on re-investment

Chapter	Short title	Extent of repeal
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	<p>In section 164A, in subsection (2) the words “Subject to section 164C”, and subsections (3) to (7) and (11).</p> <p>Sections 164C to 164E.</p> <p>In section 164F, in subsection (5)(a) the words “or 164D” and in subsection (10) the words “(within the meaning of section 164D)”.</p> <p>In section 164H(1), the words “within the meaning of section 164C”.</p>

These repeals have effect in accordance with section 91(2) of this Act.

(8)Indexation allowance

Chapter	Short title	Extent of repeal
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	<p>In section 56(1)(a), the words “or loss”.</p> <p>Section 103.</p> <p>Section 111.</p> <p>Sections 182 to 184.</p> <p>Section 200.</p> <p>In Schedule 7A, in paragraph 2(4) the words “except in relation to the calculation of any indexed rise”, in paragraph 2(9) the definition of “indexed rise”, in paragraph 4(12) the words from “together” to the end and paragraph 4(13).</p>
1993 c. 34.	The Finance Act 1993.	In Schedule 17, paragraph 8.

These repeals have effect in accordance with section 93(11) of this Act.

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(9) Commodity and financial futures

Chapter	Short title	Extent of repeal
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	Section 143(4).

This repeal has effect in accordance with section 95(2) of this Act.

(10) Settlements with foreign element: information

Chapter	Short title	Extent of repeal
1970 c. 9.	The Taxes Management Act 1970.	In the Table in section 98, in the second column the entry relating to paragraphs 11 to 14 of Schedule 5 to the Taxation of Chargeable Gains Act 1992.
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	In Schedule 5, paragraphs 11 to 14.

These repeals have effect in accordance with section 97 of this Act.

(11) Profit sharing schemes

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In Schedule 10, in paragraph 3 the words from “In this paragraph” to the end of the paragraph.

(12) Retirement benefits schemes

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 188(1), paragraph (c). In section 189, paragraph (b). In section 591(2)(g) the words “approved by the Board and”. Section 605(1) and (2). In section 612(1), the definition of “administrator”.

(1) The repeals in sections 188 and 189 have effect in accordance with section 108 of this Act.

(2) The repeal in section 591 has effect in accordance with section 107 of this Act.

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(3) The repeal of section 605(1) and (2) has effect in accordance with section 105 of this Act.

(4) The repeal in section 612(1) has effect in accordance with section 103 of this Act.

(13) Authorised unit trusts

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 468, subsection (2), and in subsection (6) the definition of “distribution period”. Sections 468F and 468G.
1993 c. 34.	The Finance Act 1993.	In Schedule 6, paragraphs 4, 5 and 25(2).

These repeals have effect in accordance with section 111 of and Schedule 14 to this Act.

(14) Manufactured payments

Chapter	Short title	Extent of repeal
1988 c.1.	The Income and Corporation Taxes Act 1988.	In paragraph 5 of Schedule 23A, in sub-paragraphs (2) and (4) the word “and” at the end of paragraph (b).

These repeals have effect in accordance with section 123 of this Act.

(15) Controlled Foreign Companies

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In paragraph 2 of Schedule 25, in sub-paragraph (1), in paragraph (a) the words “or for some other period which, in whole or in part, falls within that accounting period” and the words following paragraph (d), and sub-paragraph (2).

These repeals have effect in accordance with section 134(5) of this Act.

(16) Repeals connected with foreign income dividends

Chapter	Short title	Extent of repeal
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Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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1988 c. 1.	The Income and Corporation Taxes Act 1988.	<p>In section 434(6A) the word “and” at the end of paragraph (a).</p> <p>In section 438(6) the words from “being” to “that profit”.</p> <p>In section 731(9), in the definition of “interest” the words from “and in applying” to the end of paragraph (b).</p>
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(17) Enterprise investment scheme

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	<p>In section 257D(8)(b), the words “or under section 289”.</p> <p>In section 265(3)(b), the words “or under section 289”.</p> <p>In section 290A, subsection (10) and, in subsection (11), the definition of “prospectus”.</p> <p>In section 293, subsection (4) and subsections (9) to (11).</p> <p>Section 296(6).</p> <p>In section 297, in subsection (1) the words “(6) and” and in subsection (2) paragraphs (h) and (j).</p> <p>In section 298, in subsection (5) the definition of “property development” and subsections (6) to (8).</p> <p>Section 301(1), (2) and (7).</p> <p>Section 303(8), (10) and (11).</p> <p>In section 306(10), the second sentence.</p> <p>In section 307, in subsection (1) the words from “but” to the end and subsection (9).</p> <p>Section 308(6).</p> <p>Section 309.</p> <p>Section 310(10) and (11).</p>

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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1988 c. 39.	The Finance Act 1988.	In section 312, in subsection (1) the definitions of “fixed-rate preference share capital” and “the relevant period”. Section 50. Schedule 4.
1990 c. 29.	The Finance Act 1990.	Section 73.
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	In section 231(1)(d) the words “(business expansion scheme)”.
1992 c. 48.	The Finance (No. 2) Act 1992.	Sections 38 to 40.

These repeals have effect in relation to shares issued on or after 1st January 1994.

(18) Deduction from income

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 808 the words “In this section “securities” includes stocks and shares.”

This repeal has effect in accordance with section 140 of this Act.

(19) Qualifying lenders

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	Section 376(5). In section 379, the words “except in section 376(4) and (5)”. In section 828(4), “376(5)”.

(20) Premiums referred to pension business

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 431(4), in paragraph (d) the words “approved by the Board and” and in paragraph (e) the words “approved by the Board”.

These repeals have effect in accordance with section 143 of this Act.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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(21) Business donations

Chapter	Short title	Extent of repeal
1990 c. 29.	The Finance Act 1990.	Section 75.

(22) Minor corrections

Chapter	Short title	Extent of repeal
1965 c. 25.	The Finance Act 1965.	Section 87. Schedule 21.
1966 c. 18.	The Finance Act 1966.	In Schedule 5, paragraph 19. In Schedule 6, paragraph 23.
1970 c. 9.	The Taxes Management Act 1970.	In Schedule 4, paragraph 6.
1970 c. 10.	The Income and Corporation Taxes Act 1970.	In Schedule 15, in Part I of the Table in paragraph 11, the entry relating to the Finance Act 1966.
1988 c. 1.	The Income and Corporation Taxes Act 1988.	In section 43(1), the words “or IV”. In section 271— (a) in subsection (1)— (i) the words “or contract”, wherever they occur, (ii) in paragraph (b), the words “or the contract was made after that date”, and (iii) in paragraph (c), the words “or, as the case may be, the body with which the contract was made”, and (b) in subsection (2), paragraph (b) and the word “or” immediately preceding it. Section 614(1). In Schedule 11, in paragraph 8(b), the words “Chapter II of Part I of the 1968 Act or”.

The repeals in sections 43 and 271 of, and Schedule 11 to, the Income and Corporation Taxes Act 1988 have effect in accordance with Schedule 17 to this Act.

(23) Management: self-assessment etc.

Chapter	Short title	Extent of repeal
1970 c. 9.	The Taxes Management Act 1970.	In section 11(1), the words “inspector or other”.

Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

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		Section 11A.
		In section 12, subsections (1) and (4).
		In section 33(2), the proviso.
		In section 95(3), the words from “and the references” to the end.
		Section 118(3).
1975 c. 45.	The Finance (No. 2) Act 1975.	Section 67(1).
1988 c. 1.	The Income and Corporation Taxes Act 1988.	Section 5.
		Section 10.
		In section 203(2)(dd), the words from “(being not less” to “due”.
		Section 478.
		In section 824, subsection (5), in subsection (9), the words “a partnership” and the words “(within the meaning of section 111 of the Finance Act 1989)”, and subsection (10).
1992 c. 12	The Taxation of Chargeable Gains Act 1992.	Section 283(5).

- (1) The repeal of section 118(3) of the Taxes Management Act 1970 has effect in accordance with section 199(2) of, and paragraph 34(3) of Schedule 19 to, this Act.
- (2) The repeal of section 5 of the Income and Corporation Taxes Act 1988—
 - (a) except so far as it relates to partnerships whose trades, professions or businesses are set up and commenced before 6th April 1994, has effect in accordance with section 199(2) of this Act; and
 - (b) so far as it so relates, has effect as respects the year 1997-98 and subsequent years of assessment.
- (3) The repeals in section 824 of the Income and Corporation Taxes Act 1988 has effect in accordance with section 199(2) of, and paragraph 41(4) of Schedule 19 to, this Act.
- (4) The other repeals have effect in accordance with section 199(2) of this Act.

(24) Changes for facilitating self-assessment

Chapter	Short title	Extent of repeal
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Status: Point in time view as at 03/05/1994. This version of this Act contains provisions that are not valid for this point in time.

Changes to legislation: Finance Act 1994 is up to date with all changes known to be in force on or before 27 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

1988 c. 1.

The Income and Corporation
Taxes Act 1988.

In section 65, in subsection (1), the words “and sections 66 and 67” and the words “the year preceding”, in subsection (3), the words from “Nothing in this subsection” to the end, and in subsection (5), the words “subject to sections 66 and 67” and the words “the year preceding”, in each place where they occur.

Sections 66 and 67.

In section 96, in subsection (5), paragraph (b), in subsection (6), the words from “except that” to the end, and in subsection (7), paragraph (b).

In section 113, in subsection (1), the words “and of section 114(3)(b)”, subsections (3) to (5) and, in subsection (6), the words from “and where” to the end.

In section 114, in subsection (3), the words from “except that” to the end, and subsection (4).

In section 115, subsections (1) to (3) and (6).

In section 277, in subsection (1), the words “Subject to subsection (2) below”, paragraph (c) and the word “and” immediately preceding that paragraph, and subsection (2).

Section 380(3).

Section 381(6).

Section 383.

In section 384, in subsection (1), the words “(including any amount in respect of capital allowances which, by virtue of section 383, is to be treated as a loss)”, in subsection (2),

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the words “or an allowance in respect of expenditure incurred”, paragraph (b) and the word “or” immediately preceding that paragraph, and subsection (5).

In section 385, subsections (2), (3), (5) and (8).

Section 386(4).

In section 388, in subsection (6), paragraphs (b) and (d) and the word “and” immediately preceding paragraph (d), and in subsection (7), the words from the beginning to “an earlier year; and”.

In section 389, subsections (3) and (5) to (7).

In section 397(1), the words from “and where” to the end.

In section 521, in subsections (1) and (2), the words “or its basis period”.

In section 528(1), the words “or its basis period”.

In section 530, in subsections (4) and (5), the words “or its basis period”.

In section 804(8), the definitions of “non-basis period” and “years of commencement” and the words “references to the enactments relating to cessation are references to sections 63, 67 and 113”.

1990 c. 1.

The Capital Allowances Act 1990.

In section 3, in subsections (1) and (2B) to (4), the words “or its basis period”, in each place where they occur.

In section 4(10), the words “or of which the basis periods end on or before that date”.

In section 7, in subsections (2) and (3), the words “or its basis period”.

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In section 8, in subsection (3), the words “or its basis period”, and in subsection (5), in paragraph (a), the words from “or” to the end.

In section 9(3), the words “or its basis period”.

In section 19(3), the words “or its basis period”, in each place where they occur.

In section 21(8), the words “or its basis period”.

In section 23(2), the words “or its basis period”.

In section 24, in subsections (6), (6A) and (7), the words “or its basis period”, in each place where they occur.

In section 25, in subsections (1) and (7), the words “or its basis period”.

In section 33(3), the words “or, as the case may be, in its basis period”.

In section 37, in subsections (2) and (9), the words “or its basis period”, in subsection (5), the words “or, as the case may be, in its basis period” and, in subsection (6), the words “or in the basis period for which”.

In section 42(4), the words “or in the basis period for which”.

In section 46(1), the words “or in the basis period for which”.

In section 47(1), the words “or in the basis period for which”.

In section 48, in subsections (3), (4) and (5), the words “or its basis period”.

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In section 49(2), the words
“or its basis period”.

In section 61(5), the words
“or its basis period”.

In section 62A(6), the words
“or its basis period”.

In section 67(6), the words
“or its basis period”.

In section 73(3), the words
“or its basis period”.

In section 79, in subsections
(3) and (5), the words “or its
basis period”, in each place
where they occur.

In section 85, in subsections
(1), (3) and (4), the words
“or its basis period”, in each
place where they occur.

In section 87(6), the words
“or of which the basis periods
end on or before that date”.

In section 93(3), the words
“or its basis period”.

In section 99, in subsections
(1) and (4), the words “or its
basis period”.

In section 101, in subsections
(2) and (6) to (8), the words
“or its basis period”.

In section 121(4), the words
“or its basis period” and the
words “or, as the case may
be, its basis period”.

In section 124(3), the words
“or its basis period”.

In section 126(2), the words
“or its basis period”, in each
place where they occur.

In section 128(1), the words
“or its basis period”.

In section 129(3), the words
“or the basis periods for
which”.

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		In section 134(1), the words from “but where a writing-down allowance” to the end.
		In section 138(7), the words “or its basis period”.
		In section 148(7), the words “or its basis period”.
		In section 159, in subsections (4) and (6), the words “or its basis period”.
		In section 159A(4), the words “or its basis period”.
1991 c. 31.	The Finance Act 1991.	In section 72(8), the words “383(6), (7) and (8)”.
1994 c. 9.	The Finance Act 1994.	In section 118(6), the words “or its basis period”.

- (1) The repeal in section 65(3) of the Income and Corporation Taxes Act 1988 has effect in accordance with sections 207(6) and 218(1)(b) of this Act.
- (2) The repeal in section 96(6) of the Income and Corporation Taxes Act 1988 has effect in accordance with section 216(5) of this Act.
- (3) The repeal in section 96(7) of the Income and Corporation Taxes Act 1988 has effect in accordance with section 214(7) of this Act.
- (4) The following repeals, namely—
 - (a) the repeals in sections 113, 114, 115, 277, 380, 381 and 386 of the Income and Corporation Taxes Act 1988;
 - (b) the repeal of subsection (5) of section 384 of that Act;
 - (c) the repeal of subsections (2) and (5) of section 385 of that Act; and
 - (d) the repeal of subsection (3) of section 389 of that Act,
 have effect in accordance with section 215(4) of this Act.
- (5) The following repeals, namely—
 - (a) the repeals in sections 384(1) and (2), 388, 397, 521, 528 and 530 of the Income and Corporation Taxes Act 1988;
 - (b) the repeal of section 383 of that Act;
 - (c) the repeal of subsections (5) to (7) of section 389 of that Act;
 - (d) the repeals in the Capital Allowances Act 1990;
 - (e) the repeal in section 72 of the Finance Act 1991; and
 - (f) the repeal in section 118 of the Finance Act 1994,
 have effect in accordance with sections 211(2) and 218(1)(b) of this Act.
- (6) The repeals of subsections (3) and (8) of section 385 of the Income and Corporation Taxes Act 1988 have effect in accordance with section 209(7) of this Act.

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(7) The other repeals have effect in accordance with section 218(1) of this Act.

4 The following repeals, namely—

- (a) the repeals in sections 113, 114, 115, 277, 380, 381 and 386 of the Income and Corporation Taxes Act 1988;
- (b) the repeal of subsection (5) of section 384 of that Act;
- (c) the repeal of subsections (2) and (5) of section 385 of that Act; and
- (d) the repeal of subsection (3) of section 389 of that Act,

have effect in accordance with section 215(4) of this Act.

(25) Lloyd’s underwriters

Chapter	Short title	Extent of repeal
1988 c. 1.	The Income and Corporation Taxes Act 1988.	Section 627. Section 641(2).
1993 c. 34.	The Finance Act 1993.	Section 171(3). In section 179, in subsection (2), the words “to subsection (3) below and”, and subsection (3). In section 182, subsections (2) to (4). Section 183(3). In section 184(1), the words “or the managing agent of a syndicate of which he is a member”. In Schedule 19, Part II. In Schedule 20, in paragraph 13(1), the words from “and a transfer” to the end.

1 The repeals in the Income and Corporation Taxes Act 1988 and in section 183 of the Finance Act 1993 have effect in accordance with section 228(4) of this Act.

2 The repeal in section 171 of the Finance Act 1993 has effect in accordance with paragraph 1(3)(b) of Schedule 21 to this Act.

3 The repeals in section 179 of the Finance Act 1993 have effect in accordance with paragraph 6(3) of that Schedule.

4 The repeals in section 182 of the Finance Act 1993 have effect in accordance with paragraph 7(2) of that Schedule.

5 The repeal in paragraph 13(1) of Schedule 20 to the Finance Act 1993 has effect in accordance with paragraph 16(3) of that Schedule.

6 The other repeals have effect in accordance with section 228(3) of this Act.

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PART VI U.K.

OIL TAXATION

Chapter	Short title	Extent of repeal
1975 c. 22.	The Oil Taxation Act 1975.	In section 2(9)(a)(i), the words “or, as the case may be”. In Schedule 3, in paragraph 2A, sub-paragraph (4).
1993 c. 34.	The Finance Act 1993.	Section 190(5)(b).
1	The repeals in the Oil Taxation Act 1975 have effect in accordance with section 236 of this Act.	
2	The repeal in the Finance Act 1993 has effect in accordance with section 238 of this Act.	

PART VII U.K.

STAMP DUTY

Commencement Information

I25 Sch. 26 Pt VII(2) not in force at Royal Assent, see s. 245(8).

(1) Exchange, partition, etc.

Chapter	Short title	Extent of repeal
1891 c. 39.	The Stamp Act 1891.	In section 73, the words from first “upon” to “heritable property, or” and the words “exchange or”. In Schedule 1, the heading “Exchange or Excambion”.
1991 c. 31.	The Finance Act 1991.	In section 110, subsection (3) (e) and, in subsection (4), the words following “exempt property”.

These repeals have effect in accordance with section 241(6) of this Act.

(2) Production of instruments in Northern Ireland

Chapter	Short title	Extent of repeal
1936 c. 33 (N. I.).	The Finance Act (Northern Ireland) 1936.	Section 9.

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This repeal has effect in accordance with section 245(8) of this Act.

PART VIII U.K.

MISCELLANEOUS

Commencement Information

I26 Sch. 26 Pt VIII(1) has effect in accordance with s. 251 which is partly retrospective to 30.11.1993; Sch. 26 Pt. VIII(2) deemed to have come into force on 11.1.1994.

(1) Companies treated as non-resident

Chapter	Short title	Extent of repeal
1988 c.1.	The Income and Corporation Taxes Act 1988.	<p>In section 468F, in subsection (1)(c) the words “and not a dual resident” and in subsection (8) the definition of “dual resident”.</p> <p>In section 742(8) the words “, or regarded for the purposes of any double taxation arrangements having effect by virtue of section 788 as resident in a territory outside the United Kingdom,”.</p> <p>In section 745(4) the words “, or regarded for the purposes of any double taxation arrangements having effect by virtue of section 788 as resident in a territory outside the United Kingdom,”.</p> <p>Section 749(4A).</p> <p>Section 751(2)(bb).</p>
1990 c.29.	The Finance Act 1990.	<p>Section 66.</p> <p>In section 67, subsections (1) and (2).</p>
1992 c.12.	The Taxation of Chargeable Gains Act 1992.	<p>Section 139(3).</p> <p>Section 160.</p> <p>In section 166(2) the words “or a company” and the words “or company”.</p> <p>In section 171(2), paragraph (e) and the word</p>

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“or” immediately preceding it.

Section 172(3)(a).

In section 175(2) the words from “or a company which” to the end of paragraph (b).

Section 186.

In section 187, in subsection (1)(a) the words “or 186” and in subsection (6) the words “or, as the case may be, section 186(2),” and the words “or, as the case may be, section 186(1)”.

Section 188.

In section 211(3) the words “(and would not be a gain on which, under any double taxation relief arrangements, it would not be liable to tax)”.

1993 c. 34.

The Finance Act 1993.

Section 61(3).

These repeals have effect in accordance with section 251 of this Act.

(2) Railway taxation provisions

Chapter	Short title	Extent of repeal
1992 c. 12.	The Taxation of Chargeable Gains Act 1992.	In section 35(3)(d), the word “and” immediately preceding sub-paragraph (viii).

This repeal shall be deemed to have come into force on 11th January 1994.

(3) Assigned matters: minor corrections

Chapter	Short title	Extent of repeal
1979 c. 2.	The Customs and Excise Management Act 1979.	In section 118A, subsection (7).
1983 c. 55.	The Value Added Tax Act 1983.	In Schedule 7, in paragraph 7, sub-paragraph (6).

Status:

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Changes to legislation:

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