



# Finance Act 1999

## 1999 CHAPTER 16

### PART III

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

##### *Relief for interest payments*

#### **37 Limit on relief for interest**

For the year 1999-00 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.

#### **38 Withdrawal of relief for interest on loans to buy land etc**

- (1) A payment of interest falling within subsection (3) or (4) below shall not be eligible for relief under section 353 of the Taxes Act 1988 by virtue of section 354 of that Act (interest on loans to buy land etc.).
- (2) Section 369(1) of that Act (mortgage interest payable under deduction of tax) shall not apply to any payment of interest falling within subsection (3) or (4) below which (apart from section 353(2) of that Act and subsection (1) above) would be eligible for relief under section 353 of that Act by virtue of section 354 of that Act.
- (3) A payment of interest falls within this subsection if it is—
  - (a) a payment made on or after 6th April 2000 (whenever falling due); or
  - (b) a payment made before that date, but not before 9th March 1999, of any interest that was not due until on or after 6th April 2000.
- (4) A payment of interest falls within this subsection if it is—
  - (a) made before 6th April 2000 but not before 9th March 1999; and
  - (b) made under or in accordance with any scheme made for a tax-avoidance purpose on or after 9th March 1999 (whether or not before the making of the payment).

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- (5) For the purposes of subsection (4) above, a scheme is made for a tax-avoidance purpose if its main purpose, or one of its main purposes, is to secure that a payment of one or more of the following descriptions is a relievable payment, that is to say—
- (a) a payment discharging an obligation to make a payment which (but for the scheme) might have been expected to be a non-relievable payment;
  - (b) a payment made in pursuance of any obligation which has effect, directly or indirectly, in place of an obligation under which a payment which might have been expected to be a non-relievable payment would have become due;
  - (c) a payment made in pursuance of an obligation which (apart from the purpose of securing that it is a relievable payment) might have been expected to take the form of an obligation—
    - (i) to make a non-relievable payment, or
    - (ii) to make two or more payments at least one of which would have been a non-relievable payment.
- (6) In subsection (5) above—
- “non-relievable payment” means a payment falling within subsection (3) above; and
- “relievable payment” means a payment which—
- (a) is eligible for relief under section 353 of the Taxes Act 1988, or
  - (b) is a payment to which section 369(1) of that Act applies.
- (7) The references in this section to a scheme are references to any scheme, arrangements or understanding of any kind whatever, whether or not legally enforceable.
- (8) Schedule 4 to this Act (which contains amendments consequential on the preceding provisions of this section) shall have effect.

### **39 Withdrawal of relief for interest on new annuity loans**

- (1) In section 365 of the Taxes Act 1988 (relief for interest on loans to buy life annuities), in subsection (1), before paragraph (a) insert—
- “(aa) that the loan was made before 9th March 1999;”.
- (2) After subsection (1) of that section insert—
- “(1AA) Where—
- (a) a loan made on or after 9th March 1999 was made in pursuance of an offer made by the lender before that date, and
  - (b) the offer was either in writing or evidenced by a note or memorandum made by the lender before that date,
- the loan shall be deemed for the purposes of subsection (1)(aa) above to have been made before that date.”
- (3) This section has effect for the year 1998-99 and subsequent years of assessment.

### **40 Annuity loans: residence requirements and re-mortgages**

- (1) Section 365 of the Taxes Act 1988 (relief for interest on loans to buy life annuities) is amended as follows.

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*Status: This is the original version (as it was originally enacted).*

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(2) In subsection (1)(d) (residence requirement for land on which loan is secured), for “uses the land on which it was secured as his only or main residence at the time the interest is paid” substitute “used the land on which it was secured as his only or main residence immediately before 9th March 1999”.

(3) After subsection (1AA) (inserted by section 39 of this Act) insert—

“(1AB) Subject to subsection (1AC) below, the conditions in paragraphs (aa) and (a) of subsection (1) above shall be treated as satisfied in relation to a loan (“the new loan”) if—

- (a) the new loan was made on or after the day on which the Finance Act 1999 was passed;
- (b) the new loan was made as part of a scheme (“the scheme”) under which the whole or any part of the proceeds of the loan was used to defray money applied in paying off another loan (“the old loan”); and
- (c) the conditions in subsection (1) above were, or were treated by virtue of this subsection as, satisfied with respect to the old loan.

(1AC) If only part of the proceeds of the new loan was used to defray money applied in paying off the old loan, subsection (1AB) above applies only if, under the scheme, not less than nine-tenths of the remaining part of the proceeds of the new loan was applied to the purchase by the person to whom it was made of an annuity ending with his life or with the life of the survivor of two or more persons who include him.

(1AD) In subsection (1AC) above “the remaining part” means the part of the proceeds of the new loan that was not used to defray money applied in paying off the old loan.”

(4) For subsection (1A) substitute—

“(1A) The condition in subsection (1)(d) above shall be treated as satisfied in relation to a loan if—

- (a) the person to whom the loan was made, or any of the annuitants, ceased to use the land as his only or main residence at a time falling within the period of twelve months ending with 8th March 1999, and
- (b) the intention at that time of the person to whom the loan was made, or each of the annuitants owning an estate or interest in the land, was to take steps, before the end of the period of twelve months after the day on which the land ceased to be so used, with a view to the disposal of his estate or interest.”

(5) This section has effect in relation to any payment of interest (whenever falling due) made on or after the day on which this Act is passed.

#### **41 Repayments attracting repayment supplement**

(1) Section 824 of the Taxes Act 1988 (repayment supplements for individuals) shall have effect, and be deemed always to have had effect, with the following amendments.

(2) Before subsection (3) insert—

“(2B) Subsection (1) above shall apply to a payment made by the Board under section 375(8) (payment of amount which borrower would have been able to

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deduct from interest payment under section 369(1) as if the payment were a repayment falling within that subsection.”

- (3) In subsection (3), before paragraph (a) insert—
- “(aa) if the repayment is a payment made by the Board under section 375(8), the relevant time is—
- (i) if the interest payment was made in the year 1996-97 or a subsequent year of assessment, the 31st January next following that year;
- (ii) if the interest payment was made in an earlier year of assessment, the 5th April next following that year;”.
- (4) This section shall be deemed to have had effect in relation to provisions corresponding to section 824 of the Taxes Act 1988 directly or indirectly re-enacted in that section as it has effect in relation to that section, subject to subsections (5) and (6) below.
- (5) For the purposes of subsection (4) above the references in the amendments of section 824 of the Taxes Act 1988 made by this section to provisions of that Act shall be taken to include references to any corresponding provision contained in the enactments directly or indirectly re-enacted in those provisions.
- (6) Subsection (4) above applies only if the payments corresponding to payments under section 375(8) of the Taxes Act 1988 were made in the year 1984-85 or a subsequent year of assessment.