Finance Act 2002

2002 CHAPTER 23

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. [24th July 2002]

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 to 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:—

PART 1

EXCISE DUTIES

VALID FROM 17/04/2002

Tobacco products duty

1 Rates of tobacco products duty

(1) For the Table of rates of duty in Schedule 1 to the Tobacco Products Duty Act 1979 (c. 7) substitute—

TABLE

1. Cigarettes	An amount equal to 22 per cent of the retail price plus £94.24 per thousand cigarettes.
2. Cigars	£137.26 per kilogram.
3. Hand-rolling tobacco	£98.66 per kilogram.
4. Other smoking tobacco and chewing tobacco	£60.34 per kilogram.

(2) This section shall be deemed to have come into force at 6 o'clock in the evening of 17th April 2002.

VALID FROM 28/04/2002

Alcoholic liquor duties

2 Rates of duty on cider

(1) In section 62(1A) of the Alcoholic Liquor Duties Act 1979 (c. 4) (rates of duty on cider)—

(a) in paragraph (b) (rate of duty per hectolitre in the case of cider of a strength exceeding 7.5 per cent that is not sparkling cider), for "£39.21" substitute " £38.43 ";

(b) in paragraph (c) (rate of duty per hectolitre in any other case), for "£26.13" substitute " £25.61 ".

(2) This section shall be deemed to have come into force on 28th April 2002.

3 Duty on beverages made with spirits to be at spirits rate

(1) Omit section 1(9) of the Alcoholic Liquor Duties Act 1979 (under which alcoholic beverages of a strength between 1.2 and 5.5 per cent made with spirits are treated as not being spirits, unless of a description specified by Treasury order).

(2) This section shall be deemed to have come into force on 28th April 2002.

VALID FROM 01/06/2002

4 Reduced rates of duty on beer from small breweries

(1) Schedule 1 to this Act (which makes provision for the excise duty on beer to be charged at reduced rates on beer produced in small breweries) has effect.

(2) Subject to subsection (3), subsection (1) shall be deemed to have come into force on 1st June 2002.

(3) So far as relating to—

(a) the insertion by paragraph 2 of that Schedule of the new section 36H of the Alcoholic Liquor Duties Act 1979, and

(b) paragraph 3 of that Schedule,

subsection (1) comes into force on the day on which this Act is passed.

Commencement Information

I1 S. 4 wholly in force; s. 4(1) in force at 1.6.2002 for specified purposes, otherwise s. 4 in force at 24.7.2002, see s. 4(2)(3)

VALID FROM 24/07/2002

Hydrocarbon oil duties

5 Biodiesel

(1) The Hydrocarbon Oil Duties Act 1979 (c. 5) is amended as follows.

(2) After section 2 insert—

"**2AA Biodiesel**

(1) In this Act "biodiesel" means diesel quality liquid fuel—

(a) that is produced from biomass or waste cooking oil,

(b) the ester content of which is not less than 96.5% by weight, and

(c) the sulphur content of which does not exceed 0.005% by weight or is nil.

(2) In subsection (1)—

(a) "diesel quality" means capable of being used for the same purposes as heavy oil;

(b) "liquid" does not include any substance that is gaseous at a temperature of 15°C and under a pressure of 1013.25 millibars;

(c) "biomass" means vegetable and animal substances constituting the biodegradable fraction of—

(i) products, wastes and residues from agriculture, forestry and related activities, or

(ii) industrial and municipal waste.".

(3) In section 2A (power to amend definitions), after subsection (1) insert—

"(1A) The Treasury may by order made by statutory instrument amend the definition for the purposes of this Act of "biodiesel".".

(4) After section 6 (excise duty on hydrocarbon oil) insert—

"**6AA Excise duty on biodiesel**

(1) A duty of excise shall be charged on the setting aside for a chargeable use by any person, or (where it has not already been charged under this section) on the chargeable use by any person, of biodiesel.

(2) In subsection (1) "chargeable use" means use—

(a) as fuel for any engine, motor or other machinery, or

(b) as an additive or extender in any substance so used.

(3) The rate of duty under this section shall be £0.2582 a litre.

6AB Excise duty on blends of biodiesel and heavy oils

(1) A duty of excise shall be charged on bioblend—

(a) imported into the United Kingdom, or

(b) produced in the United Kingdom and delivered for home use from a refinery or from other premises used for the production of hydrocarbon oil or from any bonded storage for hydrocarbon oil, not being bioblend chargeable with duty under paragraph (a) above.

This is subject to subsection (6) below.

(2) In this Act "bioblend" means any mixture that is produced by mixing—

(a) biodiesel, and

(b) heavy oil not charged with the excise duty on hydrocarbon oil.

(3) The rate at which the duty shall be charged on any bioblend shall be a composite rate representing—

(a) in respect of the proportion of the bioblend that is hydrocarbon oil, the rate that would be applicable to the bioblend if it consisted entirely of heavy oil of the description that went into producing the bioblend, and

(b) in respect of the proportion of the bioblend that is biodiesel, the rate that would be applicable to the bioblend if it consisted entirely of biodiesel.

(4) The references in subsection (3) above to the proportions of—

(a) hydrocarbon oil, and

(b) biodiesel,

are to the proportions by volume to the nearest 0.001%.

(5) If the Commissioners are not satisfied as to the proportion of biodiesel in any bioblend, the rate of duty chargeable shall be the rate that would be applicable to the bioblend if it consisted entirely of heavy oil of the description that went into producing the bioblend.

(6) Where imported bioblend is removed to a refinery, the duty chargeable under subsection (1) above shall, instead of being charged at the time of the importation of the bioblend, be charged on the delivery of any goods from the refinery for home use and shall be the same as that which would be payable on the importation of like goods.

6AC Application to biodiesel and bioblend of provisions relating to hydrocarbon oil

(1) The Commissioners may by regulations provide for—

(a) references in this Act, or specified references in this Act, to hydrocarbon oil to be construed as including references to—

(i) biodiesel;

(ii) bioblend;

(b) references in this Act, or specified references in this Act, to duty on hydrocarbon oil to be construed as including references to duty under—

(i) section 6AA above;

(ii) section 6AB above;

(c) biodiesel, or bioblend, to be treated for the purposes of such of the following provisions of this Act as may be specified as if it fell within a specified description of hydrocarbon oil.

(2) Where the effect of provision made under subsection (1) above is to extend any power to make regulations, provision made in exercise of the power as extended may be contained in the same statutory instrument as the provision extending the power.

(3) In this section "specified" means specified by regulations under this section.

(4) Regulations under this section may make different provision for different cases.

(5) Paragraph (b) of subsection (1) above shall not be taken as prejudicing the generality of paragraph (a) of that subsection.".

(5) Schedule 2 to this Act contains minor and consquential amendments of the Hydrocarbon Oil Duties Act 1979 (c. 5).

(6) Subsection (4), and subsection (5) so far as relating to paragraphs 2 and 4(1) of that Schedule, have effect in relation to biodiesel that—

(a) is set aside for chargeable use (as defined in the section 6AA inserted by subsection (4)) after such date as the Commissioners of Customs and Excise may by order made by statutory instrument appoint, or

(b) not having been so set aside, is the subject of such chargeable use after that date,

and has not been set aside for chargeable use under section 6A of that Act (fuel substitutes) on or before that date.

(7) Subsection (4), and subsection (5) so far as relating to paragraph 2 of that Schedule, have effect in relation to bioblend that—

(a) is imported into the United Kingdom after the date appointed under subsection (6)(a), or

(b) not having been so imported—

(i) is produced in the United Kingdom and delivered for home use after that date, and

(ii) has not been set aside for chargeable use under section 6A of that Act (fuel substitutes) on or before that date.

(8) Subsection (5)—

(a) so far as relating to paragraph 3 of that Schedule, comes into force on the day after the date appointed under subsection (6)(a),

(b) so far as relating to paragraph 5 of that Schedule, applies to mixtures produced after the date appointed under subsection (6)(a), and

(c) so far as relating to paragraph 7 of that Schedule, comes into force on such day as the Commissioners of Customs and Excise may by order made by statutory instrument appoint.

Subordinate Legislation Made

P1 S. 5(6)(a) power fully exercised: 25.7.2002 appointed by S.I. 2002/1926, **art. 2**

6 Regulating trade in rebated heavy oil etc

(1) Schedule 3 to this Act has effect.

(2) In that Schedule—

Part 1 makes provision for regulating trade in certain heavy oil on which rebate of excise duty has been allowed, and

Part 2 amends provisions of the Hydrocarbon Oil Duties Act 1979 relating to rebates.

(3) Subject to subsection (4), subsection (1) so far as relating to paragraph 1 of that Schedule shall not come into force until such day as the Commissioners of Customs and Excise may appoint by order made by statutory instrument.

(4) For the purpose of the exercise of any power to make regulations, subsection (1) so far as relating to that paragraph comes into force on the day on which this Act is passed.

Subordinate Legislation Made

P2 S. 6(3) power wholly exercised: 1.4.2003 appointed for specified purposes by S.I. 2002/3056, **art. 2**

7 Fuel substitutes

(1) In section 6A of the Hydrocarbon Oil Duties Act 1979 (c. 5) (fuel substitutes)—

(a) in subsection (5) (power to provide that fuel substitute to be treated as if it were a description of hydrocarbon oil), for the words from "the description of such one or more of the following" to the end substitute " such description of hydrocarbon oil as may be so specified ";

(b) in subsection (6)(a) (power to be exercised so that fuel substitute charged with duty and otherwise treated as if it were description of hydrocarbon oil to which it is most closely equivalent), for "the substance falling within the descriptions specified in subsection (5) above" substitute " hydrocarbon oil of the description ".

(2) In section 10 of the Finance Act 1993 (c. 34) (mineral oil fuel substitutes)—

(a) in subsection (2) (power to provide that mineral oil fuel substitute to be treated as if it were a particular description of hydrocarbon oil), for the words from "the description of such one or more of the following" to the end substitute " such description of hydrocarbon oil as may be so specified ";

(b) in subsection (3) (power to be exercised so that mineral oil fuel substitute treated as if it were description of hydrocarbon oil to which it is most closely equivalent), for "the substance falling within the descriptions specified in subsection (2) above" substitute " hydrocarbon oil of the description ".

Betting and gaming duties

VALID FROM 24/07/2002

8 Amusement machine licences: excepted machines

(1) Section 21 of the Betting and Gaming Duties Act 1981 (c. 63) (amusement machine licences) is amended as follows.

(2) In subsection (3A) (excepted machines), for paragraphs (c) and (d) (certain thirty-five penny machines and video machines) substitute—

"(c) a fifty-penny machine that is not a gaming machine.".

(3) For subsection (3B) substitute—

"(3B) For the purposes of this section an amusement machine is a fifty-penny machine if, and only if—

(a) where it is a machine on which a game can be played solo, the price for a solo game does not exceed 50p; and

(b) where it is a machine on which a game can be played by more than one person at a time, the price to participate in such a game does not exceed 50p.".

(4) In subsection (3C) (definition of the price for a solo game), for "35p", in both places where it occurs, substitute " 50p ".

(5) In section 25 of that Act (definition of different types of machine), in subsections (4) and (6) (treatment of machines capable of being played by more than one person at a time), for "an excepted video machine falling within section 21(3A)(d) above" substitute " a fifty-penny machine within section 21(3B) above ".

(6) This section has effect in relation to the provision of an amusement machine at any time on or after 1st May 2002.

VALID FROM 24/07/2002

9 Amusement machine licence duty: rates

(1) In the Table in section 23(2) of the Betting and Gaming Duties Act 1981 (c. 63) (rates of amusement machine licence duty), for column (4) (medium-prize machines other than five-penny machines) and column 6 (machines not in any other category) substitute—

"(4)	(6)

Category C	**Category E**
£	**£**
80	225
160	435
235	630
305	820
370	990
430	1155
485	1300
535	1440
585	1560
625	1675
665	1775
695	1860”

(2) This section applies in relation to any amusement machine licence for which an application is received by the Commissioners of Customs and Excise after 30th April 2002.

VALID FROM 24/07/2002

10 Rates of gaming duty

(1) For the Table in section 11(2) of the Finance Act 1997 (c. 16) (rates of gaming duty) substitute—

“TABLE

Part of gross gaming yield	***Rate***
The first £488,000	2.5 per cent.
The next £1,083,500	12.5 per cent.
The next £1,083,500	20 per cent.
The next £1,897,000	30 per cent.
The remainder	40 per cent.”

(2) This section has effect in relation to accounting periods beginning on or after 1st April 2002.

VALID FROM 24/07/2002

11 Gaming duty to be chargeable in respect of sic bo and three card poker

(1) In section 10(2) of the Finance Act 1997 (c. 16) (games in respect of which gaming duty is chargeable)—

(a) after "American roulette" insert " sic bo ";

(b) after "super pan 9" insert " three card poker ".

(2) This section has effect in relation to games begun on or after 24th April 2002.

12 Pool betting duty etc

(1) Schedule 4 to this Act has effect.

(2) In that Schedule, Part 1—

makes provision about pool betting duty, and

provides for coupon betting to cease to be subject to pool betting duty but to be subject to general betting duty instead,

and Part 2 contains minor amendments and transitional provisions.

(3) The amendments made by paragraph 2 of that Schedule have effect for the purposes of accounting periods beginning on or after 31st March 2002; but this does not apply to the substitution of the new regulation-making provisions.

(4) The amendments made by paragraphs 3 and 4 of that Schedule apply to bets made on or after 31st March 2002.

(5) Subsections (1) to (4) shall (subject to subsections (6) and (7)) be deemed to have come into force on 31st March 2002.

(6) Subsection (1), so far as relating to paragraphs 5, 6(a) and (c), 7 to 9, 10(1), (2), (5) to (11), (13) and (14), 11, 12(1) and (3), 13 and 14 of Schedule 4 to this Act, shall be deemed to have come into force on 24th April 2002.

(7) Subsection (1), so far as relating to—

(a) the substitution of the new regulation-making provisions by paragraph 2 of that Schedule, and

(b) paragraphs 10(3), (4) and (12) and 12(2) of that Schedule,

comes into force on the day on which this Act is passed; but the powers conferred by the new regulation-making provisions are exercisable only as respects accounting periods beginning after that day.

(8) In this section "the new regulation-making provisions" means the following new provisions of the Betting and Gaming Duties Act 1981 (c. 63)—

section 7D(6) to (8),

section 7E(4) and (5),

section 7F(6) and (7),

section 8(3) and (4), and

section 8B(1)(b) and (2).

Commencement Information

I2 S. 12 wholly in force; s. 12(1) in force at 31.3.2002 or 24th April 2002, otherwise s. 12 in force at 24.7.2002, see. s. 12(5)-(7)

VALID FROM 24/07/2002

13 General betting duty: spread bets

(1) For section 3(2) of the Betting and Gaming Duties Act 1981 (c. 63) (definition of "spread bet" by reference to the Financial Services Act 1986) substitute—

"(2) A bet is a spread bet if, at the time it is made, it constitutes a contract to which section 412 of the Financial Services and Markets Act 2000 (gaming contract not void etc if entry into contract is activity specified under the section and contract relates to investment so specified) applies at that time.".

(2) Subsection (1) applies to bets made after the day on which this Act is passed.

VALID FROM 24/07/2002

14 General betting duty: overseas bet-brokers

(1) In Part 1 of the Betting and Gaming Duties Act 1981 (betting duties), after section 9 (prohibitions for protection of revenue) insert—

"**9A Further prohibitions for protection of revenue: overseas bet-brokers**

(1) A person shall be guilty of an offence if—

(a) he knowingly issues, circulates or distributes in the United Kingdom, or has in his possession for that purpose, any advertisement or other document inviting the use of or otherwise relating to bet-broking services, and

(b) any person providing any of the bet-broking services concerned—

(i) is outside the United Kingdom, and

(ii) provides them in the course of a business.

(2) In this section "bet-broking services" means—

(a) facilities provided by a person that may be used by other persons in making bets with third persons, or

(b) a person's services of acting as agent for other persons in making bets on their behalf with third parties (whether the persons on whose behalf the bets are made are disclosed principals or undisclosed principals).

(3) In subsection (2) "bet" means a bet other than one made by way of pool betting.

(4) A person who gets or tries to get any advertisement or other document given or sent to him shall not be guilty of an offence by reason of his thereby procuring or inciting some other person to commit, or aiding or abetting the commission of, an offence under this section.".

(2) After section 9A of that Act (inserted by subsection (1) above) insert—

"**9B Offences under sections 9 and 9A: penalties**

(1) This section applies where a person is guilty of an offence under section 9 or 9A (a "relevant offence").

(2) In the case of the person's first conviction for a relevant offence, he is liable—

(a) on summary conviction to a penalty of the prescribed sum, or

(b) on conviction on indictment to a penalty of any amount.

(3) In the case of a second or subsequent conviction of the person for a relevant offence, he is liable—

(a) on summary conviction to a penalty of the prescribed sum or to imprisonment for a term not exceeding three months or to both, or

(b) on conviction on indictment to a penalty of any amount or to imprisonment for a term not exceeding one year or to both.".

(3) Omit section 9(4) of that Act (penalties for offences under section 9).

(4) In paragraph 5 of Schedule 6 to that Act (convictions under predecessors of section 9 to be treated as convictions under section 9), for "For the purposes of section 9(4)" substitute " For the purposes of section 9B ".

(5) Subsection (1) comes into force on the day after that on which this Act is passed.

(6) The amendments made by subsections (2) to (4) apply for the purposes of punishing offences committed after the day on which this Act is passed.

Commencement Information

I3 S. 14 wholly in force; s. 14(2)-(6) in force at 24.7.2002 and s. 14(1) in force at 25.7.2002 by s. 14(5)

VALID FROM 24/07/2002

Vehicle excise duty

15 Cars registered on or after 1st March 2001: rates of duty

(1) For the Table in paragraph 1B of Schedule 1 to the Vehicle Excise and Registration Act 1994 (c. 22) (rates of duty applicable to light passenger vehicles registered on or after 1st March 2001 on basis of certificate specifying CO_2 emissions figure) substitute—

"CO_2 emissions figure		*Rate*		
(1)	***(2)***	***(3)***	***(4)***	***(5)***
Exceeding	***Not exceeding***	***Reduced rate***	***Standard Rate***	***Premium rate***
g/km	**g/km**	**£**	**£**	**£**
–	120	60	70	80
120	150	90	100	110
150	165	110	120	130
165	185	130	140	150
185	–	150	155	160"

(2) This section applies to any licence taken out on or after 18th April 2002 for a period beginning on or after 1st May 2002.

16 Vans registered on or after 1st March 2001: rates of duty

(1) For paragraph 1J of Schedule 1 to the Vehicle Excise and Registration Act 1994 (c. 22) (rate of duty applicable to light goods vehicles first registered on or after 1st March 2001) substitute—

"1J The annual rate of vehicle excise duty applicable to a vehicle to which this Part of this Schedule applies is—

(a) if the vehicle is not a lower-emission van, £160;

(b) if the vehicle is a lower-emission van, £105.

For the purposes of paragraph 1J, a vehicle to which this Part of this Schedule applies is a "lower-emission van" if—

1K (a) the vehicle is first registered on or after 1st March 2003, and

(b) the limit values given for the vehicle by the Table (which is extracted from the new table inserted in section 5.3.1.4 of Annex I of Council Directive 70/220/EEC by Directive 98/69/EC of the European Parliament and of the Council) are not exceeded during a Type I test.

Reference mass of vehicle		***Limit values for types of emissions by reference to vehicle type***						
		CO		***HC***	***NO_x***		***HC + NO_x***	***PM***
Exceeding	***Not exceeding***	***Petrol***	***Diesel***	***Petrol***	***Petrol***	***Diesel***	***Diesel***	***Diesel***
kg	***kg***	***g/km***	***g/km***	***g/km***	***g/km***	***g/km***	***g/km***	***g/km***

–	1,305	1.0	0.5	0.1	0.08	0.25	0.3	0.025
1,305	1760	1.81	0.63	0.13	0.1	0.33	0.39	0.04
1,760	3,500	2.27	0.74	0.16	0.11	0.39	0.46	0.06

1L In paragraph 1K—

"Type I test" means a test as described in section 5.3 of Annex I to Council Directive 70/220/EEC as amended (test for simulating/verifying the average tailpipe emissions after a cold start and carried out using the procedure described in Annex III of that Directive as amended);

"the reference mass" of a vehicle means the mass of the vehicle with bodywork and, in the case of a towing vehicle, with coupling device, if fitted by the manufacturer, in running order, or mass of the chassis or chassis with cab, without bodywork and/or coupling device if the manufacturer does not fit the bodywork and/or coupling device (including liquids and tools, and spare wheel if fitted, and with the fuel tank filled to 90% and the other liquid containing systems, except those for used water, to 100% of the capacity specified by the manufacturer), increased by a uniform mass of 100 kilograms;

"CO" means mass of carbon monoxide;

"HC" means mass of hydrocarbons;

"NO_x" means mass of oxides of nitrogen;

"PM" means mass of particulates (for compression ignition engines).".

(2) Subsection (1) applies to any licence taken out for a period beginning on or after 1st March 2003.

17 Disclosure of information for vehicle excise duty exemptions

In the Vehicle Excise and Registration Act 1994 (c. 22), after section 22 insert—

"22ZA Nil licences for vehicles for disabled persons: information

(1) This section applies to information that—

(a) is held for the purposes of functions relating to social security or war pensions—

(i) by the Secretary of State, or

(ii) by a person providing services to the Secretary of State, in connection with the provision of those services, and

(b) is of a description prescribed by regulations made by the Secretary of State.

(2) Information to which this section applies may, if the consent condition is satisfied, be supplied—

(a) to the Secretary of State, or

(b) to a person providing services to the Secretary of State,

for use for the purposes of relevant nil licence functions.

(3) The "consent condition", in relation to any information, is that—

(a) if the information was provided by a person other than the person to whom the information relates, the person who provided the information, or

(b) in any other case, the person to whom the information relates,

has consented to the supply of the information and has not withdrawn that consent.

(4) Information supplied under subsection (2) shall not—

(a) be supplied by the recipient to any other person unless—

(i) it could be supplied to that person under subsection (2), or

(ii) it is supplied for the purposes of any civil or criminal proceedings relating to this Act;

(b) be used otherwise than for the purposes of relevant nil licence functions or any such proceedings.

(5) In this section "relevant nil licence functions" means functions relating to applications for, and the issue of, nil licences in respect of vehicles that are exempt vehicles under—

(a) paragraph 19 of Schedule 2, or

(b) paragraph 7 of Schedule 4.".

18 Motorcycles (and motorcycle trade licences): rates of duty

(1) For paragraph 2(1) to (1B) of Schedule 1 to the Vehicle Excise and Registration Act 1994 (c. 22) (rates of duty applicable to motorcycles not exceeding 450 kilograms in weight unladen) substitute—

"2 (1) The annual rate of vehicle excise duty applicable to a motorcycle that does not exceed 450 kilograms in weight unladen is—

(a) if the cylinder capacity of the engine does not exceed 150 cubic centimetres, £15;

(b) if the vehicle is a motorbicycle and the cylinder capacity of the engine exceeds 150 cubic centimetres but does not exceed 400 cubic centimetres, £30;

(c) if the vehicle is a motorbicycle and the cylinder capacity of the engine exceeds 400 cubic centimetres but does not exceed 600 cubic centimetres, £45;

(d) in any other case, £60.".

(2) In sections 13(3)(a), 35A(5)(b) and 36(3)(b) of that Act, and in section 13(4)(a) of that Act as substituted under paragraph 8 of Schedule 4 to that Act (references to paragraph 2(1)(c) of Schedule 1 in connection with motorcycle trade licences), for "(1)(c)" substitute " (1)(d) ".

(3) Subsection (1), and the amendments in section 13 of that Act, apply to any licence taken out on or after 18th April 2002 for a period beginning on or after 1st May 2002.

(4) The amendments in sections 35A and 36 of that Act apply where the relevant period begins on or after 1st May 2002.

19 Registered vehicles etc

(1) Schedule 5 to this Act, which provides—

for vehicle excise duty to be charged in respect of vehicles registered under the Vehicle Excise and Registration Act 1994 that are neither used nor kept on a public road,

for vehicle excise duty to be charged in respect of things that have been but have ceased to be mechanically propelled vehicles,

for supplements to be payable where vehicle licences are renewed late, and

for it to be an offence to be the person in whose name an unlicensed vehicle is registered under that Act,

has effect.

(2) Subject to subsection (3), subsection (1) shall not come into force until such day as the Secretary of State may appoint by order made by statutory instrument; and an order under this subsection may appoint different days for different purposes.

(3) For the purpose of the exercise of any power to make regulations, subsection (1) comes into force on the day on which this Act is passed.

(4) The Secretary of State may by order made by statutory instrument make—

(a) such transitional provision as he considers necessary or expedient in connection with the coming into force of subsection (1);

(b) such provision consequential upon, or incidental or supplementary to, the amendments made by Schedule 5 to this Act (including provision further amending the Vehicle Excise and Registration Act 1994) as he considers necessary or expedient.

(5) A statutory instrument containing an order under subsection (4)(b) is subject to annulment in pursuance of a resolution of either House of Parliament.

Commencement Information

I4 S. 19 partly in force, s. 19(1)in force for specified purposes at 24.7.2002, otherwise*prosp.*, see s. 19(2)(3); s. 19(2)-(5) in force at 24.7.2002

20 Calculating cylinder capacity of vehicles

(1) In paragraph 1 of Schedule 1 to the Vehicle Excise and Registration Act 1994 (c. 22) (annual rates of duty: general), after sub-paragraph (2A) insert—

"(2B) For the purposes of this Schedule the cylinder capacity of an engine shall be calculated in accordance with regulations made by the Secretary of State.".

(2) Omit—

(a) paragraph 2(4) of that Schedule (power to make regulations as to calculation of cylinder capacity of motorcycle engines), and

(b) section 57(8) of that Act (regulations under paragraph 2(4) of Schedule 1 not subject to annulment).

(3) Any regulations—

(a) made under paragraph 2(4) of that Schedule or having effect as if so made, and

(b) in force or effective immediately before the passing of this Act,

shall have effect after the passing of this Act as if made under the paragraph 1(2B) inserted in that Schedule by this section.

(4) Subsection (3) has effect in place of section 17(2)(b) of the Interpretation Act 1978 (c. 30) (but is without prejudice to any other provision of that Act) and, in particular, the fact that the instrument containing any such regulations was not subject to annulment in pursuance of a resolution of either House of Parliament shall not prevent them being revoked, amended or re-enacted by regulations under that paragraph 1(2B).

VALID FROM 24/07/2002

General

21 Drawback of excise duty

(1) In section 133 of the Customs and Excise Management Act 1979 (c. 2) (claims for drawback of excise duty)—

(a) in subsection (2), for "subsections (3) to (6)" substitute " subsections (4) to (6) ";

(b) omit subsection (3) (Commissioners to be satisfied that the duty in question has been duly paid, and not already drawn back, before drawback is payable).

(2) In section 14(1) of the Finance Act 1994 (c. 9) (reviewable decisions) after paragraph (bb) insert—

"(bc) any decision by the Commissioners as to whether or not any person is entitled to any drawback of excise duty by virtue of regulations under section 2 of the Finance (No. 2) Act 1992, or the amount of the drawback to which any person is so entitled;".

(3) The amendment made by subsection (2) does not apply in relation to decisions made before the day on which this Act comes into force.

VALID FROM 24/04/2002

PART 2

VALUE ADDED TAX

VALID FROM 24/07/2002

22 Disallowance of input tax where consideration not paid

(1) In Part 1 of the Value Added Tax Act 1994 (c. 23) (the charge to tax), after section 26 insert—

"**26A Disallowance of input tax where consideration not paid**

(1) Where—

(a) a person has become entitled to credit for any input tax, and

(b) the consideration for the supply to which that input tax relates, or any part of it, is unpaid at the end of the period of 6 months following the relevant date,

he shall be taken, as from the end of that period, not to have been entitled to credit for input tax in respect of the VAT that is referable to the unpaid consideration or part.

(2) For the purposes of subsection (1) above "the relevant date", in relation to any sum representing consideration for a supply, is—

(a) the date of the supply, or

(b) if later, the date on which the sum became payable.

(3) Regulations may make such supplementary, incidental, consequential or transitional provisions as appear to the Commissioners to be necessary or expedient for the purposes of this section.

(4) Regulations under this section may in particular—

(a) make provision for restoring the whole or any part of an entitlement to credit for input tax where there is a payment after the end of the period mentioned in subsection (1) above;

(b) make rules for ascertaining whether anything paid is to be taken as paid by way of consideration for a particular supply;

(c) make rules dealing with particular cases, such as those involving payment of part of the consideration or mutual debts.

(5) Regulations under this section may make different provision for different circumstances.

(6) Section 6 shall apply for determining the time when a supply is to be treated as taking place for the purposes of construing this section.".

(2) In section 36 of that Act (bad debts), omit subsections (4A) and (5)(ea).

(3) This section has effect in relation to supplies made on or after such day as the Commissioners of Customs and Excise may appoint by order made by statutory instrument.

Subordinate Legislation Made

P3 S. 22(3) power fully exercised: 1.1.2003 appointed by S.I. 2002/3028, **art. 2**

23 Flat-rate scheme

(1) In Part 1 of the Value Added Tax Act 1994 (c. 23) (the charge to tax), after section 26A (inserted by section 22 above) insert—

"**26B Flat-rate scheme**

(1) The Commissioners may by regulations make provision under which, where a taxable person so elects, the amount of his liability to VAT in respect of his relevant supplies in any prescribed accounting period shall be the appropriate percentage of his relevant turnover for that period.

A person whose liability to VAT is to any extent determined as mentioned above is referred to in this section as participating in the flat-rate scheme.

(2) For the purposes of this section—

(a) a person's "relevant supplies" are all supplies made by him except supplies made at such times or of such descriptions as may be specified in the regulations;

(b) the "appropriate percentage" is the percentage so specified for the category of business carried on by the person in question;

(c) a person's "relevant turnover" is the total of—

(i) the value of those of his relevant supplies that are taxable supplies, together with the VAT chargeable on them, and

(ii) the value of those of his relevant supplies that are exempt supplies.

(3) The regulations may designate certain categories of business as categories in relation to which the references in subsection (1) above to liability to VAT are to be read as references to entitlement to credit for VAT.

(4) The regulations may provide for persons to be eligible to participate in the flat-rate scheme only in such cases and subject to such conditions and exceptions as may be specified in, or determined by or under, the regulations.

(5) Subject to such exceptions as the regulations may provide for, a participant in the flat-rate scheme shall not be entitled to credit for input tax.

This is without prejudice to subsection (3) above.

(6) The regulations may—

(a) provide for the appropriate percentage to be determined by reference to the category of business that a person is expected, on reasonable grounds, to carry on in a particular period;

(b) provide, in such circumstances as may be prescribed, for different percentages to apply in relation to different parts of the same prescribed accounting period;

(c) make provision for determining the category of business to be regarded as carried on by a person carrying on businesses in more than one category.

(7) The regulations may provide for the following matters to be determined in accordance with notices published by the Commissioners—

(a) when supplies are to be treated as taking place for the purposes of ascertaining a person's relevant turnover for a particular period;

(b) the method of calculating any adjustments that fall to be made in accordance with the regulations in a case where a person begins or ceases to participate in the flat-rate scheme.

(8) The regulations may make provision enabling the Commissioners—

(a) to authorise a person to participate in the flat-rate scheme with effect from—

(i) a day before the date of his election to participate, or

(ii) a day that is not earlier than that date but is before the date of the authorisation;

(b) to direct that a person shall cease to be a participant in the scheme with effect from a day before the date of the direction.

The day mentioned in paragraph (a)(i) above may be a day before the date on which the regulations come into force.

(9) Regulations under this section—

(a) may make different provision for different circumstances;

(b) may make such incidental, supplemental, consequential or transitional provision as the Commissioners think fit, including provision disapplying or applying with modifications any provision contained in or made under this Act.".

(2) In section 83 of that Act (appeals), after paragraph (f) insert—

"(fza) a decision of the Commissioners—

(i) refusing or withdrawing authorisation for a person's liability to pay VAT (or entitlement to credit for VAT) to be determined as mentioned in subsection (1) of section 26B;

(ii) as to the appropriate percentage or percentages (within the meaning of that section) applicable in a person's case.".

(3) In section 84 of that Act (further provisions relating to appeals), after subsection (4) insert—

"(4ZA) Where an appeal is brought—

(a) against such a decision as is mentioned in section 83(fza), or

(b) to the extent that it is based on such a decision, against an assessment,

the tribunal shall not allow the appeal unless it considers that the Commissioners could not reasonably have been satisfied that there were grounds for the decision.".

(4) This section shall be deemed to have come into force on 24th April 2002.

VALID FROM 01/12/2003

24 Invoices

(1) In the Value Added Tax Act 1994 (c. 23) omit the following (which are superseded by the provision inserted by subsection (2))—

(a) subsection (9) of section 6 (time of supply);

(b) in paragraph 2 (VAT invoices etc) of Schedule 11 (administration, collection and enforcement)—

(i) in the heading, the words ", VAT invoices";

(ii) in sub-paragraph (1), the words from "and may require" to the end;

(iii) sub-paragraphs (2) and (2A).

(2) After paragraph 2 of Schedule 11 to that Act insert—

"**VAT invoices**

2A (1) Regulations may require a taxable person supplying goods or services to provide an invoice (a "VAT invoice") to the person supplied.

(2) A VAT invoice must give—

(a) such particulars as may be prescribed of the supply, the supplier and the person supplied;

(b) such an indication as may be prescribed of whether VAT is chargeable on the supply under this Act or the law of another member State;

(c) such particulars of any VAT that is so chargeable as may be prescribed.

(3) Regulations may confer power on the Commissioners to allow the requirements of any regulations as to the information to be given in a VAT invoice to be relaxed or dispensed with.

(4) Regulations may—

(a) provide that the VAT invoice that is required to be provided in connection with a particular description of supply must be provided within a prescribed time after the supply is treated as taking place, or at such time before the supply is treated as taking place as may be prescribed;

(b) allow for the invoice to be issued later than required by the regulations where it is issued in accordance with general or special directions given by the Commissioners.

(5) Regulations may—

(a) make provision about the manner in which a VAT invoice may be provided, including provision prescribing conditions that must be complied with in the case of an invoice issued by a third party on behalf of the supplier;

(b) prescribe conditions that must be complied with in the case of a VAT invoice that relates to more than one supply;

(c) make, in relation to a document that refers to a VAT invoice and is intended to amend it, such provision corresponding to that which may be made in relation to a VAT invoice as appears to the Commissioners to be appropriate.

(6) Regulations may confer power on the Commissioners to require a person who has received in the United Kingdom a VAT invoice that is (or part of which is) in a language other than English to provide them with an English translation of the invoice (or part).

(7) Regulations under this paragraph—

(a) may be framed so as to apply only in prescribed cases or only in relation to supplies made to persons of prescribed descriptions;

(b) may make different provision for different circumstances.

Self-billed invoices

2B (1) This paragraph applies where a taxable person provides to himself a document (a "self-billed invoice") that purports to be a VAT invoice in respect of a supply of goods or services to him by another taxable person.

(2) Subject to compliance with such conditions as may be—

(a) prescribed,

(b) specified in a notice published by the Commissioners, or

(c) imposed in a particular case in accordance with regulations,

a self-billed invoice shall be treated as the VAT invoice required by regulations under paragraph 2A above to be provided by the supplier.

(3) For the purposes of section 6(4) (under which the time of supply can be determined by the prior issue of an invoice) a self-billed invoice shall not be treated as issued by the supplier.

(4) For the purposes of section 6(5) and (6) (under which the time of supply can be determined by the subsequent issue of an invoice) a self-billed invoice in relation to which the conditions mentioned in sub-paragraph (2) are complied with shall, subject to compliance with such further conditions as may be prescribed, be treated as issued by the supplier.

In such a case, any notice of election given or request made for the purposes of section 6(5) or (6) by the person providing the self-billed invoice shall be treated for those purposes as given or made by the supplier.

(5) Regulations under this paragraph—

(a) may be framed so as to apply only in prescribed cases or only in relation to supplies made to persons of prescribed descriptions;

(b) may make different provision for different circumstances.".

(3) For paragraph 3 of that Schedule substitute—

Electronic communication and storage of VAT invoices etc

"3 (1) Regulations may prescribe, or provide for the Commissioners to impose in a particular case, conditions that must be complied with in relation to—

(a) the provision by electronic means of any item to which this paragraph applies;

(b) the preservation by electronic means of any such item or of information contained in any such item.

(2) The items to which this paragraph applies are—

(a) any VAT invoice;

(b) any document that refers to a VAT invoice and is intended to amend it;

(c) any invoice described in regulations made for the purposes of section 6(8)(b) or 12(1)(b).

(3) Regulations under this paragraph may make different provision for different circumstances.".

(4) The following amendments to the Value Added Tax Act 1994 (c. 23) are consequential on other amendments made by this section—

(a) in section 6(15), for "paragraph 2(1)" substitute " paragraph 2A ";

(b) in section 83 (appeals), for paragraph (z) substitute—

"(z) any conditions imposed by the Commissioners in a particular case by virtue of paragraph 2B(2)(c) or 3(1) of Schedule 11";

(c) in section 88 (supplies spanning change of rate etc)—

(i) in subsection (5), for "paragraph 2" substitute " paragraph 2A ";

(ii) in subsection (6), for "section 6(9) or paragraph 7 of Schedule 4" substitute " paragraph 7 of Schedule 4 or paragraph 2B(4) of Schedule 11 ".

(5) This section comes into force on such day as the Treasury may by order made by statutory instrument appoint, and different days may be appointed for different provisions or different purposes.

(6) An order under subsection (5) may contain such transitional provisions and savings as appear to the Treasury necessary or expedient in connection with the provisions brought into force.

VALID FROM 24/07/2002

25 Relief from VAT on acquisition if importation would attract relief

In Part 2 of the Value Added Tax Act 1994 (reliefs, exemptions and repayments), after section 36 insert—

"Acquisitions

36A Relief from VAT on acquisition if importation would attract relief

(1) The Treasury may by order make provision for relieving from VAT the acquisition from another member State of any goods if, or to the extent that, relief from VAT would be given by an order under section 37 if the acquisition were an importation from a place outside the member States.

(2) An order under this section may provide for relief to be subject to such conditions as appear to the Treasury to be necessary or expedient.

These may—

(a) include conditions prohibiting or restricting the disposal of or dealing with the goods concerned;

(b) be framed by reference to the conditions to which, by virtue of any order under section 37 in force at the time of the acquisition, relief under such an order would be subject in the case of an importation of the goods concerned.

(3) Where relief from VAT given by an order under this section was subject to a condition that has been breached or not complied with, the VAT shall become payable at the time of the breach or, as the case may be, at the latest time allowed for compliance.".

VALID FROM 24/07/2002

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 1

CHARGE AND RATE BANDS

Income tax

26 Charge and rates for 2002-03

Income tax shall be charged for the year 2002-03, and for that year—

(a) the starting rate shall be 10%;

(b) the basic rate shall be 22%;

(c) the higher rate shall be 40%.

27 Indexed rate bands for 2002-03: PAYE deductions etc

For the year 2002-03, the following provisions of the Taxes Act 1988 shall have effect as if "17th June" were substituted for " 17th May "

(a) section 1(5A) (which provides that statutory inflation-linked changes to income tax rate bands for a year of assessement do not require changes to be made to PAYE deductions or repayments until 18th May in that year);

(b) section 257C(2A) (which makes corresponsing provision in relation to personal allowances etc) as it has effect for the application of—

(i) section 257AA(2) of that Act (children's tax credit), and

(ii) section 265 of that Act (blind person's allowance).

28 Personal allowance for 2003-04 for those aged under 65

(1) For the year 2003-04 the amount specified in section 257(1) of the Taxes Act 1988 (personal allowance for those aged under 65) shall be taken to be £4,615.

(2) Accordingly, section 257C(1) of that Act (indexation), so far as it relates to the amount so specified, does not apply for that year.

29 Personal allowances for 2003-04 for those aged 65 or over

(1) For the year 2003-04—

(a) the amount specified in section 257(2) of the Taxes Act 1988 (personal allowance for those aged between 65 and 74) shall be taken to be £6,610;

(b) the amount specified in section 257(3) of that Act (personal allowance for those aged 75 or over) shall be taken to be the indexed amount plus £240.

In paragraph (b) "the indexed amount" means the amount that would apply by virtue of section 257C(1) of that Act (indexation).

(2) Accordingly, section 257C(1), so far as it relates to the amounts specified in section 257(2) and (3), does not apply for that year (except as it applies for the purposes of subsection (1)(b) above).

Corporation tax

30 Charge and main rate for financial year 2003

Corporation tax shall be charged for the financial year 2003 at the rate of 30%.

31 Small companies' rate and fraction for financial year 2002

For the financial year 2002—

(a) the small companies' rate shall be 19%, and

(b) the fraction mentioned in section 13(2) of the Taxes Act 1988 (marginal relief for small companies) shall be 11/400ths.

32 Corporation tax starting rate and fraction for financial year 2002

For the financial year 2002—

(a) the corporation tax starting rate shall be 0%, and

(b) the fraction mentioned in section 13AA(3) of the Taxes Act 1988 (marginal relief for small companies) shall be 19/400ths.

CHAPTER 2

OTHER PROVISIONS

Employment income and related matters

33 Employer-subsidised public transport bus services

(1) In Part 5 of the Taxes Act 1988 (provisions relating to the Schedule E charge), section 197AB (exclusion of tax charge in respect of support by employer for certain transport services) is amended as follows.

(2) In subsection (2) (main definitions), in the definition of "qualifying journey" after "means" insert " the whole or part of ".

(3) For subsection (3) (conditions of exemption) substitute—

"(3) Except in the case of a local bus service, the exemption conferred by this section is subject to the condition that the terms on which the service is available to the employees mentioned in subsection (1) must not be more favourable than those available to other passengers.

(3A) The exemption conferred by this section is in every case subject to the condition that the service must be available generally to employees of the employer (or each employer) concerned.".

(4) In subsection (4) (minor definitions), at the appropriate place insert—

""local bus service" means a local service as defined by section 2 of the Transport Act 1985;".

(5) After that subsection insert—

"(5) If under this section there is no charge to tax under section 154 (or there would be no charge if the employee were in employment to which Chapter 2 of Part 5 applied), there is no charge to tax under section 141 (non-cash vouchers) in respect of a voucher evidencing the employee's entitlement to use the service.".

(6) This section has effect for the year 2002-03 and subsequent years of assessment.

34 Car fuel: calculation of cash equivalent of benefit

(1) In Part 5 of the Taxes Act 1988 (provisions relating to the Schedule E charge), section 158 (benefits in kind: car fuel) is amended as follows.

(2) For subsections (2) to (2B) (calculation of cash equivalent) substitute—

"(2) Subject to the following provisions of this section, the cash equivalent of that benefit is the appropriate percentage of £14,400.

The "appropriate percentage" means the appropriate percentage determined under Schedule 6 for the purpose of calculating the cash equivalent of the benefit of the car for which the fuel is provided.".

(3) In subsection (4) (power to substitute different amounts by Treasury order), for "a different Table for any of the Tables in subsection (2) above" substitute " a different amount for that specified in subsection (2) above ".

(4) For subsection (5) (proportionate reduction where car unavailable for part of the year) substitute—

"(5) The cash equivalent of the benefit in any year is proportionately reduced (see subsection (8) below) if the car for which the fuel is provided is unavailable (within the meaning of Schedule 6) for any part of the year.".

(5) After subsection (6) (nil cash equivalent where fuel provided on terms that employee meets cost of private use or fuel is made available only for business travel) insert—

"(6A) The cash equivalent of the benefit in any year is proportionately reduced (see subsection (8) below) if for any part of that year—

(a) the facility for the provision of fuel as mentioned in subsection (1) above is not available, or

(b) the employee is required to make good to the person providing the fuel the whole of the expense incurred by him in connection with the provision of the fuel for his private use and he does so, or

(c) the fuel is made available only for business travel.

(6B) The fact that any of the conditions specified in subsection (6A) above is met for part of a year shall be disregarded if there is a time later in that year when any of those conditions is not met.".

(6) At the end of the section add—

"(8) Where the cash equivalent falls to be proportionately reduced under subsection (5) or (6A) above (or under both those subsections), the reduced amount is given by:

$$CE \times \frac{365-D}{365}$$

where—

CE is the amount of the cash equivalent before any reduction; and

D is the total number of days in the year on which either the car is unavailable or one or more of the conditions in subsection (6A) above is met.".

(7) After that subsection add—

"(9) References in this section to fuel do not include any facility or means for supplying electrical energy for an electrically propelled vehicle.".

(8) This section has effect for the year 2003-04 and subsequent years of assessment.

35 Statutory paternity pay and statutory adoption pay

In section 150 of the Taxes Act 1988 (allowances and payments charged to income tax under Schedule E), after paragraph (d) insert—

"(e) payments of statutory paternity pay or statutory adoption pay under Part 12ZA or 12ZB of the Social Security Contributions and Benefits Act 1992 or, in Northern Ireland, under any corresponding legislation in force there.".

36 Exemption of minor benefits: application to non-cash vouchers

(1) In section 155ZB of the Taxes Act 1988 (power to provide for exemption of minor benefits), after subsection (2) add—

"(3) If by virtue of regulations under this section there is no charge to tax under section 154 in respect of a benefit (or there would be no charge if the employee were in employment to which Chapter 2 of Part 5 applied), there is no charge to tax under section 141 (non-cash vouchers) in respect of a voucher evidencing the employee's entitlement to the benefit.".

(2) This section has effect for the year 2002-03 and subsequent years of assessment.

37 Minor amendments to Schedule E charge

(1) Schedule 6 to this Act (which makes a number of minor changes to the Schedule E charge to income tax) has effect.

(2) The amendments made by that Schedule have effect for the year 2002-03 and subsequent years of assessment.

38 Provision of services through an intermediary: minor amendments

(1) Schedule 12 to the Finance Act 2000 (c. 17) (provision of services through an intermediary) is amended as follows.

(2) In Part 2 (the deemed Schedule E payment), after paragraph 7 insert—

7A "**Reimbursed expenses**

(1) The reference in Step Three of the calculation in paragraph 7 to expenses met by the intermediary includes expenses met by the worker and reimbursed by the intermediary.

(2) Where the intermediary is a partnership and the worker is a member of the partnership, expenses met by the worker for and on behalf of the intermediary shall be treated for the purposes of sub-paragraph (1) as expenses met by the worker and reimbursed by the intermediary.

7B **Treatment of mileage allowances**

(1) Where—

(a) the intermediary provides a vehicle for the worker, and

(b) the worker would have been entitled to an amount of mileage allowance relief for a tax year in respect of the use of the vehicle if the worker had been employed by the client and the vehicle had not been a company vehicle (within the meaning of paragraph 6 of Schedule 12AA to the Taxes Act 1988),

Step Three of the calculation in paragraph 7 has effect as if that amount were an amount of expenses deductible under that Step.

(2) Where—

(a) the intermediary is a partnership,

(b) the worker is a member of the partnership, and

(c) the worker provides a vehicle for the purposes of the business of the partnership,

then for the purposes of sub-paragraph (1) the vehicle shall be regarded as provided by the intermediary for the worker.

(3) Where the worker receives payments from the intermediary that are exempt from income tax under Schedule E by virtue of section 197AD or 197AE of the Taxes Act 1988 (mileage allowance payments and passenger payments), Step Seven of the calculation in paragraph 7 has effect as if the worker were chargeable to income tax under Schedule E in respect of the payments.".

(3) In Part 3 (supplementary provisions), in paragraph 12(2) (date of deemed payment where intermediary is a company), after "relevant events" insert—

"(za) the company ceasing to trade;".

(4) In that Part, in paragraph 18(3) (restriction on expenses deductible in calculating profits of partnership intermediary), for paragraph (a) substitute—

"(a) the amount that, in calculating the deemed Schedule E payment, is deducted under Step Three of the calculation in paragraph 7, and".

(5) This section has effect for the year 2002-03 and subsequent years of assessment.

39 Employee share ownership plans: minor amendments

(1) Schedule 8 to the Finance Act 2000 (c. 17) (employee share ownership plans) is amended as follows.

(2) In paragraph 94 (PAYE: shares ceasing to be subject to plan), for ", subsection (3) of section 203F of the Taxes Act 1988 (PAYE: tradeable assets)" substitute—

"(a) section 203F of the Taxes Act 1988 (PAYE: readily convertible assets) shall have effect as if the participant were being provided with assessable income in the form of those shares—

(i) at the time the shares cease to be subject to the plan, and

(ii) in respect of the relevant employment in which the participant is employed at that time (or, if he is not employed in relevant employment at that time, the relevant employment in which he was last employed before that time), and

(b) subsection (3) of that section".

(3) In paragraph 95 (PAYE: shares ceasing to be subject to plan), in sub-paragraph (6), for the words from "a company" to "to whom" substitute " the company which employs the participant in relevant employment at the time when the shares cease to be subject to the plan (or, if the participant is not employed in relevant employment at that time, the company which last employed him in relevant employment before that time), provided that that company is one to whom ".

(4) In paragraph 96 (PAYE: capital receipts), in sub-paragraph (2), for the words from "the company" to "to whom" substitute " the company which employs the participant in relevant employment at the time the trustees receive the sum of money referred to in sub-paragraph (1) (or, if the participant is not employed in relevant employment at that time, the company which last employed him in relevant employment before that time), provided that that company is one to whom ".

(5) In paragraph 127 (jointly owned companies), at the end insert—

"(4) A company controlled by a jointly owned company may not—

(a) be a participating company in more than one group plan, or

(b) if the jointly owned company or any other company controlled by it is a participating company in a group plan, be a participating company in a different group plan.".

(6) In paragraph 128(2) (meaning of "readily convertible asset"), after "this Schedule" insert " (and that section in its application in relation to shares which cease to be subject to a plan) ".

(7) This section has effect for the year 2002-03 and subsequent years of assessment.

(8) However, nothing in subsection (5) prevents a company continuing to be a participating company in a group plan in which it was a participating company immediately before the day on which this Act is passed (and for the purposes of this subsection "participating company" and "group plan" have the same meaning as in Schedule 8 to the Finance Act 2000).

40 Treatment of deductions from payments to sub-contractors

(1) In Chapter 4 of Part 13 of the Taxes Act 1988 (sub-contractors in the construction industry), after section 559 (deductions on account of tax etc from payments to certain sub-contractors) insert—

"559A Treatment of sums deducted under s.559

(1) A sum deducted under section 559 from a payment made by a contractor—

(a) shall be paid to the Board, and

(b) shall be treated for the purposes of income tax or, as the case may be, corporation tax as not diminishing the amount of the payment.

(2) If the sub-contractor is not a company a sum deducted under section 559 and paid to the Board shall be treated as being income tax paid in respect of the sub-contractor's relevant profits.

If the sum is more than sufficient to discharge his liability to income tax in respect of those profits, so much of the excess as is required to discharge

any liability of his for Class 4 contributions shall be treated as being Class 4 contributions paid in respect of those profits.

(3) If the sub-contractor is a company—

(a) a sum deducted under section 559 and paid to the Board shall be treated, in accordance with regulations, as paid on account of any relevant liabilities of the sub-contractor;

(b) regulations shall provide for the sum to be applied in discharging relevant liabilities of the year of assessment in which the deduction is made;

(c) if the amount is more than sufficient to discharge the sub-contractor's relevant liabilities, the excess may be treated, in accordance with the regulations, as being corporation tax paid in respect of the sub-contractor's relevant profits; and

(d) regulations shall provide for the repayment to the sub-contractor of any amount not required for the purposes mentioned in paragraphs (b) and (c).

(4) For the purposes of subsection (3) the "relevant liabilities" of a sub-contractor are any liabilities of the sub-contractor, whether arising before or after the deduction is made, to make a payment to a collector of inland revenue in pursuance of an obligation as an employer or contractor.

(5) In this section—

(a) "the sub-contractor" means the person for whose labour (or for whose employees' or officers' labour) the payment is made;

(b) references to the sub-contractor's "relevant profits" are to the profits from the trade, profession or vocation carried on by him in the course of which the payment was received;

(c) "Class 4 contributions" means Class 4 contributions within the meaning of the Social Security Contributions and Benefits Act 1992 or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

(6) References in this section to regulations are to regulations made by the Board.

(7) Regulations under this section—

(a) may contain such supplementary, incidental or consequential provision as appears to the Board to be appropriate, and

(b) may make different provision for different cases.".

(2) In section 829 of the Taxes Act 1988 (application of Income Tax Acts to public departments), after subsection (2) insert—

"(2A) Subsections (1) and (2) above have effect in relation to Chapter 4 of Part 13 of this Act (sub-contractors in the construction industry) as if the whole of any deduction required to be made under section 559 were in all cases a deduction of income tax.".

(3) In section 59D of the Taxes Management Act 1970 (c. 9) (payment of corporation tax), in subsection (4)(d) (amounts treated as corporation tax previously paid), for "under section 559" substitute " by virtue of regulations under section 559A ".

(4) This section has effect in relation to deductions made under section 559 of the Taxes Act 1988 on or after 6th April 2002.

Regulations under section 559A of that Act, inserted by this section, may be made so as to have effect in relation to any such deductions made on or after that date.

41 Parliamentary visits to EU candidate countries: tax treatment of members' expenses

(1) This section amends—

(a) section 200 of the Taxes Act 1988 (which treats allowances paid to a Member of Parliament in respect of, among other things, expenses of visiting the national parliament of another member State as not being income for tax purposes), and

(b) section 200ZA of that Act (which makes corresponding provision in relation to members of the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly).

(2) In subsection (3)(b) of section 200, and in paragraph (b) of the definition of "EU travel expenses" in subsection (3) of section 200ZA, after "of another member State" insert " or of a candidate country ".

(3) After subsection (3) of each section insert—

"(4) In subsection (3) above "candidate country" means Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic, Slovenia or Turkey.

(5) The Treasury shall by order made by statutory instrument make such amendments to the definition in subsection (4) above as are necessary to secure that the countries listed are those that are from time to time candidates for membership of the European Union.".

(4) This section applies in relation to sums paid on or after 1st April 2002.

Chargeable gains

42 Reallocation within group of gain or loss accruing under section 179

(1) After section 179 of the Taxation of Chargeable Gains Act 1992 (c. 12) (company ceasing to be member of group) insert—

"**179A Reallocation within group of gain or loss accruing under section 179**

(1) This section applies where—

(a) a company ("company A") is treated by virtue of section 179(3) or (6) as having sold and immediately reacquired an asset at market value, and

(b) a chargeable gain or an allowable loss accrues to the company on the deemed sale.

(2) In this section "time of accrual" means—

(a) in a case where section 179(3) applies, the time at which, by virtue of section 179(4), the gain or loss referred to in subsection (1) above is treated as accruing to company A;

(b) in a case where section 179(6) applies, the latest time at which the company satisfies the conditions in section 179(7).

(3) If—

(a) a joint election under this section is made by company A and a company ("company C") that was a member of the relevant group at the time of accrual, and

(b) the conditions in subsections (6) to (8) below are all met,

the chargeable gain or allowable loss accruing on the deemed sale, or such part of it as may be specified in the election, shall be treated as accruing not to company A but to company C.

(4) In subsection (3) above "the relevant group" means—

(a) in a case where section 179(3) applies, the group of which company A was a member at the time of accrual;

(b) in a case where section 179(6) applies, the second group referred to in section 179(5).

(5) Where two or more elections are made each specifying a part of the same gain or loss, the total amount specified may not exceed the whole of that gain or loss.

(6) The first condition is that, at the time of accrual, company C—

(a) was resident in the United Kingdom, or

(b) owned assets that were chargeable assets in relation to it.

(7) The second condition is that neither company A nor company C was at that time a qualifying friendly society within the meaning given by section 171(5)).

(8) The third condition is that company C was not at that time an investment trust, a venture capital trust or a dual resident investing company.

(9) A gain or loss treated by virtue of this section as accruing to a company that is not resident in the United Kingdom shall be treated as accruing in respect of a chargeable asset held by that company.

(10) An election under this section must be made—

(a) by notice to an officer of the Board;

(b) no later than two years after the end of the accounting period of company A in which the time of accrual fell.

(11) Any payment by company A to company C, or by company C to company A, in pursuance of an agreement between them in connection with the election—

(a) shall not be taken into account in computing profits or losses of either company for corporation tax purposes, and

(b) shall not for any purposes of the Corporation Tax Acts be regarded as a distribution or a charge on income,

provided it does not exceed the amount of the chargeable gain or allowable loss that is treated, as a result of the election, as accruing to company C.

(12) For the purposes of this section an asset is a "chargeable asset" in relation to a company at a particular time if any gain accruing to the company on a disposal of the asset by the company at that time would be a chargeable gain and would by virtue of section 10(3) form part of its chargeable profits for corporation tax purposes.".

(2) In Schedule 7B to that Act (modification of Act in relation to overseas life insurance companies), immediately before paragraph 8 insert—

"7A In section 179A(12), the words "section 11(2)(b), (c) or (d) of the Taxes Act" shall be treated as substituted for "section 10(3)".".

(3) In section 97(1) of the Inheritance Tax Act 1984 (c. 51) (transfers within group, etc) —

(a) after sub-paragraph (ii) of paragraph (a) insert "or—

(iii) an election under section 179A of that Act as a result of which a chargeable gain is treated as accruing to the transferor company instead of to another member of the group, or an allowable loss is treated as accruing to another member of the group instead of to the transferor company,";

(b) in paragraph (aa) for "the deemed transfer" substitute " the election ".

(4) This section applies—

(a) in relation to a case where a company is treated by virtue of section 179(3) of the Taxation of Chargeable Gains Act 1992 (c. 12) as having sold and immediately reacquired an asset, where the company's ceasing to be a member of the group in question happens on or after 1st April 2002;

(b) in relation to a case where a company is so treated by virtue of section 179(6) of that Act, where the relevant time (within the meaning of that subsection) is on or after that date.

43 Roll-over of degrouping charge on business assets

(1) After section 179A of the Taxation of Chargeable Gains Act 1992 (c. 12) (inserted by section 42 above) insert—

"**179B Roll-over of degrouping charge on business assets**

(1) Where a company is treated by virtue of section 179(3) or (6) as having sold and immediately reacquired an asset at market value, relief under section 152 or 153 (roll-over relief on replacement of business assets) is available in accordance with this section in relation to any gain accruing to the company on the deemed sale.

(2) For this purpose, sections 152 and 153 and the other enactments specified in Schedule 7AB apply with the modifications set out in that Schedule.

(3) Where there has been an election under section 179A, any claim for relief available in accordance with this section must be made by company C rather than company A.

(4) For this purpose, the enactments modified by Schedule 7AB have effect as if—

(a) references to company A, except those in sections 152(1)(a) and (1B), 153(1B), 153A(5), 159(1), 175 and 198(1), were to company C;

(b) the references to "that company" in section 159(1) and "the company" in section 185(3)(b) were to company C;

(c) the reference to "that trade" in section 198(1) were to a ring fence trade carried on by company C.

(5) Where there has been an election under section 179A in respect of part only of the chargeable gain accruing on the deemed sale of an asset, the enactments modified by Schedule 7AB and subsections (3) and (4) above apply as if the deemed sale had been of a separate asset representing a corresponding part of the asset; and any necessary apportionments shall be made accordingly.

(6) A reference in this section to company A or to company C is to the company referred to as such in section 179A.".

(2) After Schedule 7AA to the 1992 Act insert the Schedule 7AB set out in Schedule 7 to this Act.

(3) In section 86(2) of the Finance Act 1993 (c. 34) (roll-over relief: power to amend section 155 of the 1992 Act by order), at the end add—

"Any such order may make such consequential amendments of Schedule 7AB as appear to the Treasury to be appropriate.".

(4) This section applies—

(a) in relation to a case where a company is treated by virtue of section 179(3) of the 1992 Act as having sold and immediately reacquired an asset, where the company's ceasing to be a member of the group in question happens on or after 1st April 2002;

(b) in relation to a case where a company is so treated by virtue of section 179(6) of that Act, where the relevant time (within the meaning of that subsection) is on or after that date.

44 Exemptions for disposals by companies with substantial shareholding

(1) In Chapter 1 of Part 6 of the Taxation of Chargeable Gains Act 1992 (c. 12) (provisions relating to chargeable gains of companies), after section 192 insert—

"Disposals by companies with substantial shareholding

192A Exemptions for gains or losses on disposal of shares etc

Schedule 7AC (exemptions for disposal of shares etc by companies with substantial shareholding) has effect.".

(2) Schedule 8 to this Act (exemptions for disposals by companies with substantial shareholding) has effect.

In that Schedule—

Part 1 contains Schedule 7AC to be inserted after Schedule 7AB to the Taxation of Chargeable Gains Act 1992 (c. 12) (inserted by Schedule 7 to this Act); and

Part 2 contains consequential amendments.

(3) This section and Schedule 8 to this Act apply in relation to disposals on or after 1st April 2002.

(4) Paragraph 38 of the Schedule 7AC inserted by that Schedule (degrouping: time when deemed sale and reacquisition treated as taking place) has effect where the time of degrouping or relevant time (as defined for the purposes of that paragraph) is on or after that date.

(5) The amendment made by paragraph 2 of Schedule 8 to this Act has effect where the company in question ceases to be a member of the group in question on or after that date.

45 Share exchanges and company reconstructions

(1) Schedule 9 to this Act (chargeable gains: share exchanges and company reconstructions) has effect.

(2) In that Schedule—

Part 1 provides for the replacement of sections 135 and 136 of the Taxation of Chargeable Gains Act 1992;

Part 2 makes consequential amendments; and

Part 3 provides for commencement.

46 Taper relief: holding period for business assets

(1) In the table in section 2A(5) of the Taxation of Chargeable Gains Act 1992 (calculation of taper relief), for the first two columns (under the heading "Gains on disposals of business assets") substitute—

Number of whole years in qualifying holding period	**Percentage of gain chargeable**
1	50
2 or more	25

(2) This section applies to disposals on or after 6th April 2002.

47 Taper relief: minor amendments

Schedule 10 to this Act contains minor amendments relating to taper relief under the Taxation of Chargeable Gains Act 1992 (c. 12).

48 Use of trading losses against chargeable gains

(1) In section 72 of the Finance Act 1991 (c. 31) (use of trading losses against chargeable gains), in subsection (4) (which has the effect that the maximum amount of trading loss that may be so used is calculated by reference to the amount of chargeable gains after taper relief) for "disregarding section 3(1)" substitute " disregarding sections 2A (taper relief) and 3(1) (annual exempt amount) ".

(2) The amendment in subsection (1) has effect in relation to claims under that section in respect of trading losses sustained in the year 2004-05 or subsequent years of assessment, subject to the following provisions.

(3) A person making a claim under section 72 of that Act in respect of a trading loss sustained in the year 2002-03 may elect that, for the purposes of the claim, the amendment made by subsection (1) above shall have effect—

(a) in relation to the chargeable gains accruing to him in the year 2001-02,

(b) in relation to the chargeable gains accruing to him in the year 2002-03, or

(c) in relation to the chargeable gains accruing to him in the year 2001-02 and the year 2002-03.

(4) A person making a claim under that section in respect of a trading loss sustained in the year 2003-04 may elect that, for the purposes of the claim, the amendment made by subsection (1) above shall have effect—

(a) in relation to the chargeable gains accruing to him in the year 2002-03,

(b) in relation to the chargeable gains accruing to him in the year 2003-04, or

(c) in relation to the chargeable gains accruing to him in the year 2002-03 and the year 2003-04.

(5) An election under subsection (3) or (4) must be made—

(a) in writing,

(b) to an officer of the Board,

(c) within the time for making a claim under section 72 of the Finance Act 1991 in respect of a trading loss sustained in the year 2002-03 or, as the case may be, the year 2003-04,

and must specify the year or years of assessment in relation to the chargeable gains of which it is made.

49 Election to forgo roll-over relief on transfer of business

(1) After section 162 of the Taxation of Chargeable Gains Act 1992 (c. 12) (roll-over relief on transfer of business) insert—

"**162A Election for section 162 not to apply**

(1) Section 162 shall not apply where the transferor makes an election under this section.

(2) An election under this section must be made by a notice given to an officer of the Board no later than the relevant date.

(3) Except where subsection (4) below applies, the relevant date is the second anniversary of the 31st January next following the year of assessment in which the transfer of the business took place.

(4) Where, by the end of the year of assessment following the one in which the transfer of the business took place, the transferor has disposed of all the new assets, the relevant date is the first anniversary of the 31st January next following the year of assessment in which the transfer of the business took place.

(5) For the purposes of subsection (4) above—

(a) a disposal of any of the new assets by the transferor shall be disregarded if it falls within section 58(1) (transfers between husband and wife); but

(b) where a disposal of any assets to a person is disregarded by virtue of paragraph (a) above, a subsequent disposal by that person of any of those assets (other than a disposal to the transferor) shall be regarded as a disposal by the transferor.

(6) All such adjustments shall be made, whether by way of discharge or repayment of tax, the making of assessments or otherwise, as are required to give effect to an election under this section.

(7) Where, immediately before it was transferred, the business was owned by two or more persons—

(a) each of them has a separate entitlement to make an election under this section;

(b) an election made by a person by virtue of paragraph (a) above shall apply only to—

(i) the share of the amount of the gain on the old assets, and

(ii) the share of the new assets,

that is attributable to that person for the purposes of this Act.

(8) The reference in subsection (7) above to ownership by two or more persons includes, in Scotland as well as elsewhere in the United Kingdom, a reference to ownership by a partnership consisting of two or more persons.

(9) Expressions used in this section and in section 162 have the same meaning in this section as in that one.

But references in this section to new assets also include any shares or debentures that are treated by virtue of one or more applications of section 127 (including that section as applied by virtue of any enactment relating to chargeable gains) as the same asset as the new assets.".

(2) This section applies in relation to a transfer of a business on or after 6th April 2002.

50 Shares acquired on same day: election for alternative treatment

(1) After section 105 of the Taxation of Chargeable Gains Act 1992 (c. 12) (disposal on or before day of acquisition of shares and other unidentified assets) insert—

"**105A Shares acquired on same day: election for alternative treatment**

(1) Subsection (2) below applies where an individual—

(a) acquires shares ("the relevant shares") of the same class, on the same day and in the same capacity, and

(b) some of the relevant shares ("the approved-scheme shares") are shares acquired by him as a result of—

(i) the exercise of a qualifying option within the meaning of paragraph 1(1) of Schedule 14 to the Finance Act 2000 (enterprise management incentives) in circumstances where paragraph 44, 45 or 46 of that Schedule (exercise of option to acquire shares) applies, or

(ii) the exercise of an option to which subsection (1) of section 185 of the Taxes Act (approved share option schemes) applies in circumstances where paragraphs (a) and (b) of subsection (3) of that section apply.

(2) Where the individual first makes a disposal of any of the relevant shares, he may elect for subsections (3) to (5) below to have effect in relation to that disposal and all subsequent disposals of any of those shares.

(3) In circumstances where section 105 applies, that section shall have effect as if—

(a) paragraph (a) of subsection (1) of that section required the approved-scheme shares to be treated as acquired by the individual by a single transaction separate from the remainder of the relevant shares (which shall also be treated by virtue of that paragraph as acquired by the individual by a single transaction), and

(b) subsection (1) of that section required the approved-scheme shares to be treated as disposed of after the remainder of the relevant shares.

(4) If the relevant shares include shares to which relief under Chapter 3 of Part 7 of the Taxes Act or deferral relief (within the meaning of Schedule 5B to this Act) is attributable—

(a) paragraph 4(4) of that Schedule has effect as if it required the approved-scheme shares falling within paragraph (a), (b), (c) or (d) of that provision to be treated as disposed of after the remainder of the relevant shares falling within the paragraph in question, and

(b) section 299 of the Taxes Act has effect for the purposes of section 150A(4) below as if it required—

(i) the approved-scheme shares falling within paragraph (a), (b), (c) or (d) of subsection (6A) of section 299 of that Act to be treated as disposed of after the remainder of the relevant shares falling within the paragraph in question, and

(ii) the approved-scheme shares to which subsection (6B) of that section applies to be treated as disposed of after the remainder of the relevant shares to which that subsection applies.

(5) Where section 127 applies in relation to any of the relevant shares ("the reorganisation shares"), that section shall apply separately to such

of those shares as are approved-scheme shares and to the remainder of the reorganisation shares (so that those approved-scheme shares and the remainder of the reorganisation shares are treated as comprised in separate holdings of original shares and identified with separate new holdings).

(6) In subsection (5)—

(a) the reference to section 127 includes a reference to that section as it is applied by virtue of any enactment relating to chargeable gains, and

(b) "original shares" and "new holding" have the same meaning as in section 127 or (as the case may be) that section as applied by virtue of the enactment in question.

(7) For the purposes of subsection (1) above—

(a) any shares to which relief under Chapter 3 of Part 7 of the Taxes Act is attributable and which were transferred to an individual as mentioned in section 304 of that Act, and

(b) any shares to which deferral relief (within the meaning of Schedule 5B to this Act), but not relief under that Chapter, is attributable and which were acquired by an individual on a disposal to which section 58 above applies,

shall be treated as acquired by the individual on the day on which they were issued.

(8) In this section the references to Chapter 3 of Part 7, section 299 and section 304 of the Taxes Act shall be read as references to those provisions as they apply to shares issued after 31st December 1993 (enterprise investment scheme).

105B Provision supplementary to section 105A

(1) The provisions of section 105A have effect in the case of any disposal notwithstanding that some or all of the securities disposed of are otherwise identified—

(a) by the disposal, or

(b) by a transfer or delivery giving effect to it.

(2) An election must be made, by a notice given to an officer of the Board, on or before the first anniversary of the 31st January next following the year of assessment in which the individual first makes a disposal of any of the relevant shares.

(3) Where—

(a) an election is made in respect of the relevant shares, and

(b) any shares ("the other shares") acquired by the individual on the same day and in the same capacity as the relevant shares cease to be treated under section 104(4) as shares of a different class from the relevant shares,

the election shall have effect in respect of the other shares from the time they cease to be so treated.

(4) In determining for the purposes of section 105A(2) and subsection (2) above whether the individual has made a disposal of any of the relevant shares, sections 122(1) and 128(3) shall be disregarded.

(5) No election may be made in respect of ordinary shares in a venture capital trust.

For this purpose "ordinary shares" has the meaning given in section 151A(7).

(6) For the purposes of section 105A, shares in a company shall not be treated as being of the same class unless they are so treated by the practice of a recognised stock exchange, or would be so treated if dealt with on that recognised stock exchange.

(7) In section 105A(2) to (5) and subsections (2) to (4) above, any reference to the relevant shares or to the approved-scheme shares includes a reference to the securities (if any) directly or indirectly derived from the shares in question by virtue of one or more applications of section 127 (including that section as applied by virtue of any enactment relating to chargeable gains).

(8) In this section—

"the approved-scheme shares" has the same meaning as in section 105A;

"election" means an election under that section;

"the relevant shares" has the same meaning as in that section; and

"securities" has the meaning given in section 104(3);

and in subsection (4) the reference to section 128(3) includes a reference to that provision as it is applied by virtue of any enactment relating to chargeable gains.".

(2) The amendment made by subsection (1) has effect in relation to shares acquired by an individual on or after 6th April 2002.

(3) For this purpose—

(a) any shares to which relief under Chapter 3 of Part 7 of the Taxes Act 1988 is attributable and which were transferred to an individual as mentioned in section 304 of that Act, and

(b) any shares to which deferral relief (within the meaning of Schedule 5B to the Taxation of Chargeable Gains Act 1992 (c. 12)), but not relief under that Chapter, is attributable and which were acquired by an individual on a disposal to which section 58 of that Act applies,

shall be treated as acquired by the individual on the day on which they were issued.

(4) In subsection (3)(a), the references to Chapter 3 of Part 7 and section 304 of the Taxes Act 1988 shall be read as references to those provisions as they apply to shares issued after 31st December 1993 (enterprise investment scheme).

51 Deduction of personal losses from gains treated as accruing to settlors

Schedule 11 to this Act (deduction of personal losses from gains treated as accruing to settlors) has effect.

52 Capital gains tax: variation of dispositions taking effect on death

(1) In section 62(7) of the Taxation of Chargeable Gains Act 1992 (c. 12) (election to treat subsequent variation of dispositions taking effect on death as if effected by deceased) for the words from "unless" to the end of the subsection substitute " unless the instrument contains a statement by the persons making the instrument to the effect that they intend the subsection to apply to the variation. ".

(2) This section applies in relation to instruments made on or after 1st August 2002.

New reliefs

53 Tax relief for expenditure on research and development

(1) Schedule 12 to this Act has effect for accounting periods ending on or after 1st April 2002.

(2) In that Schedule—

Part 1 makes provision about tax relief for large companies on expenditure on research and development;

Part 2 makes provision about tax relief for small companies on expenditure on research and development that is sub-contracted to them;

Parts 3 to 6 make provision about the form of the relief, special provision about insurance companies and supplementary and general provision.

54 Tax relief for expenditure on vaccine research etc

(1) Schedule 13 to this Act (which makes provision for tax relief for companies' expenditure on vaccine research etc) has effect.

(2) Schedule 14 to this Act (which makes provision consequential on Schedule 13) has effect.

55 Gifts of medical supplies and equipment

(1) This section applies where, for humanitarian purposes, a company makes a gift from trading stock of medical supplies, or medical equipment, for human use.

(2) For the purposes of the Tax Acts, no amount shall be required to be brought into account as a trading receipt of the company in consequence of the making of the gift.

(3) Any costs of transportation, delivery or distribution incurred by the company in making the gift may be deducted in computing for the purposes of corporation tax the profits of the company's trade for the accounting period in which the costs are incurred.

(4) In any case where—

(a) relief is given under subsection (2) in respect of the making of a gift and any benefit received in any accounting period by the company or any connected person is in any way attributable to the making of that gift, or

(b) relief is given under subsection (3) and any benefit so received is in any way attributable to the company's incurring of the costs referred to in that subsection,

the company shall in respect of that period be charged to corporation tax under Case I of Schedule D or, if the company is not chargeable to corporation tax under that Case for that period, under Case VI of Schedule D on an amount equal to the amount of that benefit.

(5) Section 839 of the Taxes Act 1988 (connected persons) applies for the purposes of subsection (4).

(6) The Treasury may by order provide that this section is not to have effect in relation to medical supplies or medical equipment of such descriptions as may be specified in the order.

(7) This section has effect in relation to gifts made on or after 1 April 2002.

56 R&D tax relief for small and medium-sized enterprises: minor and consequential amendments

Schedule 15 to this Act (which makes minor amendments to Schedule 20 to the Finance Act 2000 (tax relief for R&D expenditure of small and medium-sized enterprises), including amendments consequential on Schedules 12 and 13 to this Act) has effect for accounting periods ending on or after 1st April 2002.

57 Community investment tax relief

(1) Schedule 16 to this Act (community investment tax relief) has effect.

(2) Schedule 17 to this Act (which makes provision consequential on the introduction of community investment tax relief) has effect.

(3) Schedules 16 and 17 shall come into force on such day as the Treasury may by order appoint.

(4) On and after that day—

(a) Schedule 16 shall have effect in relation to—

(i) investments made on or after such day as the Treasury may so appoint, being a day not earlier than 17th April 2002, and

(ii) claims made on or after such day as the Treasury may so appoint,

(b) paragraphs 2 to 4 of Schedule 17 shall have effect for years of assessment ending on or after the day appointed under paragraph (a)(i), and

(c) paragraph 5 of that Schedule shall have effect for accounting periods ending on or after that day.

58 Relief for community amateur sports clubs

(1) Schedule 18 to this Act (relief for community amateur sports clubs) has effect.

(2) Parts 1, 5 and 6 of that Schedule shall be deemed to have come into force on 1st April 2002.

Accordingly, an application under that Schedule by a club to be registered as a community amateur sports club may be granted with effect from that date or any subsequent date before the passing of this Act.

(3) Parts 2 and 4 of that Schedule have effect in relation to accounting periods ending on or after 1st April 2002.

(4) Part 3 of that Schedule has effect in relation to gifts made on or after 6th April 2002.

Capital allowances and related matters

59 Cars with low carbon dioxide emissions

Schedule 19 to this Act (first-year allowances in respect of expenditure on cars with low CO_2 emissions and exemption from single asset pool rules) has effect in relation to expenditure incurred on or after 17th April 2002.

60 Expense of hiring cars with low carbon dioxide emissions

(1) In section 578A of the Taxes Act (expenditure on car hire) after subsection (2) (cars to which section 578A applies) insert—

"(2A) This section does not apply to the hiring of a car, other than a motorcycle, if—

(a) it is an electrically-propelled car, or

(b) it is a car with low CO_2 emissions.

(2B) In subsection (2A) above—

"car" has the meaning given by section 578B;

"car with low CO_2 emissions" has the meaning given by section 45D of the Capital Allowances Act 2001 (expenditure on cars with low CO_2 emissions to be first-year qualifying expenditure);

"electrically-propelled car" has the meaning given by that section.".

(2) The amendment made by this section has effect in relation to expenditure—

(a) which is incurred on or after 17th April 2002 on the hiring of a car which is first registered on or after that date, and

(b) which is incurred on the hiring of a car, for a period of hire which begins on or before 31st March 2008, under a contract entered into on or before 31st March 2008.

61 Plant or machinery for gas refuelling station: first-year allowances

Schedule 20 to this Act (first-year allowances in respect of expenditure on plant or machinery for gas refuelling station) has effect in relation to expenditure incurred on or after 17th April 2002.

62 Expenditure on green technologies: leasing

(1) In section 46 of the Capital Allowances Act 2001 (c. 2) (general exclusions affecting first-year qualifying expenditure) after subsection (4) (which is inserted by Schedule 19) insert—

"(5) General exclusion 6 does not prevent expenditure being first-year qualifying expenditure under section 45A, 45D or 45E.".

(2) The amendment made by this section has effect in relation to expenditure incurred on or after 17th April 2002.

63 First-year allowances for expenditure wholly for a ring fence trade

(1) Schedule 21 to this Act shall have effect.

(2) In that Schedule—

(a) Part 1 makes provision for and in connection with first-year allowances under Part 2 of the Capital Allowances Act 2001 in respect of expenditure incurred by a company on the provision of plant or machinery for use wholly for the purposes of a ring fence trade chargeable to tax under section 501A of the Taxes Act 1988 (inserted by section 91 of this Act); and

(b) Part 2 makes provision for and in connection with first-year allowances under Part 5 of that Act (mineral extraction allowances) in respect of expenditure incurred by a company wholly for the purposes of such a trade.

(3) The amendments made by that Schedule have effect in relation to expenditure incurred on or after 17th April 2002.

Computation of profits

64 Adjustment on change of basis

(1) The provisions of Schedule 22 to this Act have effect as to the adjustment or adjustments to be made for tax purposes where—

(a) there is, from one period of account to the next of a trade, profession or vocation, a change of basis in computing profits for the purposes of Case I or II of Schedule D,

(b) the old basis accorded with the law or practice applicable in relation to the period of account before the change, and

(c) the new basis accords with the law and practice applicable in relation to the period of account after the change.

For the purposes of paragraphs (b) and (c) the practice applicable in any case means the accepted practice in cases of that description as to how profits should be computed for the purposes of Case I or II of Schedule D.

(2) A "change of basis" means—

(a) a relevant change of accounting approach, or

(b) a change in the tax adjustments applied.

(3) A "relevant change of accounting approach" means a change of accounting principle or practice that, in accordance with generally accepted accounting practice, gives rise to a prior period adjustment.

(4) A "tax adjustment" means any such adjustment as is mentioned in section 42(1) of the Finance Act 1998 (c. 36) (adjustments required or authorised by law in computing profits for tax purposes).

(5) A "change in the tax adjustments applied"—

(a) does not include a change made in order to comply with amending legislation not applicable to the previous period of account, but

(b) includes a change resulting from a change of view as to what is required or authorised by law, or as to whether any adjustment is so required or authorised.

(6) The provisions of this section and Schedule 22 to this Act have effect in place of the provisions of section 44 of, and Schedule 6 to, the Finance Act 1998 (c. 36).

65 Postponement of change to mark to market in certain cases

(1) This section applies in relation to the computation in accordance with the provisions of Case I of Schedule D of the profits of the insurance business, other than life assurance business, of—

(a) an insurance company,

(b) a corporate member of Lloyd's, or

(c) a controlled foreign company.

(2) For periods of account to which this section applies nothing in—

(a) section 70 of the Taxes Act 1988 (assessment to corporation tax on full amount of profits, etc), or

(b) section 42 of the Finance Act 1998 (c. 36) (computation of profits to be on basis giving true and fair view),

prevents the company from computing the profits of that business on a realisation basis rather than a mark to market basis.

A "realisation basis" means not recognising a profit or loss on an asset until it is realised, and a "mark to market basis" means bringing assets into account in each period of account at a fair value.

(3) Subject to subsection (4), this section applies in relation to any period of account that—

(a) began before 1st August 2001, and

(b) ends before 31st July 2002.

(4) This section does not apply if—

(a) an earlier period of account beginning on or after 1st January 2001 ended with an accounting date different from that with which the previous period of account ended,

(b) the change of accounting date was notified—

(i) to the registrar of companies, or

(ii) in the case of a company established under the law of a country or territory outside the United Kingdom, to the corresponding authority of that country or territory,

on or after 17th April 2002, and

(c) the purpose, or one of the purposes, for which the change was made was so that a subsequent period of account would be one to which section 64 above applies (computation of profits: adjustment on change of basis).

(5) In this section—

"controlled foreign company" has the same meaning as in Chapter 4 of Part 17 of the Taxes Act 1988; and

"corporate member of Lloyd's" means a corporate member as defined in section 230(1) of the Finance Act 1994 (c. 9).

66 Election to continue postponement of mark to market

(1) Where section 65 (postponement of change to mark to market in certain cases) applies in relation to a period of account, the company may elect that it shall continue to apply in relation to subsequent periods of account as regards assets held by it on 1st January 2002.

Any such election must be made within twelve months after the end of the accounting period of the company current on that date.

(2) An insurance company that carries on both long-term business and business other than long-term business may make an election under this section limited to assets held by the company otherwise than in the company's long-term insurance fund.

(3) For the purpose of determining whether an election under this section applies to an asset in a case where—

(a) assets are realised by the company in an accounting period beginning on or after 1st January 2002,

(b) the assets are of such a kind that the particular assets realised are not readily identifiable,

(c) the realisation does not exhaust the company's holding, and

(d) some but not all of the company's holding was acquired after 1st January 2002,

assets realised shall be identified with assets acquired on the same basis as that used by the company for accounting purposes, unless the basis used by the company is "last in, first out" in which case assets realised shall be identified with assets acquired on or before 1st January 2002 in priority to assets acquired after that day.

(4) Where a company has made an election under this section and—

(a) an asset in relation to which the election has effect is transferred to another company ("the transferee company") in pursuance of a transfer scheme, and

(b) immediately after the transfer either—

(i) the transferee company is resident in the United Kingdom, or

(ii) the asset is held for the purposes of a business carried on by the transferee company in the United Kingdom through a branch or agency,

this section applies as if the transferee company had made an election under this section in relation to that asset.

(5) In this section—

"insurance business" means business that consists of the effecting or carrying out of contracts of insurance and for the purposes of this definition "contract of insurance" has the meaning given in Article 3(1) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544);

"insurance company", "long-term business" and "long-term insurance fund" have the same meaning as in Chapter 1 of Part 12 of the Taxes Act 1988 (see section 431(2) of that Act);

"transfer scheme" means—

(a) a scheme under section 105 of the Financial Services and Markets Act 2000 (c. 8), including an excluded scheme falling within Case 2, 3 or 4 of subsection (3) of that section, or

(b) a qualifying overseas transfer scheme.

(6) A "qualifying overseas transfer scheme" means—

(a) so much of a transfer of the whole or part of the business of an overseas life insurance company carried on through a branch or agency in the United Kingdom as takes place in accordance with an authorisation granted outside the United Kingdom for the purposes of Article 11 of the third life insurance directive, or

(b) so much of a transfer of the whole or part of the business of an insurance company other than an overseas life insurance company as takes place in accordance with an authorisation granted outside the United Kingdom for the purposes of Article 12 of the third non-life insurance directive.

(7) In subsection (6)—

"overseas life insurance company" has the same meaning as in Chapter 2 of Part 12 of the Taxes Act 1988 (see section 431(2) of that Act);

"the third life insurance directive" means Council Directive 92/96/EEC on the co-ordination of laws, regulations and administrative provisions relating to direct life assurance and amending Directive 79/267/EEC and 990/96/EEC; and

"the third non-life insurance directive" means Council Directive 92/49/EEC on the co-ordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and amending Directives 73/239/EEC and 88/357/EEC.

67 Mark to market: miscellaneous amendments

(1) In section 473 of the Taxes Act 1988 (roll-over of securities held as circulating capital)—

(a) in the opening words of subsection (2), omit ", if the securities were not such as are mentioned in subsection (1)(b) above";

(b) in subsection (2)(a), and in subsection (7), for "would result" substitute " results "; and

(c) in subsection (2)(b) for "would be" substitute " is ".

(2) After subsection (2) of that section insert—

"(2A) This section does not apply to securities in respect of which unrealised profits or losses, calculated by reference to the fair value of the securities at the end of a period of account, are taken into account in the period of account in which the transaction mentioned in subsection (2) above occurs.

(2B) Subsection (2A) above shall be disregarded in determining for the purposes of section 66 of the Finance Act 2002 (election to continue postponement of mark to market) whether an asset was held by a person on 1st January 2002.".

(3) In section 81 of the Finance Act 1999 (c. 16) (acquisitions disregarded under insurance companies concession), at the end add—

"(13) If the relevant company changes from—

(a) not recognising a profit or loss on an asset until it is realised, to

(b) bringing assets into account in each period of account at a fair value,

then, in calculating the amount of any adjustment required under Schedule 22 to the Finance Act 2002 (calculation of adjustment on change of basis), the amount to be taken into account as the cost of the asset in relation to a period of account before the change is the cost of the previous acquisition.".

(4) The provisions of this section come into force as follows—

(a) the amendments in subsections (1) and (2) apply in relation to periods of account ending on or after 1st August 2001;

(b) the amendment in subsection (3) applies wherever an adjustment falls to be made under Schedule 22 to the Finance Act 2002 (see Part 5 of that Schedule).

68 Expenditure involving crime

(1) In section 577A(1) of the Taxes Act 1988 (no deduction to be made for expenditure incurred in making a payment the making of which constitutes a criminal offence)—

(a) after "incurred" insert " (a) ", and

(b) at the end insert ", or

(b) in making a payment outside the United Kingdom where the making of a corresponding payment in any part of the United Kingdom would constitute a criminal offence there.".

(2) This section applies in relation to expenditure incurred on or after 1st April 2002.

Financial instruments

69 Qualifying contracts for unallowable purposes

(1) After section 168 of the Finance Act 1994 (c. 9) insert—

"**168A Qualifying contracts for unallowable purposes**

(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.

(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).".

(2) Subject to subsection (3), this section has effect for accounting periods ending on or after 26th July 2001 in relation to any qualifying contract to which a company is party, unless the company has ceased to be a party to the contract before that date.

(3) Where such an accounting period begins before 26th July 2001, there shall not be included in the amounts, which by virtue of section 168A(1) of the Finance Act 1994 (c. 9) (as it has effect subject to section 168A(2) (maximum amount)) are not to be brought into account, such part of those amounts as, on a just and reasonable apportionment, is attributable to the part of the accounting period which falls before 26th July 2001.

(4) For the purposes of subsection (3), section 168A(3) shall have effect for the purposes of determining the maximum amount in section 168A(2) as if the references in section 168A(3) to amount A and amount B were references to such part of amount A or amount B as, on a just and reasonable apportionment, is attributable to the part of the accounting period which falls after 25th July 2001.

70 Forward premiums and discounts under currency contracts

(1) In section 153 of the Finance Act 1994 (c. 9) (qualifying payments), for subsections (4) and (5) (premiums and discounts) substitute—

"(5) For the purposes of this Chapter, in the case of any qualifying contract which is a currency contract,—

(a) the amount of any forward discount arising under the contract to a qualifying company shall be treated as a qualifying payment received by the company; and

(b) the amount of any forward premium arising under the contract from a qualifying company shall be treated as a qualifying payment made by the company.

(6) The amounts of any forward discounts and premiums arising under a contract to a qualifying company shall be determined for the purposes of subsection (5) above—

(a) in accordance with subsections (7) to (9) below in the case of a currency contract which provides for a rate of exchange between the reporting currency and another currency, and

(b) in accordance with subsection (10) below in the case of a currency contract which provides for a rate of exchange between two currencies, neither of which is the reporting currency.

(7) For the purposes of subsection (5)(a) above, the cases where a forward discount arises under a currency contract to a company are those cases where—

(a) the acquisition spot price exceeds the acquisition contract price, or

(b) the sale contract price exceeds the sale spot price;

and the amount of the forward discount is the amount of the excess mentioned in paragraph (a) or (b) above, as the case may be.

(8) For the purposes of subsection (5)(b) above, the cases where a forward premium arises under a currency contract from a company are those cases where—

(a) the acquisition contract price exceeds the acquisition spot price, or

(b) the sale spot price exceeds the sale contract price;

and the amount of the forward premium is the amount of the excess mentioned in paragraph (a) or (b) above, as the case may be.

(9) In subsections (7) and (8) above—

"the acquisition contract price" means the amount of any currency (other than the reporting currency) to be acquired under the contract by the company, expressed in the reporting currency, using the rate of exchange determined by the terms of the contract;

"the acquisition spot price" means the amount of any currency (other than the reporting currency) to be acquired under the contract by the company, expressed in the reporting currency, using such rate of exchange for the date on which the company becomes entitled to rights and subject to duties under the contract as is used for the purposes of the company's accounts (as defined in section 156(6) below);

"the sale contract price" means the amount of any currency (other than the reporting currency) to be disposed of under the contract by the company, expressed in the reporting currency, using the rate of exchange determined by the terms of the contract;

"the sale spot price" means the amount of any currency (other than the reporting currency) to be disposed of under the contract by the company, expressed in the reporting currency, using such rate of exchange for the date on which the company becomes entitled to rights and subject to duties under the contract as is used for the purposes of the company's accounts (as defined in section 156(6) below).

(10) Where this subsection has effect in accordance with subsection (6)(b) above, the amounts of any forward premiums and discounts arising under the contract are the amounts which, in accordance with generally accepted accounting practice, are brought into account in the same way as any forward premiums and discounts which fall to be determined in accordance with subsections (7) and (8) above.

(11) Subsection (5) above is subject to subsection (12) below.

(12) Where a qualifying company is using, as respects a qualifying contract which is a currency contract, a basis of accounting which conforms to generally accepted accounting practice and—

(a) an amount which would, but for this subsection, fall to be treated as a qualifying payment by virtue of subsection (5) above is brought into account by the company, in accordance with that basis of accounting, as a qualifying payment made or received by the company but otherwise than by virtue of being a forward premium or discount, or

(b) that basis of accounting is such that no forward premiums or discounts are treated as arising under a qualifying contract,

subsection (5) above shall not have effect in relation to that amount or, as the case may be, in relation to that contract.

(13) In this section "the reporting currency" means sterling, unless the case is one where section 93 of the Finance Act 1993 (use of foreign currency) applies, in which case it means the currency which is the relevant foreign currency for the purposes of that section.".

(2) This section has effect for accounting periods ending on or after 26th July 2001 in relation to any currency contract to which a company is party, unless the company has ceased to be a party to the contract before that date.

Loan relationships

71 Accounting method where rate of interest etc is reset

(1) After section 88 of the Finance Act 1996 (c. 8) insert—

"**88A Accounting method where rate of interest is reset**

(1) This section applies where—

(a) the conditions in subsections (2) and (3) below are satisfied in relation to an asset representing a creditor relationship of a company; and

(b) the object, or one of the main objects, of the company entering into or becoming a party to the creditor relationship was the securing, whether for itself or any other person, of a tax advantage (within the meaning of Chapter 1 of Part 17 of the Taxes Act 1988).

(2) The first condition is that there is or has at any time been a change in—

(a) the rate of interest payable in the case of the asset;

(b) the amount payable to discharge the debt; or

(c) the time at which any payments under the asset (whether of interest or otherwise) fall due.

(3) The second condition is that the difference between—

(a) the fair value of the asset immediately after the change, and

(b) the issue price of the asset,

is equal to at least 5 per cent of the issue price of the asset.

(4) On and after the day on which the conditions in subsections (2) and (3) above become satisfied in the case of an asset, the only accounting method authorised for the purposes of this Chapter for use by any company as respects a creditor relationship represented by the asset shall be an authorised mark to market basis of accounting.

(5) Where section 90 below applies in consequence of subsection (4) above, no debit shall be brought into account under subsection (2)(c) or (3)(b) of that section.

(6) In determining the fair value of an asset for any purpose of this section it shall be assumed that all amounts payable by the debtor will be paid in full as they fall due.".

(2) This section has effect on and after the relevant day.

(3) Where an authorised mark to market basis of accounting—

(a) is required by virtue of this section to be used on and after the relevant day as respects a creditor relationship of a company, but

(b) was not being used immediately before that day as respects the relationship,

the asset representing the relationship shall be treated for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 as having been acquired by the company for the asset's fair value (as determined for the purposes of section 88A of that Act) on the relevant day.

(4) For the purposes of this section "the relevant day" is—

(a) 19th December 2001, in a case where section 88A of that Act applies by reason of a change in the rate of interest payable in the case of the asset in question; or

(b) 24th April 2002, in any other case.

72 Convertible securities etc: loan relationships

(1) Section 92 of the Finance Act 1996 (c. 8) (convertible securities etc) is amended as follows.

(2) Amend subsection (1) (the assets to which section 92 applies) in accordance with subsections (3) to (9).

(3) In paragraph (b) (which requires the asset to carry rights to acquire any shares in a company) for "any shares in a company" substitute " shares in a company ".

(4) After paragraph (b) insert—

"(bb) the only shares that may be so acquired under any such provision are shares which, at the time when the asset comes or came into existence are or were, and at all times since have been,—

(i) qualifying ordinary shares in one or more companies, or

(ii) mandatorily convertible preference shares in one or more companies;".

(5) In paragraph (c) (extent to which shares may be acquired under that provision not to be determined using specified cash value) for "that provision", where first occurring, substitute " any such provision ".

(6) In paragraph (d) (asset not to be a relevant discounted security within the meaning of Schedule 13 to the Finance Act 1996) after "Act" insert " or an excluded indexed security within the meaning of that Schedule ".

(7) After paragraph (d) insert—

"(dd) the rights attached to the asset do not include provision by virtue of which the company may require a person other than the issuing company to acquire the asset for an amount which would, if payable on redemption, be an amount involving a deep gain for the purposes of paragraph 3 of that Schedule;".

(8) In paragraph (e)(more than negligible likelihood of the right to acquire shares being exercised to significant extent)—

(a) for "the right" substitute " the rights ", and

(b) omit "and".

(9) After paragraph (e) insert—

"(ee) the rights to acquire shares in a company (whether by conversion or exchange or otherwise) are such that exercising them to their full extent would result in the replacement of the asset—

(i) wholly by shares, or

(ii) in a case where exercising the rights to acquire shares to their full extent would not confer an entitlement to a whole number of shares, wholly by shares and a cash adjustment in respect of the fraction of a share so arising,

and the ending of the creditor relationship; and".

(10) After subsection (1) insert—

"(1A) In subsection (1) above—

"the issuing company" means the company that brought into existence the asset mentioned in subsection (1) above;

"mandatorily convertible preference shares" means shares (other than qualifying ordinary shares) which are issued upon terms that stipulate that, by a time no more than 24 hours after their acquisition by a person who immediately before that acquisition had the creditor relationship represented by those shares, they must be converted into or exchanged for qualifying ordinary shares;

"qualifying ordinary shares" means shares in a company which satisfy the conditions in subsections (1B) and (1C) below.

(1B) The first condition is that the shares are shares representing some or all of the issued share capital (by whatever name called) of the company, other than—

(a) capital the holders of which have a right to a dividend at a fixed rate but have no other right to share in the profits of the company, or

(b) capital the holders of which have no right to a dividend of any description nor any other right to share in the profits of the company.

(1C) The second condition is that the shares are—

(a) shares which are listed on a recognised stock exchange, or

(b) shares in a company which is a trading company or a holding company;

and for this purpose "trading company" and "holding company" have the meaning given by paragraph 22(1) of Schedule A1 to the Taxation of Chargeable Gains Act 1992.".

(11) After subsection (1C) insert—

"(1D) For the purposes of subsection (1)(ee)(ii) above, the amount which may be paid by way of a cash adjustment may not exceed five per cent of the value of the relevant shares at the relevant time; and for these purposes—

(a) "the relevant shares" means the shares which would be acquired by exercising the rights attached to the asset to their full extent, and

(b) "the relevant time" means the time at which the rights to acquire those shares are exercised.".

(12) In consequence of the amendments made by this section and sections 73 and 74, the sidenote becomes " Convertible securities etc: creditor relationships ".

(13) The amendments made by this section do not have effect for the purpose of determining, in relation to such part of an accounting period as falls before 26th July 2001, whether an asset is, or has ceased to be, an asset to which section 92 of the Finance Act 1996 (c. 8) applies.

(14) Subsection (15) has effect where—

(a) an asset is, immediately before 26th July 2001, an asset to which section 92 of the Finance Act 1996 applies, but

(b) on that date, by virtue only of the amendments of that section made by this section, the asset ceases to be an asset to which that section applies.

(15) Where this subsection has effect, the asset shall be taken to have ceased immediately before 26th July 2001 to be an asset to which section 92 of the Finance Act 1996 (c. 8) applies and, accordingly, any deemed disposal and re-acquisition under subsection (7) of that section shall be treated as having taken place immediately before that date.

(16) Subject to subsections (13) to (15), the amendments made by this section have effect for accounting periods ending on or after 26th July 2001 in relation to any asset representing a creditor relationship of a company, unless the creditor relationship in question is one to which the company ceased to be a party before that date.

73 Convertible securities etc: issuing company not to be connected company

(1) In section 92 of the Finance Act 1996 (convertible securities etc) after subsection (1D) (which is inserted by section 72) insert—

"(1E) This section does not apply to an asset representing a creditor relationship of a company if, for the accounting period in which the asset comes into existence, there is a connection between the company and the company which is the issuing company in relation to that asset.

(1F) If, in the case of an asset representing a creditor relationship of a company, the company and the company which is the issuing company in relation to that asset become companies between which, for any accounting period, there is a connection—

(a) the asset shall cease to be an asset to which this section applies, and

(b) it shall be treated, for the purposes of subsection (7)(a) below, as having ceased to be such an asset at the time when the circumstances giving rise to that connection arose.

(1G) Section 87(3) above (connection between a company and another person for an accounting period) applies for the purposes of subsections (1E) and (1F) above.".

(2) The amendments made by this section do not have effect for the purpose of determining, in relation to such part of an accounting period as falls before 19th December 2001, whether an asset is, or has ceased to be, an asset to which section 92 of the Finance Act 1996 applies.

(3) Subsection (4) has effect where—

(a) an asset is, immediately before 19th December 2001, an asset to which section 92 of the Finance Act 1996 applies, but

(b) on that date, by virtue only of the amendments of that section made by this section, the asset ceases to be an asset to which that section applies.

(4) Where this subsection has effect, the asset shall be taken to have ceased immediately before 19th December 2001 to be an asset to which section 92 of the Finance Act 1996 applies and, accordingly, any deemed disposal and re-acquisition under subsection (7) of that section shall be treated as having taken place immediately before that date.

(5) Subject to subsections (2) to (4), the amendments made by this section have effect for accounting periods ending on or after 19th December 2001 in relation to any asset representing a creditor relationship of a company—

(a) unless the creditor relationship in question is one to which the company ceased to be a party before that date, or

(b) unless, as regards the company holding the asset representing the creditor relationship immediately before 19th December 2001 ("the creditor

company") and the company which brought that asset into existence ("the issuing company"), the first or the second condition is satisfied.

(6) The first condition is that, during any period before 19th December 2001 when the creditor company was holding the asset, there was an accounting period in which there was no connection between the creditor company and the issuing company.

(7) The second condition is that immediately before 19th December 2001—

(a) the creditor company was not a 100 per cent subsidiary of the issuing company,

(b) the issuing company was not a 100 per cent subsidiary of the creditor company, and

(c) the creditor company and the issuing company were not 100 per cent subsidiaries of the same company.

(8) Section 87(3) of the Finance Act 1996 (c. 8) (connection between a company and another person for an accounting period) applies for the purposes of subsection (6).

(9) In its application for the purposes of subsection (7), section 838 of the Taxes Act 1988 (meaning of "subsidiaries" for the purposes of the Tax Acts) has effect as if in subsection (1)(b) of that section—

(a) "a 100 per cent subsidiary" were substituted for " a 75 per cent subsidiary ", and

(b) "not less than 100 per cent" were substituted for " not less than 75 per cent ".

74 Convertible securities etc: debtor relationships

(1) After section 92 of the Finance Act 1996 insert—

"**92A Convertible securities etc: debtor relationships**

(1) This section applies to a liability if—

(a) the liability represents a debtor relationship of a company ("the debtor company"); and

(b) the rights attached to the asset that represents the corresponding creditor relationship include provision by virtue of which a person is or may become entitled to acquire (whether by conversion or exchange or otherwise)—

(i) any shares in the debtor company, or

(ii) any shares in another company.

(2) The debits falling for any accounting period to be brought into account for the purposes of this Chapter in respect of a debtor relationship represented by a liability to which this section applies shall not include debits in relation to any of the amounts falling within subsection (3) below.

(3) The amounts are—

(a) any amounts payable by the debtor company in respect of, or in connection with, any such acquisition of shares as is described in subsection (1)(b)(ii) above, but not any amounts to which subsection (4) below applies; and

(b) any charges or expenses incurred by the debtor company as described in paragraph (b), (c) or (d) of section 84(3) above, where

the related transaction in question relates to, or is connected with, the acquisition of shares by another person (whether by conversion or exchange or otherwise) as described in subsection (1)(b) above.

(4) This subsection applies to amounts payable by the debtor company, as described in subsection (3)(a) above, in respect of the debtor relationship in a case where—

(a) the debtor company is carrying on a banking business or a business consisting wholly or partly in dealing in securities, and

(b) it entered into the debtor relationship in the ordinary course of that business.

(5) For the purposes of subsection (4) above "securities" has the same meaning as in section 473 of the Taxes Act.

(6) Subject to subsection (7) below, only an authorised accruals basis of accounting shall be used for ascertaining the amounts which fall to be taken into account as described in subsection (2) above.

(7) The requirement in subsection (6) above to use an authorised accruals basis of accounting does not apply in the case of a debtor relationship where—

(a) the debtor company is carrying on a banking business or a business consisting wholly or partly in dealing in securities, and

(b) it entered into the debtor relationship in the ordinary course of that business.".

(2) The amendments made by this section have effect—

(a) in relation to any amounts falling within section 92A(3)(a), where those amounts fall to be paid after 25th July 2001, and

(b) in relation to any charges or expenses falling within section 92A(3)(b), where those charges or expenses accrue after 25th July 2001.

75 Asset-linked loan relationships

(1) Section 93 of the Finance Act 1996 (c. 8) (relationships linked to the value of chargeable assets) is amended as follows.

(2) In subsection (1) (application of section and exclusion of cases where dealing in loan relationships is part of a trade)—

(a) for "unless it is one" substitute "unless—

(a) in a case where the loan relationship is a creditor relationship, the asset representing the loan relationship is one"; and

(b) at the end of that subsection insert—

"(b) in a case where the loan relationship is a debtor relationship, the liability representing the loan relationship is a liability entered into by the company in the course of activities forming an integral part of a trade carried on by the company; or

(c) the loan relationship is one to which section 93A below applies.".

(3) In subsection (10) (meaning of chargeable asset) for the words from "if" to the end substitute—

"the asset is—

(a) an estate or interest in land (wherever situated), or

(b) qualifying ordinary shares which are listed on a recognised stock exchange.".

(4) Subsection (11)(assumptions applying to determine if disposal is chargeable gain for the purposes of subsection (10)) shall cease to have effect.

(5) After subsection (12) insert—

"(12A) In subsection (10)(b) above "qualifying ordinary shares", in relation to a company, means shares representing some or all of the issued share capital (by whatever name called) of the company, other than—

(a) capital the holders of which have a right to a dividend at a fixed rate but have no other right to share in the profits of the company, or

(b) capital the holders of which have no right to a dividend of any description nor any other right to share in the profits of the company.".

(6) Subsection (13)(which makes provision in respect of certain indices which, in consequence of the amendment made by subsection (3) above, cannot be indices of chargeable assets) shall cease to have effect.

(7) At the end of the section add—

"(14) This section is supplemented by section 93B below.".

(8) The amendments made by this section do not have effect for the purpose of determining, in relation to such part of an accounting period as falls before 26th July 2001, whether a loan relationship is, or has ceased to be, a loan relationship to which section 93 of the Finance Act 1996 (c. 8) applies.

(9) Subject to subsection (8), the amendments made by this section have effect for accounting periods ending on or after 26th July 2001 in relation to any loan relationship of a company, unless the loan relationship in question is one to which the company ceased to be a party before that date.

76 Asset-linked loan relationships involving guaranteed returns

(1) After section 93 of the Finance Act 1996 insert—

"**93A Relationships linked to the value of chargeable assets: guaranteed returns**

(1) This section applies to a loan relationship which is a creditor relationship of a company if—

(a) that loan relationship and one or more other transactions are associated transactions designed to produce a guaranteed return;

(b) any such other transaction is a disposal of futures or options; and

(c) the guaranteed return comprises the return consisting of the amount that must be paid to discharge the money debt arising in connection with that loan relationship taken together with the return from any one or more of the disposals of futures or options.

(2) For the purposes of this section a loan relationship of a company and one or more disposals of futures or options are transactions designed to produce a guaranteed return if, taking the transactions together, it would be reasonable to assume, from considering—

(a) the likely effect of the transactions,

(b) the circumstances in which the transactions are entered into, or in which any of them is entered into, or

(c) the matters in both of paragraphs (a) and (b),

that the main purpose of the transactions, or one of their main purposes, is or was the production of a guaranteed return from the loan relationship and any one or more of the disposals.

(3) For the purposes of this section a guaranteed return is produced from the loan relationship and any one or more of the disposals of futures or options wherever (taking all the transactions together) risks from fluctuations in the underlying subject matter are so eliminated or reduced as to produce a return from the transactions—

(a) the amount of which is not, to any significant extent, attributable (otherwise than incidentally) to any such fluctuations; and

(b) which equates, in substance, to the return on an investment of money at interest.

(4) For the purposes of subsection (3) above the cases where risks from fluctuations in the underlying subject matter are eliminated or reduced shall be deemed to include any case where the main reason, or one of the main reasons, for the choice of that subject matter is—

(a) that there appears to be no risk that that subject matter will fluctuate; or

(b) that the risk that it will fluctuate appears to be insignificant.

(5) In this section—

(a) the references, in relation to a loan relationship, to the underlying subject matter are references to the value of chargeable assets of a particular description to which that relationship is linked;

(b) the references, in relation to a disposal of futures or options, to the underlying subject matter are references to or to the value of the commodities, currencies, shares, stock or securities, interest rates, indices or other matters to which, or to the value of which, those futures or options are referable.

(6) Subsection (5)(a) above is to be construed in accordance with section 93 above.

(7) For the purposes of this section—

(a) references to the disposal of futures or options are to be construed in accordance with paragraphs 4 and 4A of Schedule 5AA to the Taxes Act 1988;

(b) references to the return from one or more disposals of futures or options are to be construed in accordance with paragraph 5 of that Schedule; and

(c) references to associated transactions are to be construed in accordance with paragraph 6 of that Schedule.".

(2) The amendment made by this section has effect for accounting periods ending on or after 26th July 2001 in relation to any loan relationship of a company, unless the loan relationship in question is one to which the company ceased to be a party before that date.

77 Loan relationships ceasing to be within section 93 of the Finance Act 1996

(1) After section 93A of the Finance Act 1996 (c. 8) (which is inserted by section 76) insert—

"**93B Loan relationships ceasing to be within section 93**

(1) Where a loan relationship of a company—

(a) ceases at any time to be a loan relationship to which section 93 above applies, but

(b) does not cease at that time to be a loan relationship of that company,

subsection (2) below shall have effect in relation to the asset representing that relationship.

(2) Where this subsection has effect in relation to an asset representing a loan relationship of a company, the company shall be deemed for the purposes of the Taxation of Chargeable Gains Act 1992 and this Chapter—

(a) to have disposed of the asset for the relevant consideration immediately before the time when the loan relationship ceases to be one to which section 93 above applies, and

(b) to have re-acquired it for the relevant consideration immediately after that time.

(3) Any deemed disposal and re-acquisition of an asset under subsection (2) above shall be treated for the purposes of the Taxation of Chargeable Gains Act 1992 as a transaction in the case of which—

(a) sections 127 to 130 of that Act would apply, apart from the provisions of section 116 of that Act, by virtue of any provision of Chapter 2 of Part 4 of that Act;

(b) the asset in question represents both the original shares and the new holding for the purposes of those sections;

(c) the market value of the asset at the time of the transaction is an amount equal to the relevant consideration.

(4) Subject to subsection (5) below, in subsections (2) and (3) above "the relevant consideration", in relation to an asset, means the amount that would have been taken, in accordance with the relevant accounting method, to be the value of the asset at the time of its deemed disposal if that method had been applied to the asset for tax purposes at all times until then.

(5) Section 93(5) above shall not apply in the case of a deemed disposal and re-acquisition under subsection (2) above; but the amount of the relevant consideration in such a case shall be treated for the purposes of the Taxation of Chargeable Gains Act 1992 as reduced by so much (if any) of the amount mentioned in subsection (4) above as is referable to interest which—

(a) is not paid or payable to the company before the time of the deemed disposal; but

(b) is interest falling to be brought into account under section 93(2) and (3) above as having accrued before that time.

(6) In subsection (4) above "the relevant accounting method", in relation to an asset representing a loan relationship of a company, means the accounting method which, for the accounting period of that company in which the deemed re-acquisition takes place, is used as respects that asset and the part of that accounting period beginning with the deemed re-acquisition.

(7) This section shall be construed as one with section 93 above.".

(2) The amendment made by this section does not have effect in relation to a loan relationship which, before 26th July 2001, ceased to be a loan relationship to which section 93 of the Finance Act 1996 (c. 8) (as it has effect by virtue of section 75(8) above) applies.

(3) Subject to subsection (2), the amendment made by this section has effect for accounting periods ending on or after 26th July 2001 in relation to any loan relationship of a company, unless the loan relationship in question is one to which the company ceased to be a party before that date.

78 Guaranteed returns on transactions involving futures and options

(1) Schedule 5AA to the Taxes Act 1988 (guaranteed returns on transactions in futures and options) is amended as follows.

(2) In paragraph 2 (transactions to which Schedule applies) at the end insert—

"(3) This Schedule also applies to a transaction if it is one of the disposals of futures or options to which section 93A of the Finance Act 1996 (loan relationships linked to the value of chargeable assets designed to produce guaranteed returns when taken together with disposals of options and futures) refers.".

(3) In paragraph 4 (meaning of disposals of futures or options) after sub-paragraph (4) insert—

"(4A) Where this paragraph has effect in relation to one of the associated transactions to which section 93A of the Finance Act 1996 refers, sub-paragraph (4) shall have effect as if for paragraph (a) of that sub-paragraph there were substituted—

(") any one of the associated transactions to which section 93A of the Finance Act 1996 refers is the grant of an option, ".".

(4) In paragraph 4A (futures running to delivery and options exercised) after sub-paragraph (10) insert—

"(10A) Where this paragraph has effect in relation to one of the associated transactions to which section 93A of the Finance Act 1996 refers—

(a) sub-paragraph (1)(a) shall have effect as if for "two or more related transactions" there were substituted "two or more of the associated transactions to which section 93A of the Finance Act 1996 refers", and

(b) sub-paragraph (1)(c) shall have effect as if for "the other transaction, or one of the other transactions," there were substituted "one of the other transactions".".

(5) In paragraph 6 (meaning of related transactions) after sub-paragraph (3) insert—

"(3A) Where this paragraph has effect in relation to one of the associated transactions to which section 93A of the Finance Act 1996 refers—

(a) sub-paragraph (1) shall have effect as if for "two or more transactions are related" there were substituted "two or more transactions are associated transactions to which section 93A of the Finance Act 1996 refers", and

(b) sub-paragraph (2) shall have effect as if for "related transactions" there were substituted "associated transactions to which that section refers".".

(6) This section has effect for accounting periods ending on or after 26th July 2001 in relation to profits and gains realised, and losses sustained, on or after that date.

Foreign exchange gains and losses, loan relationships and currency

79 Forex and exchange gains and losses from loan relationships etc

(1) The following provisions shall cease to have effect—

(a) paragraph 4 of Schedule 9 to the Finance Act 1996 (c. 8) (which excludes foreign exchange gains and losses from the computation of credits and debits under the loan relationships legislation); and

(b) in consequence, sections 125 to 169 of the Finance Act 1993 (c. 34) (taxation of foreign exchange gains and losses).

(2) Schedule 23 to this Act (which makes provision in relation to exchange gains and losses from loan relationships etc) shall have effect.

(3) The amendments made by subsection (1) and by Parts 1 and 2 of Schedule 23 have effect in relation to accounting periods beginning on or after 1st October 2002.

Modifications etc. (not altering text)
C1 S. 79(1)(b) extended (retrospective to 30.9.2002) by Finance Act 2003 (c. 14), **s. 177(4)(8)(11)**

80 Corporation tax: currency

(1) Schedule 24 to this Act (which makes provision in relation to corporation tax and currency) shall have effect.

(2) This section has effect in relation to accounting periods beginning on or after 1st October 2002.

Modifications etc. (not altering text)
C2 S. 80 extended (retrospective to 30.9.2002) by Finance Act 2003 (c. 14), **s. 177(4)(8)(11)**

81 Transitional provision

(1) The Treasury may by regulations make such transitional or consequential provision, or such savings (with or without modifications), as they may from time to time consider appropriate in consequence of, or otherwise in connection with, any provision of section 79 or 80 or Schedule 23 or 24 (or any repeal consequential on any such provision).

(2) The power conferred by subsection (1) includes power—
(a) to make different provision for different cases or different purposes;
(b) to amend any statutory instrument; and
(c) to make incidental or supplementary provision.

(3) The provision that may be made by virtue of subsection (1) or (2) includes provision for or in connection with bringing amounts into account—
(a) for the purposes of the Taxation of Chargeable Gains Act 1992 (c. 12), as if they were chargeable gains or allowable losses; or
(b) for the purposes of Chapter 2 of Part 4 of the Finance Act 1996 (c. 8), as if they were credits or debits in respect of a loan relationship or a related transaction of the company concerned.

(4) Nothing in any provision of Schedule 23 or 24 shall prejudice the operation of this section.

(5) Nothing in this section or in Schedule 23 or 24 limits the operation of section 16 or 17 of the Interpretation Act 1978 (c. 30) (effect of repeals).

Modifications etc. (not altering text)
C3 S. 81 extended (retrospective to 30.9.2002) by Finance Act 2003 (c. 14), **s. 177(6)(8)(11)**

Loan relationships and other money debts

82 Loan relationships: general amendments

(1) Schedule 25 to this Act (which makes provision in relation to loan relationships) shall have effect.

(2) The amendments made by Parts 1 and 2 of that Schedule have effect in relation to accounting periods beginning on or after 1st October 2002.

Derivative contracts

83 Derivative contracts

(1) The following shall have effect—

(a) Schedule 26 to this Act (which makes provision for the taxation of derivative contracts);

(b) Schedule 27 to this Act (which makes minor and consequential amendments relating to the taxation of derivative contracts); and

(c) Schedule 28 to this Act (which contains transitional provisions etc in connection with the coming into force of this section and Schedules 26 and 27).

(2) Sections 147 to 175 and 177 of the Finance Act 1994 (c. 9) (which make provision for the taxation of interest rate and currency contracts) shall cease to have effect.

(3) This section has effect in relation to accounting periods beginning on or after 1st October 2002.

(4) Subsection (3) is subject to any specific provision of Schedule 28.

Modifications etc. (not altering text)
C4 S. 83 extended (retrospective to 30.9.2002) by Finance Act 2003 (c. 14), **s. 177(4)(8)(11)**

Intangible fixed assets

84 Gains and losses from intangible fixed assets of company

(1) Schedule 29 to this Act has effect with respect to gains and losses from a company's intangible fixed assets.

(2) Schedule 30 to this Act contains consequential amendments.

Insurance

85 Gains of insurance company from venture capital investment partnership

(1) In Chapter 3 of Part 6 of the Taxation of Chargeable Gains Act 1992 (c. 12) (insurance), after section 211 insert—

"**211A Gains of insurance company from venture capital investment partnership**

Schedule 7AD to this Act has effect with respect to the gains of an insurance company from a venture capital investment partnership.".

(2) After Schedule 7AC to that Act (inserted by Part 1 of Schedule 8 to this Act) insert the Schedule 7AD set out in Schedule 31 to this Act.

86 Lloyd's underwriters

(1) Schedule 32 to this Act (which makes provision about the taxation of Lloyd's underwriters) has effect.

(2) The amendments in that Schedule have effect in relation to quota share contracts (within the meaning of section 178 of the Finance Act 1993 (c. 34) or section 225 of the Finance Act 1994) entered into on or after 17th April 2002.

87 Life policies etc: chargeable events

(1) Chapter 2 of Part 13 of the Taxes Act 1988 (life policies, life annuities and capital redemption policies) is amended in accordance with the following provisions of this section.

(2) Section 541 (computation of gain in case of life policy or, as applied by section 545, capital redemption policy) is amended as follows.

(3) In subsection (1)(c) (amounts and values to be brought into account in computing gain on an assignment) before "of any previously assigned share in the rights conferred by the policy" insert " , subject to subsection (3A) below, ".

(4) After subsection (3) (assignments between connected persons) insert—

"(3A) he amount or value of such a previously assigned share as is mentioned in paragraph (c) of subsection (1) above falls to be brought into account for the purposes of that paragraph only where that share was so assigned—

(a) in a year (as defined in section 546(4)) beginning on or before 5th April 2001; or

(b) for money or money's worth in a year (as so defined) beginning on or after 6th April 2001.".

(5) Section 543 (life annuity contracts: computation of gain) is amended as follows.

(6) In subsection (1)(b) (amounts and values to be brought into account in computing gain on an assignment) before "of any previously assigned share in the rights conferred by the contract" insert " , subject to subsection (2A) below, ".

(7) After subsection (2) (which applies section 541(3): assignments between connected persons) insert—

"(2A) The amount or value of such a previously assigned share as is mentioned in paragraph (b) of subsection (1) above falls to be brought into account for the purposes of that paragraph only where that share was so assigned—

(a) in a year (as defined in section 546(4)) beginning on or before 5th April 2001; or

(b) for money or money's worth in a year (as so defined) beginning on or after 6th April 2001.".

(8) Section 546B (special provision in respect of certain section 546 excesses) is amended as follows.

(9) In subsection (1) (application of section) after paragraph (b) add—

"This subsection is subject to subsection (1A) below.".

(10) After subsection (1) insert—

"(1A) In the case of a policy which is a qualifying policy (whether or not the premiums under the policy are eligible for relief under section 266) this section applies only if—

(a) the section 546 excess occurs within the time described in section 540(1)(b)(i); or

(b) the policy has been converted into a paid-up policy within that time.".

(11) The amendments made by subsections (2) to (7) have effect in relation to any assignment on or after 6th April 2002 of the rights conferred by a policy or contract.

(12) The amendments made by subsections (8) to (10) have effect and shall be taken always to have had effect, in relation to any policy, in relation to any year (as defined in section 546(4) of the Taxes Act 1988) beginning on or after 6th April 2001.

International matters

88 Extension of power to give effect to double taxation arrangements

(1) In section 788(1) of the Taxes Act 1988 (relief by agreement with other countries: power to give effect to arrangements), for "made with the government of any territory" substitute " made in relation to any territory ".

(2) The following amendments are consequential on that above—

(a) in sections 788(7)(a), 790(3), (5)(b), (10A)(d) and (10C), 792(1) and (3), 793A(1)(a) and (3), 795A(1)(b), 812(2), 815AA(1) and 815C(1) of the Taxes Act 1988, for "with the government of" substitute " in relation to ";

(b) in the headings (or sidenotes) to sections 788 and 815C of the Taxes Act 1988, for "countries" substitute " territories ";

(c) in section 816(1) of the Taxes Act 1988, for "government" substitute " authorities ";

(d) in section 816(2) of the Taxes Act 1988, for "government with" substitute " authorities of the territory in relation to ";

(e) in section 816(2ZA) of the Taxes Act 1988, for "government with" substitute " authorities of the territory in relation to ", for "is bound" substitute " are bound " and for "has undertaken" substitute " have undertaken ";

(f) in sections 277(1) (twice) and (3) and 278(1) of the Taxation of Chargeable Gains Act 1992 (c. 12), for "country" substitute " territory ".

(3) This section applies on and after the date on which this Act is passed in relation to arrangements made before that date (as well as in relation to arrangements made on or after that date).

89 Controlled foreign companies: territorial exclusions from s.748 exemptions

(1) In section 748 of the Taxes Act 1988 (controlled foreign companies: cases where no apportionment falls to be made under section 747(3)) after subsection (5) insert—

"(6) This section is subject to section 748A.".

(2) After section 748 of the Taxes Act 1988 insert—

Territorial exclusions from exemption under section 748

(1) Nothing in section 748 prevents an apportionment under section 747(3) falling to be made as regards an accounting period of a controlled foreign company if the company—

(a) is a company incorporated in a territory to which this section applies as respects that accounting period; or

(b) is at any time in that accounting period liable to tax in such a territory by reason of domicile, residence or place of management; or

(c) at any time in that accounting period carries on business through a branch or agency in such a territory.

(2) The condition in subsection (1)(c) above is not satisfied as regards an accounting period of a controlled foreign company if the business carried on by the company in that period through branches or agencies in territories to which this section applies, taken as a whole, is only a minimal part of the whole of the business carried on by the company in that period.

(3) The territories to which this section applies as respects an accounting period of a controlled foreign company are those specified as such in regulations made by the Treasury.

(4) Regulations under subsection (3) above—

(a) may make different provision for different cases or with respect to different territories; and

(b) may contain such incidental, supplemental, consequential or transitional provision as the Treasury may think fit.

(5) A statutory instrument containing regulations under subsection (3) above shall not be made unless a draft of the instrument has been laid before, and approved by a resolution of, the House of Commons.".

(3) This section has effect in relation to accounting periods of controlled foreign companies beginning on or after the day on which this Act is passed.

(4) In this section "accounting period" and "controlled foreign company" have the same meaning as in Chapter 4 of Part 17 of the Taxes Act 1988.

90 Controlled foreign companies and treaty non-resident companies

(1) In section 747 of the Taxes Act 1988 (imputation of chargeable profits and creditable tax of controlled foreign companies), after subsection (1A) insert—

"(1B) In determining, for the purposes of any provision of this Chapter except subsection (1)(a) above, whether a company is a person resident in the United Kingdom, section 249 of the Finance Act 1994 (under which a company is treated as non-resident if it is so treated for double taxation relief purposes) shall be disregarded.".

(2) Subsection (1)—

(a) shall be deemed to have come into force on 1st April 2002, and

(b) does not apply to a company that—

(i) by virtue of section 249 of the Finance Act 1994 (c. 9) was treated as resident outside the United Kingdom, and not resident in the United Kingdom, immediately before that date, and

(ii) has not subsequently ceased to be so treated.

Supplementary charge in respect of ring fence trades

91 Supplementary charge in respect of ring fence trades

After section 501 of the Taxes Act 1988 insert—

"**501A Supplementary charge in respect of ring fence trades**

(1) Where in any accounting period beginning on or after 17th April 2002 a company carries on a ring fence trade, a sum equal to 10 per cent of its adjusted ring fence profits for that period shall be charged on the company as if it were an amount of corporation tax chargeable on the company.

(2) A company's adjusted ring fence profits for an accounting period are the amount which, on the assumption mentioned in subsection (3) below, would be determined for that period (in accordance with this Chapter) as the profits of the company's ring fence trade chargeable to corporation tax.

(3) The assumption is that financing costs are left out of account in computing—

(a) the amount of the profits or loss of any ring fence trade of the company's for each accounting period beginning on or after 17th April 2002; and

(b) where for any such period the whole or part of any loss relief is surrendered to the company in accordance with section 492(8), the amount of that relief or, as the case may be, that part.

(4) For the purposes of this section, "financing costs" means the costs of debt finance.

(5) In calculating the costs of debt finance for an accounting period the matters to be taken into account include—

(a) any costs giving rise to debits in respect of debtor relationships of the company under Chapter 2 of Part 4 of the Finance Act 1996 (loan relationships);

(b) any exchange gain or loss, within the meaning of Chapter 2 of Part 2 of the Finance Act 1993, in relation to debt finance;

(c) any trading profit or loss, under Chapter 2 of Part 4 of the Finance Act 1994 (interest rate and currency contracts), in relation to debt finance;

(d) the financing cost implicit in a payment under a finance lease; and

(e) any other costs arising from what would be considered in accordance with generally accepted accounting practice to be a financing transaction.

(6) Where an amount representing the whole or part of a payment falling to be made by a company—

(a) falls (or would fall) to be treated as a finance charge under a finance lease for the purposes of accounts relating to that company and one or more other companies and prepared in accordance with generally accepted accounting practice, but

(b) is not so treated in the accounts of the company,

the amount shall be treated for the purposes of this section as financing costs falling within subsection (5)(d) above.

(7) If—

(a) in computing the adjusted ring fence profits of a company for an accounting period, an amount falls to be left out of account by virtue of subsection (5)(d) above, but

(b) the whole or any part of that amount is repaid,

the repayment shall also be left out of account in computing the adjusted ring fence profits of the company for any accounting period.

(8) In this section "finance lease" means any arrangements—

(a) which provide for an asset to be leased or otherwise made available by a person to another person ("the lessee"), and

(b) which, under generally accepted accounting practice,—

(i) fall (or would fall) to be treated, in the accounts of the lessee or a person connected with the lessee, as a finance lease or a loan, or

(ii) are comprised in arrangements which fall (or would fall) to be so treated.

(9) For the purposes of applying subsection (8)(b) above, the lessee and any person connected with the lessee are to be treated as being companies which are incorporated in a part of the United Kingdom.

(10) In this section "accounts", in relation to a company, includes any accounts which—

(a) relate to two or more companies of which that company is one, and

(b) are drawn up in accordance with—

(i) section 227 of the Companies Act 1985, or

(ii) Article 235 of the Companies (Northern Ireland) Order 1986.".

92 Assessment, recovery and postponement of supplementary charge

(1) After section 501A of the Taxes Act 1988 insert—

"**501B Assessment, recovery and postponement of supplementary charge**

(1) Subject to subsection (3) below, the provisions of section 501A(1) relating to the charging of a sum as if it were an amount of corporation tax shall be taken as applying, subject to the provisions of the Taxes Acts, and to any necessary modifications, all enactments applying generally to corporation tax, including—

(a) those relating to returns of information and the supply of accounts, statements and reports;

(b) those relating to the assessing, collecting and receiving of corporation tax;

(c) those conferring or regulating a right of appeal; and

(d) those concerning administration, penalties, interest on unpaid tax and priority of tax in cases of insolvency under the law of any part of the United Kingdom.

(2) Accordingly (but without prejudice to subsection (1) above) the Management Act shall have effect as if any reference to corporation tax included a reference to a sum chargeable under section 501A(1) as if it were an amount of corporation tax.

(3) In any regulations made under section 32 of the Finance Act 1998 (as at 17th April 2002, the Corporation Tax (Treatment of Unrelieved Surplus Advance Corporation Tax) Regulations 1999)—

(a) references to corporation tax do not include a reference to a sum chargeable on a company under section 501A(1) as if it were corporation tax; and

(b) references to profits charged to corporation tax do not include a reference to adjusted ring fence profits, within the meaning of section 501A(1).

(4) In this section "the Taxes Acts" has the same meaning as in the Management Act.".

(2) In section 59E of the Taxes Management Act 1970 (c. 9) (further provision as to when corporation tax is due and payable) in subsection (11) (extension of references in the section to corporation tax) after paragraph (b) add—

"(c) to any sum chargeable on a company under section 501A(1) of the principal Act (supplementary charge in respect of ring fence trades) as if it were an amount of corporation tax chargeable on the company".

(3) In Schedule 18 to the Finance Act 1998 (c. 36) (company tax returns: assessments and related matters) in paragraph 1 (meaning of "tax") in the second sentence (amounts assessable or chargeable as if they were corporation tax) for the word "and" immediately preceding the paragraph beginning "section 747(4)(a)" substitute the following paragraph—

"section 501A(1) of that Act (supplementary charge in respect of ring fence trades), and".

(4) In paragraph 8 of that Schedule (calculation of tax payable) after paragraph number 1 of the third step insert—

"1A Any sum chargeable under section 501A(1) of that Act (supplementary charge in respect of ring fence trades).".

(5) Regulation 3 of the Instalment Payment Regulations (large companies) is amended as follows.

(6) In paragraph (1) (which, subject to paragraphs (2) and (3), defines a large company) for "paragraphs (2) and (3)," substitute " paragraphs (2) to (3A), ".

(7) After paragraph (3) insert—

"(3A) Any question whether a company is, or is not, a large company as respects an accounting period beginning on or after 17th April 2002 shall, so far as not falling to be determined by reference to the company's total liability, be determined as it would have been determined apart from section 501A of the Taxes Act (supplementary charge in respect of ring fence trades).".

(8) The amendment by this section of any provision contained in regulations shall not be taken to have prejudiced any power to make further regulations revoking or amending that provision, whether in relation to the same or any other chargeable periods.

(9) In this section "the Instalment Payment Regulations" means the Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175).

93 Supplementary charge: transitional provisions

(1) In the case of a straddling period, that is to say, an accounting period which begins before 17th April 2002 and ends on or after that date—

(a) sections 501A and 501B of the Taxes Act 1988 (which are inserted by sections 91 and 92) shall apply as if so much of the straddling period as falls before 17th April 2002, and so much of that period as falls on or after that date, were separate accounting periods; and

(b) all necessary apportionments between the two separate accounting periods shall be made in proportion to the number of days in those periods.

(2) In the case of a straddling period, the Instalment Payment Regulations shall apply separately—

(a) in relation to any tax chargeable on the company under section 501A(1) of the Taxes Act 1988; and

(b) in relation to any other tax chargeable on the company.

(3) In their application by virtue of paragraph (a) of subsection (2), the Instalment Payment Regulations shall have effect in relation to the tax mentioned in that paragraph as if—

(a) the deemed accounting period treated under subsection (1)(a) as beginning on 17th April 2002 were an accounting period for the purposes of those Regulations; and

(b) that tax were chargeable for that period.

(4) Any reference in the Instalment Payment Regulations to the total liability of a company shall accordingly be construed—

(a) in their application by virtue of paragraph (a) of subsection (2), as a reference to the tax mentioned in that paragraph; and

(b) in their application by virtue of paragraph (b) of that subsection, as a reference to the amount that would be the company's total liability for the straddling period if the tax mentioned in paragraph (a) of that subsection were left out of account.

(5) For the purposes of the Instalment Payment Regulations—

(a) a company shall be regarded as a large company as respects the deemed accounting period under subsection (3)(a) if, and only if, it is a large company for those purposes as respects the straddling period; and

(b) any question whether a company is a large company as respects the straddling period shall be determined as it would have been determined apart from section 501A of the Taxes Act 1988.

(6) In this section "the Instalment Payment Regulations" has the same meaning as in section 92.

Deduction of tax

94 Deduction of tax: payments to exempt bodies etc

(1) In section 349A of the Taxes Act 1988 (exceptions to requirement to deduct tax from certain payments made by a company)—

(a) in subsection (1)—

(i) after "by a company" insert " or a local authority ", and

(ii) after "the company" insert " or authority ",

(b) in subsection (6)—

(i) after "section" insert " (a) ", and

(ii) at the end insert ", and

(b) a payment by a partnership is treated as made by a local authority if any member of the partnership is a local authority".

(2) In section 349B of that Act (section 349A(1): conditions to be met), after subsection (2) insert—

"(3) The third of those conditions is that the payment is made to—

(a) a local authority;

(b) a health service body within the meaning of section 519A(2);

(c) a public office or department of the Crown to which section 829(1) applies;

(d) a charity (within the meaning of section 506(1));

(e) a body for the time being mentioned in section 507(1) (bodies that are allowed the same exemption from tax as charities the whole income of which is applied to charitable purposes);

(f) an Association of a description specified in section 508 (scientific research organisations);

(g) the United Kingdom Atomic Energy Authority;

(h) the National Radiological Protection Board;

(i) the administrator (within the meaning of section 611AA) of a scheme entitled to exemption under section 592(2) or 608(2)(a) (exempt approved schemes and former approved superannuation funds);

(j) the trustees of a scheme entitled to exemption under section 613(4) (Parliamentary pension funds);

(k) the persons entitled to receive the income of a fund entitled to exemption under section 614(3) (certain colonial, etc pension funds);

(l) the trustees or other persons having the management of a fund entitled to exemption under section 620(6) (retirement annuity trust schemes); or

(m) a person holding investments or deposits for the purposes of a scheme entitled to exemption under section 643(2) (approved personal pension schemes).

(4) The fourth of those conditions is that—

(a) the person to whom the payment is made is, or is the nominee of, the plan manager of a plan,

(b) an individual investing under the plan is entitled to exemption by virtue of regulations under section 333 (personal equity plans and individual savings accounts), and

(c) the plan manager receives the payment in respect of investments under the plan.

(5) The fifth of those conditions is that—

(a) the person to whom the payment is made is a society or institution with whom tax-exempt special savings accounts (within the meaning of section 326A) may be held, and

(b) the society or institution receives the payment in respect of investments held for the purposes of such accounts.

(6) The sixth of those conditions is that the person beneficially entitled to the income in respect of which the payment is made is a partnership each member of which is—

(a) a person or body mentioned in subsection (3) above, or

(b) a person or body mentioned in subsection (7) below.

(7) The persons and bodies referred to in subsection (6)(b) above are—

(a) a company resident in the United Kingdom;

(b) a company that—

(i) is not resident in the United Kingdom,

(ii) carries on a trade there through a branch or agency, and

(iii) is required to bring into account, in computing its chargeable profits (within the meaning of section 11(2)), the whole of any share of that payment that falls to it by reason of sections 114 and 115;

(c) the European Investment Fund.

(8) The Treasury may by order amend—

(a) subsection (3) above;

(b) subsection (7) above;

so as to add to, restrict or otherwise alter the persons and bodies falling within that subsection.".

(3) In section 349C (directions disapplying section 349A(1))—

(a) in subsection (1)—

(i) after "a company" insert " or local authority ", and

(ii) after "the company" insert " or authority ",

(b) in subsection (2) for "neither" substitute " none ", and

(c) for subsection (4) substitute—

"(4) In this section—

"company" includes a partnership of which any member is a company; and

"local authority" includes a partnership of which any member is a local authority.".

(4) In section 349D (section 349A(1): consequences of reasonable but incorrect belief) —

(a) in subsection (1)—

(i) in paragraph (a) after "company" insert " or local authority ",

(ii) in paragraphs (b) and (c) after "company" insert " or authority ", and

(iii) in paragraph (d) for "neither" substitute " none ", and

(b) for subsection (2) substitute—

"(2) In this section—

"company" includes a partnership of which any member is a company; and

"local authority" includes a partnership of which any member is a local authority.".

(5) In section 98 of the Taxes Management Act 1970 (c. 9) (special returns, etc), in subsection (4B)—

(a) in paragraph (a), after "a company" insert " or local authority ",

(b) in paragraph (b)—

(i) after "the company" insert " or authority ", and

(ii) for "either", in each place, substitute " one ",

(c) in paragraph (c), after "the company" insert " or authority ", and

(d) in paragraph (d), for "neither" substitute " none ".

(6) In that section, for subsection (4C) substitute—

"(4C) In subsection (4B) above—

"company" includes a partnership of which any member is a company; and

"local authority" includes a partnership of which any member is a local authority.".

(7) The amendments made by this section apply for the purposes of payments made on or after 1st October 2002.

95 Deduction of tax by persons dealing in financial instruments

(1) Section 349 of the Taxes Act 1988 (payment of annual interest etc) is amended as follows.

(2) In subsection (3) (cases where obligation to make interest payments net of tax does not apply), at the end insert "or

(i) in the case of a person who is authorised for the purposes of the Financial Services and Markets Act 2000 and whose business consists wholly or mainly of dealing in financial instruments as principal, to interest paid by that person in the ordinary course of his business.".

(3) After subsection (4) insert—

"(5) For the purposes of subsection (3)(i) above, a financial instrument includes—

(a) any money,

(b) any shares or securities,

(c) an option, future or contract for differences if, but only if, its underlying subject-matter is (or is primarily) a financial instrument, or financial instruments, and

(d) an instrument the underlying subject-matter of which is (or is primarily) creditworthiness.

(6) For the purposes of subsection (5) above, the "underlying" subject-matter of an instrument the effect of which depends on an index or factor is the matter by reference to which the index or factor is determined.".

(4) This section applies in relation to the payment of interest on or after 1st October 2002.

96 Cross-border royalties

(1) After section 349D of the Taxes Act 1988 insert—

"**349E Deductions under section 349(1): payment of royalties overseas**

(1) Where—

(a) a company makes a payment of a royalty to which section 349(1) applies, and

(b) the company reasonably believes that, at the time the payment is made, the payee is entitled to relief in respect of the payment under any arrangements under section 788 (double taxation relief),

the company may, if it thinks fit, calculate the sum to be deducted from the payment under section 349(1) by reference to the rate of income tax appropriate to the payee pursuant to the arrangements.

(2) But, where the payee is not at that time entitled to such relief, section 350 and Schedule 16 shall have effect as if subsection (1) above never applied in relation to the payment.

(3) Where the Board are not satisfied that the payee will be entitled to such relief in respect of one or more payments to be made by a company, they may direct the company that subsection (1) above is not to apply to the payment or payments.

(4) A direction under subsection (3) above may be varied or revoked by a subsequent such direction.

(5) In this section—

"payee", in relation to a payment, means the person beneficially entitled to the income in respect of which the payment is made; and

"royalty" includes—

(a) any payment received as a consideration for the use of, or the right to use, any copyright, patent, trade mark, design, process or information, or

(b) any proceeds of sale of all or any part of any patent rights.

(6) Paragraph 3(1) of Schedule 18 to the Finance Act 1998 (requirement to make return in respect of information relevant to application of Corporation Tax Acts) has effect as if the reference to the Corporation Tax Acts included a reference to this section.

(7) Paragraph 20 of that Schedule (penalties for incorrect returns), in its application to an error relating to information required in a return by virtue of subsection (6) above, has effect as if—

(a) the reference in sub-paragraph (1) to a tax-related penalty were a reference to an amount not exceeding £3000, and

(b) sub-paragraphs (2) and (3) were omitted.".

(2) In section 350(1A) of that Act, at the end insert "(or, where the payment is one to which subsection (1) of section 349E applies, the rate referred to in that subsection)".

(3) In section 98 of the Taxes Management Act 1970 (c. 9) (special returns etc)—

(a) in subsection (4A)(b), after "subsection (4B)" insert " or (4D) ", and

(b) after subsection (4C) insert—

"(4D) A payment is within this subsection if—

(a) it is a payment to which section 349(1) of the principal Act (requirement to deduct tax) applies,

(b) it is made by a company which, purporting to rely on section 349E(1) of that Act (power for companies to take account of double taxation treaty relief when paying royalties), deducts less tax from the payment than required by section 349(1) of that Act , and

(c) at the time the payment is made the payee (within the meaning of section 349E of that Act) is not entitled to relief in respect of the payment under any arrangements under section 788 of that Act (double taxation relief) and the company—

(i) does not believe that it is entitled to such relief, or

(ii) if it does so believe, cannot reasonably do so.".

(4) This section applies in relation to payments made on or after 1st October 2002.

Charitable giving

97 Gifts of real property to charity

(1) In section 587B of the Taxes Act 1988 (gifts of shares and securities to charities) in subsection (9), in the definition of "qualifying investment", omit the word "and" immediately preceding paragraph (d) and at the end of that paragraph insert "; and

(e) a qualifying interest in land".

(2) After that subsection insert—

"(9A) In this section a "qualifying interest in land" means—

(a) a freehold interest in land, or

(b) a leasehold interest in land which is a term of years absolute,

where the land in question is in the United Kingdom.

This subsection is subject to subsections (9B) to (9D) below.

(9B) Where a person makes a disposal to a charity of—

(a) the whole of his beneficial interest in such freehold or leasehold interest in land as is described in subsection (9A)(a) or (b) above, and

(b) any easement, servitude, right or privilege so far as benefiting that land,

the disposal falling within paragraph (b) above is to be regarded for the purposes of this section as a disposal by the person of the whole of his beneficial interest in a qualifying interest in land.

(9C) Where a person who has a freehold or leasehold interest in land in the United Kingdom grants a lease for a term of years absolute (or, in the case of land in Scotland, grants a lease) to a charity of the whole or part of that land, the grant of that lease is to be regarded for the purposes of this section as a disposal by the person of the whole of the beneficial interest in the leasehold interest so granted.

(9D) For the purposes of subsection (9A) above, an agreement to acquire a freehold interest and an agreement for a lease are not qualifying interests in land.

(9E) In the application of this section to Scotland—

(a) references to a freehold interest in land are references to the interest of the owner,

(b) references to a leasehold interest in land which is a term of years absolute are references to a tenant's right over or interest in a property subject to a lease, and

(c) references to an agreement for a lease do not include references to missives of let that constitute an actual lease.".

(3) After subsection (11) of that section insert—

"(12) This section is supplemented by section 587C below.".

(4) In consequence of the amendments made by subsections (1) to (3), the sidenote of section 587B becomes "Gifts of shares, securities and real property to charities etc".

(5) After section 587B of the Taxes Act 1988 insert—

"**587C Supplementary provision for gifts of real property**

(1) This section applies for the purposes of section 587B where a qualifying investment is a qualifying interest in land.

(2) Where two or more persons—

(a) are jointly beneficially entitled to the qualifying interest in land, or

(b) are, taken together, beneficially entitled in common to the qualifying interest in land,

section 587B applies only if each of those persons disposes of the whole of his beneficial interest in the qualifying interest in land to the charity.

(3) Relief under section 587B shall be available to each of the persons referred to in subsection (2) above, but the amount that may be allowed as respects any of them shall be only such share of the relevant amount as they may agree in the case of that person.

(4) No person may make a claim for a relief under subsection (2) of section 587B unless he has received a certificate given by or on behalf of the charity.

(5) The certificate must—

(a) specify the description of the qualifying interest in land which is the subject of the disposal,

(b) specify the date of the disposal, and

(c) contain a statement that the charity has acquired the qualifying interest in land.

(6) If, in the case of a disposal of a qualifying interest in land, a disqualifying event occurs at any time in the relevant period, the person (or each of the persons) who made the disposal to the charity shall be treated as never having been entitled to relief under section 587B in respect of the disposal.

(7) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (6) above.

(8) For the purposes of subsection (6) above a disqualifying event occurs if the person (or any one of the persons) who made the disposal or any person connected with him (or any one of them)—

(a) becomes entitled to an interest or right in relation to all or part of the land to which the disposal relates, or

(b) becomes party to an arrangement under which he enjoys some right in relation to all or part of that land,

otherwise than for full consideration in money or money's worth.

(9) A disqualifying event does not occur, for the purposes of subsection (6) above, if a person becomes entitled to an interest or right as mentioned in subsection (8)(a) above as a result of a disposition of property on death, whether the disposition is effected by will, under the law relating to intestacy or otherwise.

(10) For the purposes of subsection (6) above the relevant period is the period beginning with the date of the disposal of the qualifying interest in land and ending with—

(a) in the case of an individual, the fifth anniversary of the 31st January next following the end of the year of assessment in which the disposal was made, and

(b) in the case of a company, the sixth anniversary of the end of the accounting period in which the disposal was made.

(11) Section 839 (connected persons) applies for the purposes of this section.

(12) This section shall be construed as one with section 587B.".

(6) This section has effect in relation to any disposal of a qualifying interest in land to a charity where the disposal is made—

(a) in the case of a disposal to the charity by an individual, on or after 6th April 2002, or

(b) in the case of a disposal to the charity by a company, on or after 1st April 2002.

(7) Subsection (9E)(a) of section 587B of the Taxes Act 1988 has effect until the appointed day as if for "the interest of the owner" there were substituted " the estate or interest of the proprietor of the*dominium utile* (or, in the case of property other than feudal property, of the owner) ".

(8) For the purposes of subsection (7) "the appointed day" means such day as may be appointed by the Scottish Ministers under section 71 of the Abolition of Feudal Tenure etc (Scotland) Act 2000 for the purposes of the Act.

98 Gift aid: election to be treated as if gift made in previous tax year

(1) A person ("the donor") who makes a gift that is a qualifying donation within section 25 of the Finance Act 1990 (c. 29) (gift aid) may elect to be treated for the purposes of that section as if the gift were a qualifying donation made by him in the previous year of assessment.

(2) Any such election must be made by notice in writing to an officer of the Inland Revenue—

(a) on or before the date on which the donor delivers his return for the previous year of assessment under section 8 of the Taxes Management Act 1970 (c. 9) (personal return), and

(b) not later than the 31st January next following the end of that year.

(3) No such election may be made unless in the previous year the grossed up amount of the gift would, if made in that year, be payable out of profits or gains brought into charge to income tax or capital gains tax.

(4) The effect of an election under this section is that the provisions of section 25(6) to (9A) of the Finance Act 1990 (c. 29) have effect in relation to the donor as if the gift were a qualifying donation made in the previous year of assessment.

(5) An election under this section does not affect the position of the recipient of the gift.

The reference in section 25(10) of the Finance Act 1990 to the relevant year of assessment shall be construed accordingly as a reference to the year of assessment in which the gift is actually made.

(6) This section has effect in relation to gifts made on or after 6th April 2003.

Films

99 Restriction of relief to films genuinely intended for theatrical release

(1) Relief under the following provisions is available only for a film that is genuinely intended for theatrical release—

(a) section 40D of the Finance (No. 2) Act 1992 (c. 48) (election to claim capital allowances for production or acquisition expenditure);

(b) section 41 of that Act (relief for pre-production expenditure);

(c) section 42 of that Act (three year write-off for production or acquisition expenditure);

(d) section 48 of the Finance (No. 2) Act 1997 (c. 58) (relief for expenditure on production or acquisition of film with total production expenditure of £15 million or less).

(2) For the purposes of subsection (1)—

(a) the relevant intention is the intention at the time the film is completed of the person then entitled to determine how the film is to be exploited;

(b) "theatrical release" means exhibition to the paying public at the commercial cinema; and

(c) a film is not regarded as genuinely intended for theatrical release unless it is intended that a significant proportion of the earnings from the film should be obtained by such exhibition.

(3) Subject to the following provisions, this section applies to any film—

(a) completed on or after 17th April 2002, or

(b) completed before 1st January 2002 but not certified by the Secretary of State before 17th April 2002,

unless an application for certification was received by the Secretary of State before 17th April 2002.

References in this subsection to certification are to certification of the master version of the film under Schedule 1 to the Films Act 1985 (c. 21) as a qualifying film, tape or disc.

(4) This section does not apply to a film completed on or after 17th April 2002 if—

(a) it is a drama with an average production expenditure per hour of running time of the completed film greater than £500,000, and

(b) it was commissioned on or before 17th April 2002 and the first day of principal photography was on or before 30th June 2002.

(5) For the purposes of subsection (4) "drama" does not include—

(a) anything in the nature of—

(i) an advertisement or promotional film,

(ii) a discussion programme, news or current affairs programme, quiz show, panel show, variety show or similar entertainment, or

(iii) a training film, or

(b) a film of a live event or of a theatrical or artistic performance given otherwise than for the purpose of being filmed;

but it includes a documentary involving the dramatic reconstruction of events if the dramatic content forms 50% or more of the running time.

(6) For the purposes of this section—

(a) a film is completed at the time when it is first in a form in which it can reasonably be regarded as ready for copies of it to be made and distributed for presentation to the general public;

(b) the production expenditure on a film means the total of all expenditure on the production of the film, whenever incurred and whether or not incurred by the person claiming relief; and

(c) subsections (6A) and (7) of section 48 of the Finance (No. 2) Act 1997 (c. 58) (production expenditure: exclusion of deferments and treatment of transactions not at arm's length) apply as they apply for the purposes of that section.

100 Exclusion of deferments from production expenditure

(1) Section 48 of the Finance (No. 2) Act 1997 (c. 58) (relief for expenditure on production or acquisition of qualifying film with total production expenditure of £15 million or less) is amended as follows.

(2) In subsection (6) (meaning of "total production expenditure"), for "subject to subsection (7)" substitute " subject to subsections (6A) and (7) ".

(3) After that subsection insert—

"(6A) For the purposes of this section the production expenditure on a film shall be taken not to include any amount that at the time the film is completed—

(a) has not been paid, and

(b) is not the subject of an unconditional obligation to pay within four months after the date of completion.".

(4) This section applies to films completed on or after 17th April 2002.

For this purpose a film is completed at the time when it is first in a form in which it can reasonably be regarded as ready for copies of it to be made and distributed for presentation to the general public.

101 Restriction of relief for successive acquisitions of the same film

(1) Relief under section 48 of the Finance (No. 2) Act 1997 (relief for expenditure on production or acquisition of film with total production expenditure of £15 million or less) in respect of acquisition expenditure is available only in relation to an acquisition—

(a) by the producer, or

(b) directly from the producer,

and not in relation to any subsequent acquisition (or in relation to any acquisition within paragraph (a) or (b) other than the first).

(2) For this purpose—

(a) "acquisition expenditure" means expenditure to which subsection (3) of section 42 of the Finance (No. 2) Act 1992 (c. 48) applies (relief for acquisition expenditure);

(b) "acquisition" means acquisition of the master negative of a film, or any master tape or master disc of a film, within the meaning of that section; and

(c) "the producer" means the person who commissions the making of the film and is entitled to control its exploitation.

(3) This section applies to acquisition expenditure incurred on or after 30th June 2002.

For this purpose when expenditure is incurred shall be determined as for the purposes of section 48 of the Finance (No. 2) Act 1997 (c. 58) (see subsection (9) of that section).

Miscellaneous

102 Distributions: reasonable commercial return for use of principal secured

(1) In section 209 of the Taxes Act 1988 (meaning of "distribution") after subsection (3A) insert—

"(3AA) If, in the case of any security issued by a company, the amount of new consideration received by the company for the issue of the security exceeds the amount of the principal secured by the security—

(a) the amount of the principal so secured shall be treated for the purposes of paragraph (d) of subsection (2) above as increased to the amount of the new consideration so received; and

(b) subsection (3A) above, so far as relating to that paragraph, shall not have effect in relation to the security;

but this subsection is subject to sections 209A and 209B.".

(2) After that section insert—

"**209A Section 209(3AA): link to shares of company or associated company**

(1) Subsection (3AA) of section 209 does not apply in relation to a security issued by a company (the "issuing company") if the security is one which to a significant extent reflects dividends or other distributions in respect of, or fluctuations in the value of, shares in one or more companies each of which is—

(a) the issuing company; or

(b) an associated company of the issuing company;

but this subsection is subject to the following provisions of this section.

(2) Subsection (1) above does not prevent subsection (3AA) of section 209 above from applying in relation to a security if—

(a) the issuing company is a bank or securities house;

(b) the security is issued by the issuing company in the ordinary course of its business; and

(c) the security reflects dividends or other distributions in respect of, or fluctuations in the value of, shares in companies falling within paragraph (a) or (b) of subsection (1) above by reason only that the security reflects fluctuations in a qualifying index.

(3) In subsection (2)(c) above "qualifying index" means an index whose underlying subject matter includes both—

(a) shares in one or more companies falling within paragraph (a) or (b) of subsection (1) above, and

(b) shares in one or more companies falling within neither of those paragraphs,

and which is an index such that the shares falling within paragraph (b) above represent a significant proportion of the market value of the underlying subject matter of the index.

(4) In this section—

"bank" has the meaning given by section 840A;

"securities house" means any person—

(a) who is authorised for the purposes of the Financial Services and Markets Act 2000; and

(b) whose business consists wholly or mainly of dealing in financial instruments as principal;

and in paragraph (b) above "financial instrument" has the meaning given by section 349(5) and (6).

(5) For the purposes of this section a company is an "associated company" of another at any time if at that time one has control of the other or both are under the control of the same person or persons.

(6) For the purposes of subsection (5) above, "control", in relation to a company, means the power of a person to secure—

(a) by means of the holding of shares or the possession of voting power in or in relation to the company or any other company, or

(b) by virtue of any powers conferred by the articles of association or other document regulating the company or any other company,

that the affairs of the company are conducted in accordance with his wishes.

(7) There shall be left out of account for the purposes of subsection (6) above—

(a) any shares held by a company, and

(b) any voting power or other powers arising from shares held by a company,

if a profit on a sale of the shares would be treated as a trading receipt of a trade carried on by the company and the shares are not, within the meaning of Chapter 1 of Part 12, assets of an insurance company's long-term insurance fund (see section 431(2)).

209B Section 209(3AA): hedging arrangements

(1) Subsection (3AA) of section 209 does not at any time apply in relation to a security issued by a company (the "issuing company") if at that time, or any earlier time on or after 17th April 2002, there are or have been any hedging arrangements that relate to some or all of the company's liabilities under the security.

(2) Subsection (1) above does not prevent subsection (3AA) of section 209 from applying in relation to a security at any time if—

(a) conditions 1 to 4 below are satisfied in relation to any such hedging arrangements at that time; and

(b) at all earlier times on or after 17th April 2002 when there have been hedging arrangements that relate to some or all of the company's liabilities under the security, conditions 1 to 4 below were satisfied in relation to those hedging arrangements.

(3) Where subsection (3AA) of section 209 at any time ceases to apply in relation to a security by virtue of this section, subsection (2)(d) of that section shall have effect in relation to the security as from that time as it would have had effect if subsection (3AA) had never applied in relation to the security.

(4) Condition 1 is that the hedging arrangements do not constitute, include, or form part of, any scheme or arrangement the purpose or one of the main purposes of which is the avoidance of tax or stamp duty.

(5) Condition 2 is that the hedging arrangements are such that, where for the purposes of corporation tax a deduction in respect of the security falls to be made at any time by the issuing company, then at that time, or within a reasonable time before or after it, any amounts intended under the hedging arrangements to offset some or all of that deduction arise—

(a) to the issuing company; or

(b) to a company which is a member of the same group of companies as the issuing company.

(6) Condition 3 is that the whole of every amount arising as mentioned in subsection (5) above is brought into charge to corporation tax—

(a) by a company falling within paragraph (a) or (b) of that subsection, or

(b) by two or more companies, taken together, each of which falls within paragraph (a) or (b) of that subsection.

(7) Condition 4 is that for the purposes of corporation tax any deductions in respect of expenses of establishing or administering the hedging arrangements are reasonable, in proportion to the amounts required to be brought into charge to corporation tax by subsection (6) above.

(8) For the purposes of this section "hedging arrangements", in relation to a security, means any scheme or arrangement for the purpose, or for purposes which include the purpose, of securing that an amount of income or gain accrues, or is received or receivable, whether directly or indirectly, which is intended to offset some or all of the amounts which fall to be brought into account, in accordance with generally accepted accounting practice, in respect of amounts accruing or falling to be paid in accordance with the terms of the security.

(9) Any reference in this section to two companies being members of the same group of companies is a reference to their being members of the same group of companies for the purposes of Chapter 4 of Part 10 of this Act (group relief).".

(3) This section has effect in relation to interest and other distributions out of assets of a company in respect of securities of the company where the interest is paid, or the distribution is made, on or after 17th April 2002.

103 References to accounting practice and periods of account

(1) In section 832(1) of the Taxes Act 1988 (interpretation of the Tax Acts), at the appropriate places insert—

""generally accepted accounting practice" has the meaning given by section 836A;";

""for accounting purposes" means for the purposes of accounts drawn up in accordance with generally accepted accounting practice;";

and

""period of account"—

(a) in relation to a person, means any period for which the person draws up accounts, and

(b) in relation to a trade, profession, vocation or other business means any period for which accounts of the business are drawn up;".

(2) After section 836 of that Act insert—

"**836A Generally accepted accounting practice**

(1) In the Tax Acts, unless the context otherwise requires, "generally accepted accounting practice"—

(a) means generally accepted accounting practice with respect to accounts of UK companies that are intended to give a true and fair view, and

(b) has the same meaning in relation to—

(i) individuals,

(ii) entities other than companies, and

(iii) companies that are not UK companies,

as it has in relation to UK companies.

(2) In subsection (1) "UK companies" means companies incorporated or formed under the law of a part of the United Kingdom.".

(3) In section 288(1) of the Taxation of Chargeable Gains Act 1992 (interpretation), at the appropriate place insert—

""period of account" has the meaning given by section 832(1) of the Taxes Act;".

(4) In the following provisions for "normal accounting practice" or "normal accountancy practice", wherever occurring, substitute " generally accepted accounting practice "

(a) in the Taxes Act 1988, sections 43A(1), 297(5B), 494AA(2), 798B(1) and 837A(2), and in Schedule 28B, paragraph 4(6B);

(b) in the Finance Act 1993 (c. 34), sections 93(2), 150(6)(c) and (11)(c), 154(11)(c), (12)(d), (13)(b), (13A)(d) and (13B)(d), 155(7), (11)(d) and (12)(b), 156(2)(e) and (4)(b) and 159(1)(b);

(c) in the Finance Act 1994 (c. 9), section 156(3)(a) and (4)(a);

(d) in the Finance Act 1996 (c. 8), sections 84(2)(b) and 85(2)(a), in Schedule 9, paragraph 14(1) and (2) and in Schedule 10, paragraph 1(3)(a) and (4);

(e) in the Finance Act 1997 (c. 16), in Schedule 12, paragraphs 1(1)(c) and (2)(a), 3(1) and (2), 4(5), 6(1)(a), 15(1)(c) and (2), 22, 28(5) and 30(1);

(f) in the Finance Act 2000 (c. 17), in Schedule 14, paragraph 22(4), in Schedule 15, paragraph 29(4), in Schedule 20, paragraphs 6(1), 10(1)(b) and (2)(b)(ii) and 25(1), and in Schedule 23, paragraphs 2(1), 3(1) and (3) and 5;

(g) in the Capital Allowances Act 2001 (c. 2), sections 179(1)(f), 219(1) and 437;

(h) in the Finance Act 2001 (c. 9), in Schedule 22, paragraphs 10(1)(b) and (2)(b)(ii).

(5) In section 42(1) of the Finance Act 1998 (c. 36) (computation of profits of trade, profession or vocation), for "on an accounting basis which gives a true and fair view" substitute " in accordance with generally accepted accounting practice ".

(6) The amendments made by subsections (1) to (3) above have effect for the purposes of provisions of this Act using the expressions mentioned (including provisions inserted by amendment in other enactments) whenever those provisions are expressed to have effect or to come, or to have come, into force.

This is without prejudice to the general effect of those amendments.

104 Discounted securities etc

(1) Schedule 13 to the Finance Act 1996 (discounted securities: income tax provisions) is amended as follows.

(2) After paragraph 3 (meaning of "relevant discounted security") insert—

3A "**Issue price etc of securities issued in accordance with qualifying earn-out right**

(1) This paragraph applies where a security is issued to a person in accordance with the terms of a qualifying earn-out right.

(2) In any such case the issue price of the security shall be taken for the purposes of this Schedule to be the sum of—

(a) the market value, immediately before the issue of the security, of the right to be issued with the security in accordance with the terms of the qualifying earn-out right, and

(b) any amount payable for the issue of the security in accordance with those terms,

and any reference in this Schedule to the amount paid by the person in respect of his acquisition of the security shall be taken as a reference to that sum.

(3) For the purposes of this paragraph a "qualifying earn-out right" is so much of any right conferred on a person as—

(a) constitutes the whole or any part of the consideration for the transfer by him of shares in or debentures of a company or for the transfer of the whole or part of a business or interest in a business carried on by him or by him and others in partnership;

(b) consists in either a right to be issued with securities of another company or a right which is capable of being discharged in accordance with its terms by the issue of such securities; and

(c) is such that the value of the consideration mentioned in paragraph (a) above is unascertainable at the time when the right is conferred.".

(3) After paragraph 9 (other transactions deemed to be at market value) insert—

9A "**Securities issued to connected person etc at price in excess of market value: transfer to connected person**

(1) Where a relevant discounted security is transferred by a person ("the relevant person") to a person connected with him and—

(a) the occasion of the relevant person's acquisition of the security was its issue to him,

(b) the relevant person was, at the time of issue, connected with the issuer or the conditions in sub-paragraph (2) below are satisfied, and

(c) the amount paid by the relevant person in respect of his acquisition of the security exceeds the market value of the security at the time of issue,

the relevant person shall be taken for the purposes of this Schedule not to sustain a loss from the discount on the relevant discounted security.

(2) The conditions mentioned in sub-paragraph (1)(b) above are that—

(a) the security is a security issued by a close company;

(b) at the time of issue, the relevant person was not connected with the company;

(c) securities of the same kind as that issued to him were also issued to other persons; and

(d) he and some or all of those other persons, taken together, controlled the company.

(3) In sub-paragraph (2)(d) above, "control" shall be construed in accordance with section 416 of the Taxes Act 1988.

(4) For the purposes of this section, section 414 of the Taxes Act 1988 (meaning of "close company" in the Tax Acts) shall have effect with the omission of subsection (1)(a) (exclusion of companies not resident in the United Kingdom).

(5) Section 839 of the Taxes Act 1988 (connected persons) shall apply for the purposes of this paragraph.".

(4) Schedule 13 to the Finance Act 1996 (c. 8) shall have effect, and be deemed always to have had effect, with the amendment made by subsection (2).

(5) The amendment made by subsection (3) has effect in relation to transfers on and after 26th March 2002.

105 Financial trading stock

(1) In section 100 of the Taxes Act 1988 (valuation of trading stock at discontinuance of trade) in subsection (1B), omit paragraph (a) (which relates to stock consisting of certain debts and is superseded by Chapter 2 of Part 4 of the Finance Act 1996 (c. 8) (loan relationships)).

(2) In Schedule 12 to the Finance Act 1988 (c. 39) (building societies: change of status) —

(a) in paragraph 1 (which provides that paragraphs 2 to 7 apply where there is a transfer of the whole of a building society's business to a successor company in accordance with section 97 etc of the Building Societies Act 1986 (c. 53)) for "2" substitute " 3 "; and

(b) omit paragraph 2 (which relates to gilt-edged securities and other financial trading stock and is superseded by Chapter 2 of Part 4 of the Finance Act 1996).

106 Valuation of trading stock on transfer of trade

(1) In section 100 of the Taxes Act 1988 (valuation of trading stock at discontinuance of trade), after subsection (2) insert—

"(3) Where trading stock falling to be valued under paragraph (a) of subsection (1) above is sold or transferred together with other assets, so much of the amount realised on the sale or, as the case may be, of the value of the consideration given for the transfer as on a just and reasonable apportionment is properly attributable to each asset shall be treated for the purposes of this section as the amount realised on the sale or, as the case may be, the value of the consideration given for the transfer, of that asset.".

(2) Subsection (1) applies where the sale or transfer in question takes place after the passing of this Act.

107 Banks etc in compulsory liquidation

(1) Schedule 12 to the Finance (No. 2) Act 1992 (c. 48) is amended is follows.

(2) In paragraph 3 (taxation of certain receipts under Case VI of Schedule D) omit paragraph (c) of sub-paragraph (3) (which has become unnecessary because no interest or dividends any longer fall within it).

(3) At the end of paragraph 3, insert—

"(5) This paragraph and paragraph 4 below have effect for the purposes of corporation tax notwithstanding anything in section 80(5) of the Finance Act 1996 (matters to be brought into account in the case of loan relationships only under Chapter 2 of Part 4 of that Act).".

(4) In paragraph 4 (relief from tax) omit sub-paragraph (3) (which provides for deductions from sums excluded from paragraph 3(2) by paragraph 3(3)(c)).

(5) The amendments made by this section have effect in relation to accounting periods beginning on or after 1st October 2002.

108 Manufactured dividends and interest

(1) Schedule 23A to the Taxes Act 1988 (manufactured dividends and interest) is amended as follows.

(2) In paragraph 2A (manufactured dividends on UK equities: deductibility of manufactured payment in case of manufacturer) at the end of sub-paragraph (1)

(amount paid to be deductible against total income) insert " , subject to sub-paragraph (1A) below ".

(3) After that sub-paragraph insert—

"(1A) An amount shall be allowable under sub-paragraph (1) above as a deduction against total income only to the extent that—

(a) the dividend manufacturer receives the dividend on the equities which is represented by the manufactured dividend, or receives a payment which is representative of that dividend, and is chargeable to income tax on the dividend or other payment so received;

(b) the dividend manufacturer is treated under section 730A (repos) as receiving a payment of interest in respect of the equities and is chargeable to income tax on that payment; or

(c) a chargeable gain accrues to the dividend manufacturer as a result of a transaction whose nature is such as to give rise to the payment of a manufactured dividend by him,

but the amount allowable by virtue of paragraph (c) above is limited to so much of the chargeable gain as does not exceed the manufactured dividend paid as a result of the transaction.

(1B) Where an amount is allowable under sub-paragraph (1) above by reference to the whole or any part of—

(a) a dividend or other payment falling within paragraph (a) of sub-paragraph (1A) above,

(b) a payment of interest which a person is treated as receiving, as mentioned in paragraph (b) of that sub-paragraph, or

(c) a chargeable gain falling within paragraph (c) of that sub-paragraph,

(the "utilised portion" of the dividend, other payment or chargeable gain) no other amount shall be allowable under sub-paragraph (1) above by reference to all or any of the utilised portion of the dividend, other payment or chargeable gain.".

(4) In paragraph 3 (manufactured interest on UK securities) in sub-paragraph (2) (tax treatment of interest manufacturer) in paragraph (c) (amount allowable as a deduction) at the end add ", but only to the extent that—

(i) it would be so allowable if it were interest, or

(ii) so far as not falling within sub-paragraph (i) above, it falls within sub-paragraph (2A) below".

(5) After that sub-paragraph insert—

"(2A) An amount of manufactured interest falls within this sub-paragraph if and to the extent that the interest manufacturer—

(a) receives the periodical payment of interest on the securities which is represented by the manufactured interest, or receives a payment which is representative of that periodical payment of interest, and is chargeable to income tax on the periodical payment or representative payment so received;

(b) is treated under section 713(2)(a) or (3)(b) (accrued income scheme) as entitled to a sum in respect of a transfer of the securities and is chargeable to income tax on that sum; or

(c) is treated under section 730A (repos) as receiving a payment of interest in respect of the securities and is chargeable to income tax on that payment.

(2B) Where an amount is allowable under sub-paragraph (2)(c) above by reference to the whole or any part of—

(a) a periodical payment of interest, or a payment representative of such a payment, falling within paragraph (a) of sub-paragraph (2A) above,

(b) a sum falling within paragraph (b) of that sub-paragraph, or

(c) a payment of interest which a person is treated as receiving, as mentioned in paragraph (c) of that sub-paragraph,

(the "utilised portion" of the interest, sum or other payment) no other amount shall be allowable under sub-paragraph (2)(c) above by reference to all or any of the utilised portion of the interest, sum or other payment.".

(6) The amendments made by subsections (2) and (3) have effect in relation to manufactured dividends paid on or after 17th April 2002.

(7) The amendments made by subsections (4) and (5) have effect in relation to manufactured interest paid on or after 17th April 2002.

109 Venture capital trusts

(1) Schedule 33 to this Act has effect.

(2) In that Schedule—

Part 1 enables regulations to make provision for cases where a venture capital trust is being wound up,

Part 2 enables regulations to make provision for cases where there is a merger of two or more venture capital trusts,

Part 3 enables regulations to make provision about the time allowed for venture capital trusts to invest money raised from issues (other than initial issues) of ordinary share capital, and

Part 4 contains supplementary provisions.

VALID FROM 23/04/2002

PART 4

STAMP DUTY AND STAMP DUTY RESERVE TAX

Stamp duty

VALID FROM 24/07/2002

110 Land in disadvantaged areas

(1) In subsection (1) of section 92 of the Finance Act 2001 (c. 9) (stamp duty: exemption for land in disadvantaged areas), for the words before paragraph (a) substitute "No*ad valorem* stamp duty shall be chargeable on—".

(2) After subsection (6) of that section insert—

"(6A) This section and Schedule 30 to this Act have effect subject to section 92A."

(3) After that section insert—

"**92A Restriction of exemption in the case of residential property etc**

(1) Regulations may provide for an exemption conferred by section 92 or by Schedule 30 to this Act not to apply in cases specified by reference to either or both of the following—

(a) whether the land in question is residential property;

(b) the amount or value of the consideration.

(2) Regulations may contain provision corresponding to or modifying that made by Schedule 30 to this Act in the case of—

(a) a building or land only part of which falls within subsection (1)(a) or (b) of section 92B (meaning of "residential property"), or

(b) an interest in or right over land that subsists only partly as mentioned in subsection (1)(c) of that section.

(3) Where by virtue of regulations under this section the availability of an exemption depends on the land in question not being, or not being entirely, residential property, the certification under section 92(2) must include a statement that the land is not residential property or, as the case may be, that it is not residential property to the extent stated.

(4) Where by virtue of regulations under this section the availability of an exemption depends on the amount or value of the consideration not exceeding a specified amount, the instrument in question must be certified at that amount (or at a lower amount).

The reference here to an instrument being certified at an amount shall be construed in accordance with paragraph 6 of Schedule 13 to the Finance Act 1999 (as if the reference were contained in paragraph 4 of that Schedule).

(5) The power to make regulations under this section is exercisable by the Treasury.

(6) Regulations under this section—

(a) may make different provision for different cases, and

(b) may contain such incidental, supplementary, consequential or transitional provision as appears to the Treasury to be necessary or expedient.

(7) Regulations under this section must be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.

92B Meaning of "residential property"

(1) In section 92A "residential property" means—

(a) a building that is used or suitable for use as a dwelling, or is in the process of being constructed or adapted for such use;

(b) land that is or forms part of the garden or grounds of a building within paragraph (a) (including any building or structure on such land);

(c) an interest in or right over land that subsists for the benefit of a building within paragraph (a) or of land within paragraph (b).

(2) For the purposes of subsection (1) use of a building as—

(a) residential accommodation for school pupils,

(b) residential accommodation for students, other than accommodation falling within subsection (3)(b),

(c) residential accommodation for members of any of the armed forces, or

(d) an institution that is the sole or main residence of at least 90% of its residents and does not fall within any of paragraphs (a) to (f) of subsection (3),

is use of a building as a dwelling.

(3) For the purposes of subsection (1) use of a building as—

(a) a home or other institution providing residential accommodation for children,

(b) a hall of residence for students in further or higher education,

(c) a home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder,

(d) a hospital or hospice,

(e) a prison or similar establishment, or

(f) a hotel or inn or similar establishment,

is not use of a building as a dwelling.

(4) Where a building is used in a manner specified in subsection (3), no account shall be taken for the purposes of subsection (1)(a) of its suitability for any other use.

(5) Where a building that is not in use is suitable for at least one of the uses specified in subsection (2) and at least one of those specified in subsection (3)—

(a) if there is one such use for which it is most suitable, or if the uses for which it is most suitable are all specified in the same subsection, no account shall be taken for the purposes of subsection (1)(a) of its suitability for any other use;

(b) otherwise, the building shall be treated for those purposes as suitable for use as a dwelling.

(6) Regulations under section 92A may provide that, where there is a single contract for the conveyance, transfer or lease of land comprising or including six or more separate dwellings, none of that land counts as residential property for the purposes of the regulations.

(7) The Treasury may by order amend this section so as to change or clarify the cases where use of a building is, or is not, use of a building as a dwelling for the purposes of subsection (1).

(8) An order under subsection (7) may contain such incidental, supplementary, consequential or transitional provision as appears to the Treasury to be necessary or expedient.

(9) An order under subsection (7) must be made by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.

(10) In this section "building" includes part of a building.".

(4) In paragraph 1(1) of Schedule 30 to the Finance Act 2001 (c. 9) (stamp duty reduced for land partly in a disadvantaged area), for the words from "stamp duty" to "1999" substitute " *ad valorem stamp* duty ".

(5) In sub-paragraph (1) of paragraph 3 of that Schedule (certification of instruments for stamp duty purposes)—

(a) for the words from "a transaction" to "shall be disregarded" substitute " a conveyance, transfer or lease is exempted from stamp duty by section 92(1) or paragraph 1 above (read with section 92A) the transaction in question shall be disregarded ";

(b) at the end of the sub-paragraph insert—

"This is without prejudice to section 92A(4) (instrument must be certified where exemption depends on amount or value of consideration).".

(6) Regulations under section 92A of the Finance Act 2001 (inserted by subsection (3) above) may contain provision revoking the Variation of Stamp Duties Regulations 2001 (S.I. 2001/3746) (which provide for section 92(1) of, and paragraph 1 of

Schedule 30 to, that Act not to apply in cases where the consideration for the conveyance etc exceeds £150,000).

VALID FROM 24/04/2002

111 Withdrawal of group relief

(1) This section applies where—

(a) an instrument ("the relevant instrument") transferring land in the United Kingdom from one company ("the transferor company") to another ("the transferee company") has been stamped on the basis that group relief applies,

(b) before the end of the period of two years beginning with the date on which the instrument was executed the transferee company ceases to be a member of the same group as the transferor company, and

(c) at the time when it ceases to be a member of the same group as the transferor company it holds an estate or interest in land—

(i) that was transferred to it by the relevant instrument, or

(ii) that is derived from an estate or interest that was so transferred,

and that was not subsequently transferred to it by a duly stamped instrument for which group relief was not claimed.

(2) In those circumstances—

(a) group relief in relation to the relevant instrument, or an appropriate proportion of it, is withdrawn, and

(b) the stamp duty that would have been payable on stamping the relevant instrument but for group relief if the estate or interest in land transferred by that instrument had been transferred at market value, or an appropriate proportion of the duty that would have been so paid, is payable by the transferee company within 30 days after that company ceases to be a member of the same group as the transferor company.

(3) In subsection (2)(a) and (b) "an appropriate proportion" means an appropriate proportion having regard to what was transferred by the relevant instrument and what the transferee company holds at the time it ceases to be a member of the same group as the transferor company.

(4) In this section "group relief" means relief under any of the following provisions—

(a) section 42 of the Finance Act 1930 (c. 28) or section 11 of the Finance Act (Northern Ireland) 1954 (c. 23 (N.I.)) (transfer of property between associated bodies corporate);

(b) section 151 of the Finance Act 1995 (c. 4) (leases etc between associated bodies corporate).

(5) In this section—

(a) references to the transfer of land include the grant or surrender of an estate or interest in or over land;

(b) "company" includes any body corporate; and

(c) references to a company being in the same group as another company are to the companies being associated bodies corporate within the meaning of the relevant group relief provision.

(6) Schedule 34 to this Act contains provisions supplementing this section.

(7) Where the relevant instrument transfers land in the United Kingdom together with other property, the provisions of this section and of Schedule 34 apply as if there were two separate instruments, one relating to land in the United Kingdom and the other relating to other property.

(8) This section applies where the relevant instrument is executed after 23rd April 2002.

(9) But this section does not apply to an instrument giving effect to a contract made on or before 17th April 2002, unless—

(a) the instrument is made in consequence of the exercise after that date of any option, right of pre-emption or similar right, or

(b) the instrument transfers the property in question to, or vests it in, a person other than the purchaser under the contract because of an assignment (or, in Scotland, assignation) or further contract made after that date.

(10) This section shall be deemed to have come into force on 24th April 2002.

VALID FROM 24/04/2002

112 Restriction of relief for company acquisitions

(1) Section 76 of the Finance Act 1986 (c. 41) (relief where company acquires the whole or part of the undertaking of another company) is amended as follows.

(2) In subsection (2) for "the condition mentioned in subsection (3) below" substitute " the first and second conditions (as defined below) ".

(3) In subsection (3) for "The condition" substitute " The first condition ".

(4) After subsection (3) insert—

"(3A) The second condition applies only in relation to an instrument transferring land in the United Kingdom and is that the acquiring company is not associated with another company that is a party to arrangements with the target company relating to shares of the acquiring company issued in connection with the transfer of the undertaking or part.

(3B) Where an instrument transfers land in the United Kingdom together with other property, the provisions of this section apply as if there were two separate instruments, one relating to land in the United Kingdom and the other relating to other property.".

(5) In subsection (5) for "subsection (2) above" (twice) substitute " this section ".

(6) After subsection (6) insert—

"(6A) For the purposes of subsection (3A) above—

(a) companies are associated if one has control of the other or both are controlled by the same person or persons, and

(b) "arrangements" includes any scheme, agreement or understanding, whether or not legally enforceable.

The references in paragraph (a) above to control shall be construed in accordance with section 416 of the Taxes Act 1988.".

(7) This section applies to instruments executed after 23rd April 2002.

(8) But this section does not apply to an instrument giving effect to a contract made on or before 17th April 2002, unless—

(a) the instrument is made in consequence of the exercise after that date of any option, right of pre-emption or similar right, or

(b) the instrument transfers the property in question to, or vests it in, a person other than the purchaser under the contract because of an assignment (or, in Scotland, assignation) or further contract made after that date.

(9) This section shall be deemed to have come into force on 24th April 2002.

VALID FROM 24/04/2002

113 Withdrawal of relief for company acquisitions

(1) This section applies where—

(a) an instrument ("the relevant instrument") transferring land in the United Kingdom from one company to another company ("the acquiring company") has been stamped on the basis that relief under section 76 of the Finance Act 1986 (c. 41) ("section 76 relief") applies,

(b) before the end of the period of two years beginning with the date on which the instrument was executed control of the acquiring company changes, and

(c) at the time control of that company changes the acquiring company holds an estate or interest in land—

(i) that was transferred to it by the relevant instrument, or

(ii) that is derived from an estate or interest so transferred,

and that was not subsequently transferred to it by a duly stamped instrument on which*ad valorem* duty was paid and in relation to which section 76 relief was not claimed.

(2) In those circumstances—

(a) section 76 relief in relation to the relevant instrument, or an appropriate proportion of it, is withdrawn, and

(b) the additional stamp duty that would have been payable on stamping the relevant instrument but for section 76 relief if the estate or interest in land transferred by that instrument had been transferred at market value, or an appropriate proportion of that additional duty, is payable by the acquiring company within 30 days after control of that company changes.

(3) In subsection (2)(a) and (b) "an appropriate proportion" means an appropriate proportion having regard to what was transferred by the relevant instrument and what the acquiring company holds at the time control of it changes.

(4) In this section—

(a) references to the transfer of land include the grant or surrender of an estate or interest in or over land;

(b) "control" shall be construed in accordance with section 416 of the Taxes Act 1988; and

(c) references to control of a company changing are to the company becoming controlled—

(i) by a different person,

(ii) by a different number of persons, or

(iii) by two or more persons at least one of whom is not the person, or one of the persons, by whom the company was previously controlled.

(5) Schedule 35 to this Act contains provisions supplementing this section.

(6) Where the relevant instrument transfers land in the United Kingdom together with other property, the provisions of this section and of Schedule 35 apply as if there were two separate instruments, one relating to land in the United Kingdom and the other relating to other property.

(7) This section applies where the relevant instrument is executed after 23rd April 2002.

(8) But this section does not apply to an instrument giving effect to a contract made on or before 17th April 2002, unless—

(a) the instrument is made in consequence of the exercise after that date of any option, right of pre-emption or similar right, or

(b) the instrument transfers the property in question to, or vests it in, a person other than the purchaser under the contract because of an assignment (or, in Scotland, assignation) or further contract made after that date.

(9) This section shall be deemed to have come into force on 24th April 2002.

VALID FROM 24/07/2002

114 Penalties for late stamping

(1) Section 15B of the Stamp Act 1891 (c. 39) (late stamping: penaties) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (a) (penalty where instrument not stamped within 30 days of execution), after "is executed in the United Kingdom" insert " or relates to land in the United Kingdom ";

(b) in paragraph (b) (penalty where instrument not stamped within 30 days of instrument being first received in the United Kingdom), after "is executed

outside the United Kingdom" insert " and does not relate to land in the United Kingdom ".

(3) After that subsection insert—

"(1A) For the purposes of subsection (1) every instrument that (whether or not it also relates to any other transaction) relates to a transaction which to any extent involves land in the United Kingdom is an instrument relating to land in the United Kingdom.".

(4) This section applies in relation to instruments executed on or after the day on which this Act is passed.

VALID FROM 24/07/2002

115 Contracts for the sale of an estate or interest in land chargeable as conveyances

(1) This section applies to a contract or agreement for the sale of an estate or interest in land in the United Kingdom where—

(a) the amount or value of the consideration exceeds £10 million, or

(b) the instrument forms part of a larger transaction or series of transactions in respect of which the amount or value, or aggregate amount or value, of the consideration exceeds £10 million.

(2) If, in the case of such a contract or agreement that is not otherwise chargeable to stamp duty, a conveyance or transfer made in conformity with the contract or agreement is not presented to the Commissioners for stamping with the*ad valorem* duty chargeable on it—

(a) within the period of 90 days after the execution of the contract or agreement, or

(b) within such longer period as the Commissioners may think reasonable in the circumstances of the case,

the contract or agreement shall be chargeable with the same*ad valorem* duty, to be paid by the purchaser, as if it were an actual conveyance on sale of the estate or interest contracted or agreed to be sold.

(3) The Commissioners—

(a) may refuse to allow a longer period unless they are provided with a copy of the contract or agreement and such other evidence as they may reasonably require as to the facts and circumstances relevant to their decision,

(b) may allow a longer period subject to compliance with such conditions as they think fit, and

(c) shall not allow any longer period if it appears to them that the whole, or substantially the whole, of the intended consideration has been paid or transferred.

(4) Where an instrument to which this section applies is presented for stamping before the end of the period mentioned in subsection (2)—

(a) any adjudication to the effect that stamp duty is not chargeable does not affect the operation of this section, and

(b) the fact that duty may be chargeable under this section may be denoted on the instrument in such manner as the Commissioners think fit.

(5) Where an instrument is chargeable with duty under this section—

(a) section 14(4) of the Stamp Act 1891 (c. 39) (inadmissibility of unstamped instruments) does not apply in relation to it until after the end of the period mentioned in subsection (2) above, and

(b) sections 15A and 15B of that Act (late stamping: interest and penalties), apply in relation to it as if it had been executed at the end of that period.

(6) The*ad valorem* duty paid upon a contract or agreement under this section shall be repaid by the Commissioners if the contract or agreement is afterwards rescinded or annulled or is for any other reason not substantially performed or carried into effect.

(7) Schedule 36 contains provisions supplementing this section.

(8) This section and that Schedule apply to contracts or agreements executed after the day on which this Act is passed.

116 Abolition of duty on instruments relating to goodwill

(1) No stamp duty is chargeable on an instrument for the sale, transfer or other disposition of goodwill.

(2) Schedule 37 to this Act contains provisions supplementing this section.

(3) This section and that Schedule shall be construed as one with the Stamp Act 1891 (c. 39).

(4) This section applies to instruments executed on or after 23rd April 2002.

(5) This section shall be deemed to have come into force on that date.

VALID FROM 24/07/2002

Stamp duty and stamp duty reserve tax

117 Power to extend exceptions relating to recognised exchanges

(1) The Treasury may by regulations extend the application of the provisions mentioned in subsection (2) to any market (specified by name or by description) that is not a recognised exchange but is prescribed by order under section 118(3) of the Financial Services and Markets Act 2000 (c. 8).

(2) The provisions referred to in subsection (1) are—

sections 80A and 80C of the Finance Act 1986 (c. 41) (stamp duty: exceptions for sales to intermediaries and for repurchases and stock lending); and

sections 88A and 89AA of that Act (stamp duty reserve tax: exceptions for intermediaries and for repurchases and stock lending).

(3) In subsection (1) "recognised exchange" means an EEA exchange, a recognised foreign exchange or a recognised foreign options exchange within the meaning of the provisions mentioned in subsection (2).

(4) Regulations under this section may provide for the application of the provisions mentioned in subsection (2) subject to any adaptations appearing to the Treasury to be necessary or expedient.

(5) Regulations under this section shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.

VALID FROM 01/04/2002

PART 5

OTHER TAXES

VALID FROM 24/07/2002

Inheritance tax

118 IHT: rate bands

(1) For the Table in Schedule 1 to the Inheritance Tax Act 1984 (c. 51) substitute—

"**Table of Rates of Tax**

Portion of value		***Rate of tax***
Lower limit (£)	**Upper limit (£)**	**Per cent.**
0	250,000	Nil
250,000		40"

(2) Subsection (1) shall apply to any chargeable transfer made on or after 6th April 2002; and section 8(1) of that Act (indexation of rate bands) shall not have effect as respects any difference between the retail prices index for the month of September 2000 and that for the month of September 2001.

119 IHT: powers over, or exercisable in relation to, settled property or a settlement

(1) The Inheritance Tax Act 1984 is amended in accordance with the following provisions of this section.

(2) After section 47 (meaning of "reversionary interest") insert—

"**47A Settlement power**

In this Act "settlement power" means any power over, or exercisable (whether directly or indirectly) in relation to, settled property or a settlement.".

(3) After section 55 (reversionary interest acquired by beneficiary) insert—

"**55A Purchased settlement powers**

(1) Where a person makes a disposition by which he acquires a settlement power for consideration in money or money's worth—

(a) section 10(1) above shall not apply to the disposition;

(b) the person shall be taken for the purposes of this Act to make a transfer of value;

(c) the value transferred shall be determined without bringing into account the value of anything which the person acquires by the disposition; and

(d) sections 18 and 23 to 27 above shall not apply in relation to that transfer of value.

(2) For the purposes of this section, a person acquires a settlement power if he becomes entitled—

(a) to a settlement power,

(b) to exercise, or to secure or prevent the exercise of, a settlement power (whether directly or indirectly), or

(c) to restrict, or secure a restriction on, the exercise of a settlement power (whether directly or indirectly),

as a result of transactions which include a disposition (whether to him or another) of a settlement power or of any power of a kind described in paragraph (b) or (c) above which is exercisable in relation to a settlement power.".

(4) In section 272 (general interpretation)—

(a) insert the following definition at the appropriate place—

""settlement power" has the meaning given by section 47A above;";

and

(b) in the definition of "property", at the end insert " but does not include a settlement power ".

(5) In consequence of the amendments made by this section, the title of Chapter 2 of Part 3 of the Inheritance Tax Act 1984 (c. 51) becomes "Interests in possession, reversionary interests and settlement powers".

(6) The amendments made by this section have effect in relation to transfers of value on or after 17th April 2002.

(7) The amendments made by subsections (2) and (4) shall also be deemed always to have had effect (subject to and in accordance with the other provisions of the Inheritance Tax Act 1984) for the purpose of determining the value, immediately before his death, of the estate of any person who died before 17th April 2002, for the purposes of the transfer of value which that person is treated by section 4(1) of that Act as having made immediately before his death.

120 IHT: variation of dispositions taking effect on death

(1) In section 142 of the Inheritance Tax Act 1984 (alteration of dispositions taking effect on death), for subsection (2) (election to treat subsequent variation of dispositions taking effect on death as if effected by deceased) substitute—

"(2) Subsection (1) above shall not apply to a variation unless the instrument contains a statement, made by all the relevant persons, to the effect that they intend the subsection to apply to the variation.

(2A) For the purposes of subsection (2) above the relevant persons are—

(a) the person or persons making the instrument, and

(b) where the variation results in additional tax being payable, the personal representatives.

Personal representatives may decline to make a statement under subsection (2) above only if no, or no sufficient, assets are held by them in that capacity for discharging the additional tax.".

(2) After section 218 of that Act insert—

"**218A Instruments varying dispositions taking effect on death**

(1) Where—

(a) an instrument is made varying any of the dispositions of the property comprised in the estate of a deceased person immediately before his death,

(b) the instrument contains a statement under subsection (2) of section 142 above, and

(c) the variation results in additional tax being payable,

the relevant persons (within the meaning of that subsection) shall, within six months after the day on which the instrument is made, deliver a copy of it to the Board and notify them of the amount of the additional tax.

(2) To the extent that any of the relevant persons comply with the requirements of this section, the others are discharged from the duty to comply with them.".

(3) In section 245A of that Act (failure to provide information etc)—

(a) after subsection (1) insert—

"(1A) A person who fails to comply with the requirements of section 218A above shall be liable—

(a) to a penalty not exceeding £100; and

(b) to a further penalty not exceeding £60 for every day after the day on which the failure has been declared by a court or the Special Commissioners and before the day on which the requirements are complied with.".

(b) in subsection (4), insert " (1A)(b), " after "subsection (1)(b)," and after paragraph (a) insert—

"(aa) he complies with the requirements of section 218A above,".

(4) This section applies in relation to instruments made on or after 1st August 2002.

VALID FROM 24/07/2002

Air passenger duty

121 Air passenger duty: extension of area to which EEA rates apply

(1) Section 30 of the Finance Act 1994 (c. 9) (the rate of duty) is amended as follows.

(2) In subsection (2) (rate where journey ends at a place in the defined area and in an EEA State etc) omit the word "or" immediately preceding paragraph (b) and at the end of that paragraph add "or

(c) any qualifying territory (so long as not falling within paragraph (a) above),".

(3) In subsection (3) (which defines the area referred to in subsection (2)) for "32 degrees E" substitute " 45 degrees E ".

(4) After subsection (9) (meaning of "EEA State") insert—

"(9A) In this section "qualifying territory" means each of the following territories—

Bulgaria	Latvia	Slovak Republic
Cyprus	Lithuania	Slovenia
Czech Republic	Malta	Switzerland
Estonia	Poland	Turkey.
Hungary	Romania	

(9B) The Treasury may by order amend the definition of "qualifying territory" in subsection (9A) above by adding, removing, or varying the description of, any territory.".

(5) This section applies to any carriage of a passenger on an aircraft which begins on or after 1st November 2002.

VALID FROM 24/07/2002

Landfill tax

122 Landfill tax: rate

(1) In section 42 of the Finance Act 1996 (c. 8) (amount of landfill tax), in subsections (1)(a) and (2) for "£12" substitute " £13 ".

(2) This section has effect in relation to taxable disposals made, or treated as made, on or after 1st April 2002.

VALID FROM 24/07/2002

Climate change levy

123 Climate change levy: electricity produced in combined heat and power station

(1) In Schedule 6 to the Finance Act 2000 (c. 17) (climate change levy), after paragraph 20 insert—

"**Exemption: electricity produced in combined heat and power stations**

20A (1) A supply of electricity is exempt from the levy chargeable under paragraph 5(1) if—

(a) the supply is not one that is deemed to be made under paragraph 23(3),

(b) the supply is made under a contract that contains a CHP declaration given by the supplier,

(c) prescribed conditions are fulfilled, and

(d) the supplier, and each other person (if any) who is a generator of any CHP electricity allocated by the supplier to supplies under the contract, has in a written notice given to the Commissioners agreed that he will fulfil those conditions so far as they may apply to him.

(2) Sub-paragraph (1) does not apply in relation to a supply to a person of electricity produced in a wholly or partly exempt combined heat and power station where the supply is made to that person from the station.

(3) In this paragraph "CHP declaration" means a declaration that, in each averaging period, the amount of electricity supplied by exempt CHP supplies made by the supplier in the period will not exceed the difference between—

(a) the total amount of CHP electricity that during that period is either acquired or generated by the supplier, and

(b) so much of that total amount as is allocated by the supplier otherwise than to exempt CHP supplies made by him in the period.

In this sub-paragraph "averaging period" has the same meaning as in paragraph 20B; and "exempt CHP supplies" means supplies made on the basis that they are exempt under this paragraph.

(4) For the purposes of this paragraph and paragraph 20B, electricity is "CHP electricity" if—

(a) the electricity was—

(i) produced in a fully exempt combined heat and power station, or

(ii) produced in a partly exempt combined heat and power station and originally supplied from the station without causing the limit referred to in paragraph 16(2) to be exceeded,

(b) the electricity is not renewable source electricity (within the meaning of paragraph 19), and

(c) prescribed conditions are fulfilled.

(5) The conditions that may be prescribed under sub-paragraph (1)(c) include, in particular, conditions in connection with—

(a) the giving of effect to CHP declarations;

(b) the supply of information;

(c) the inspection of records and, for that purpose, the production of records in legible form and entry into premises;

(d) monitoring by the Gas and Electricity Markets Authority, or the Director General of Electricity Supply for Northern Ireland, of the application of provisions of, or made under, this paragraph;

(e) the doing of things to or by a person authorised by the Authority or the Director General (as well as the doing of things to or by the Authority or the Director General);

(f) things being done at times or in ways specified by the Authority, the Director General or such an authorised person.

(6) A condition prescribed under sub-paragraph (1)(c) may be one that is required to be fulfilled throughout a period, including a period ending after the time when a supply whose exemption turns on the fulfilment of the condition is treated as being made.

(7) The conditions that may be prescribed under sub-paragraph (4)(c) include in particular conditions in connection with any of the matters mentioned in paragraphs (b) to (f) of sub-paragraph (5).

(8) Each of—

(a) the Gas and Electricity Markets Authority, and

(b) the Director General of Electricity Supply for Northern Ireland,

shall supply the Commissioners with such information (whether or not obtained under this paragraph), and otherwise give the Commissioners such co-operation, as the Commissioners may require in connection with the application of this paragraph (whether generally or in relation to any particular case).

(9) Paragraph 19(10) (disclosure of information) applies in relation to sub-paragraph (8) above as it applies in relation to paragraph 19(8).

Exemption under paragraph 20A: averaging periods

20B (1) This paragraph applies where a person ("the supplier") makes supplies of electricity on the basis that they are exempt under paragraph 20A ("exempt CHP supplies").

(2) The rules about balancing and averaging periods are—

(a) a balancing period is a period of three months;

(b) when a balancing period ends, a new one begins;

(c) the first balancing period and the first averaging period begin at the same time;

(d) unless the supplier specifies an earlier time, that time is the time when he is treated as making the first of the exempt CHP supplies;

(e) when an averaging period ends, a new one begins;

(f) an averaging period ends once it has run for two years (but may end sooner under paragraph (g) or sub-paragraph (4)(a) or (5)(a));

(g) if the supplier stops making exempt CHP supplies, the end of the balancing period in which he makes the last exempt CHP supply is also the end of the averaging period in which the balancing period falls.

(3) At the end of each balancing period calculate—

(a) the total of—

(i) the quantity of CHP electricity that the supplier acquired or generated in that period, and

(ii) any balancing credit carried forward to that balancing period; and

(b) the total of—

(i) the quantity of electricity supplied by exempt CHP supplies made by him in that period, and

(ii) any balancing debit carried forward to that balancing period.

(4) If the total mentioned in sub-paragraph (3)(a) exceeds that mentioned in sub-paragraph (3)(b)—

(a) the averaging period within which the balancing period fell ends at the end of the balancing period, and

(b) a balancing credit equal to the difference between the two totals is carried forward to the next balancing period.

(5) If the totals mentioned in paragraphs (a) and (b) of sub-paragraph (3) are the same—

(a) the averaging period within which the balancing period fell ends at the end of the balancing period, and

(b) no balancing credit or debit is carried forward to the next balancing period.

(6) Sub-paragraphs (7) and (8) apply if the total mentioned in sub-paragraph (3)(b) exceeds that mentioned in sub-paragraph (3)(a).

(7) Where the end of the balancing period is by virtue of sub-paragraph (2)(g) the end of an averaging period, the supplier is liable to account to the Commissioners for an amount equal to the amount that would be payable by way of levy on a taxable supply that—

(a) is made at the end of the balancing period, and

(b) is a supply of a quantity of electricity equal to the difference between the two totals.

For the purposes of this Schedule, the amount for which the supplier is liable to account shall be treated as an amount of levy for which he is liable to account for an accounting period ending at the end of the balancing period.

(8) Where sub-paragraph (7) does not apply, a balancing debit equal to the difference between the two totals is carried forward to the next balancing period.".

(2) Subsection (1) has effect in relation to supplies of electricity made on or after such day as the Treasury may by order made by statutory instrument appoint.

124 Climate change levy: certification requirement

In Schedule 6 to the Finance Act 2000 (c. 17) (climate change levy), after paragraph 149 insert—

"**Certification of electricity from fully or partly exempt combined heat and power station**

149A (1) The Commissioners may by regulations make provision for the Gas and Electricity Markets Authority, or the Director General of Electricity Supply for Northern Ireland, to certify as respects any quantity of electricity that—

(a) the electricity has been produced in a fully exempt combined heat and power station;

(b) the electricity has been produced in a partly exempt combined heat and power station and supplied from the station without causing the limit referred to in paragraph 16(2) to be exceeded.

(2) Regulations under this paragraph may provide that for any purposes of this Schedule (or any regulations made under it)—

(a) electricity is not to be regarded as having been produced as specified in sub-paragraph (1)(a) unless it has been certified under that provision;

(b) electricity is not to be regarded as having been produced and supplied as specified in sub-paragraph (1)(b) unless it has been certified under that provision.

(3) Regulations under this paragraph may in particular provide that the supply of any electricity does not qualify for the exemption under paragraph 16(2) unless the electricity is certified as specified in sub-paragraph (1)(b).

(4) Regulations under this paragraph may also make provision for determining whether electricity is produced and supplied as specified in sub-paragraph (1)(b).".

125 Climate change levy: exemption for renewable sources

(1) In Schedule 6 to the Finance Act 2000 (c. 17) (climate change levy), in paragraph 20(7), (exemption under paragraph 19: liability to account)—

(a) for the words from "(2)(c)" to "2 years)" substitute " (2)(g) ",

(b) after paragraph (a) insert "and", and

(c) omit paragraph (c) and the preceding "and".

(2) This section has effect in relation to averaging periods under paragraph 20 of that Schedule which end on or after the day on which this Act is passed.

126 Climate change levy: electricity produced from coal mine methane

(1) In Schedule 6 to the Finance Act 2000 (climate change levy), in paragraph 19 (exemption: renewable source electricity), after sub-paragraph (4) there is inserted—

"(4A) For the purposes of this paragraph, coal mine methane shall be regarded as a renewable source.".

(2) This section has effect in relation to supplies of electricity made on or after such day as the Treasury may by order made by statutory instrument appoint.

127 Climate change levy: incorrect certificates

(1) In Schedule 6 to the Finance Act 2000 (climate change levy), in sub-paragraph (2)(a) of paragraph 101 (civil penalties: incorrect notifications etc)—

(a) in sub-paragraph (ii) for "18 and 21, or" substitute " 15, 18 and 21, ";

(b) before the word "and" at the end of sub-paragraph (iii) insert—

", or

(iv) a reduced-rate supply (or reduced-rate supplies),".

(2) This section applies in relation to certificates given in respect of any supplies made on or after 24th April 2002.

128 Climate change levy: invoices incorrectly showing levy due

(1) In Schedule 6 to the Finance Act 2000 (climate change levy), immediately before paragraph 142 insert—

"**Invoices incorrectly showing levy due**

141A (1) This paragraph applies where—

(a) a person issues an invoice showing an amount as levy chargeable on a supply, and

(b) no levy is chargeable on the supply, or the amount chargeable is less than the amount shown.

(2) The person shall be liable to a penalty unless he satisfies the Commissioners or, on appeal, a tribunal that there is a reasonable excuse for the inclusion in the invoice of the false information.

(3) The amount of the penalty is £50 or, if more, the following amount—

(a) where no levy is chargeable, the amount shown as chargeable;

(b) where an amount of levy is chargeable, the difference between that amount and the amount shown as chargeable.

(4) It is irrelevant for the purposes of sub-paragraph (1) whether or not the supply shown on the invoice actually takes place or has taken place.

(5) A reference in this paragraph to an invoice is a reference to any kind of invoice (and not just a climate change levy accounting document).".

(2) This section applies only in relation to invoices issued on or after the day on which this Act is passed.

Aggregates levy

VALID FROM 24/07/2002

129 Aggregates levy: transitional relief for Northern Ireland

(1) After section 30 of the Finance Act 2001 (c. 9) (credit for aggregates levy) insert—

"**30A Transitional tax credit in Northern Ireland**

(1) The Commissioners may by regulations make provision of the kind described in section 30(2) above (entitlement to tax credit) in relation to cases where aggregate is used in Northern Ireland for a prescribed purpose—

(a) on or after the commencement date, and

(b) before 1st April 2007.

(2) In relation to the use of aggregate in the year ending with a date shown in the first column of the following table, the amount of any tax credit to which a person would otherwise by entitled by virtue of the regulations shall be reduced by the percentage of that amount shown opposite that date in the second column.

Year ending	*Reduction in tax credit*
31st March 2004	20%
31st March 2005	40%
31st March 2006	60%
31st March 2007	80%

(3) Subsections (3) to (5) of section 30 above apply to regulations under this section as they apply to regulations under that section.".

(2) In section 17(6) of that Act (certain tax credits to be disregarded in determining whether aggregate has already been charged to levy), in paragraph (a) after "section 30(1)(c)" insert " or 30A ".

130 Aggregates levy: amendments to provisions exempting spoil etc

(1) In section 17(3) of the Finance Act 2001 (c. 9) (aggregate that is exempt)—

(a) in paragraph (e) (by-products of extracting china clay or ball clay), after "or other by-products" insert " , not including the overburden, ";

(b) after that paragraph insert—

"(f) it consists wholly of the spoil from any process by which—

(i) coal, lignite, slate or shale, or

(ii) a substance listed in section 18(3) below,

has been separated from other rock after being extracted or won with that other rock;".

(2) Omit section 17(4)(b) of that Act (aggregate exempt if it consists, or is part of anything consisting, wholly or mainly of spoil from the separation of coal from other rock after extraction).

(3) This section shall be deemed to have come into force on 1st April 2002.

131 Aggregates levy: crushing and cutting rock

(1) In section 17(3) of the Finance Act 2001 (exempt aggregate), omit paragraph (a) (exemption for rock that has not been subjected to an industrial crushing process).

(2) In section 18(2)(a) of that Act (exemption for production of dimension stone), for "dimension stone" substitute " stone with one or more flat surfaces ".

(3) The following amendments to that Act are consequential on that made by subsection (1)—

(a) in section 20(1) (originating sites), omit—

(i) the words "and is not rock" in paragraphs (a) and (b), and

(ii) paragraph (c);

(b) in section 21 (operators of sites), omit subsection (2)(b);

(c) in section 24 (the register), omit subsections (6)(b) and (8)(a).

(4) This section shall be deemed to have come into force on 1st April 2002.

132 Aggregates levy: miscellaneous amendments

(1) Schedule 38 to this Act, which makes amendments to provisions in Part 2 of the Finance Act 2001 (aggregates levy), has effect.

(2) In section 197(2) of the Finance Act 1996 (c. 8) (enactments for which interest rates are set under section 197), in paragraph (h) (aggregates levy provisions) in sub-paragraph (ii) for "paragraph 8(3)(a)" substitute " paragraphs 6 and 8(3)(a) ".

(3) This section shall be deemed to have come into force on 1st April 2002.

VALID FROM 01/05/2002

133 Aggregates levy: amendments to provisions about civil penalties

(1) Part 2 of Schedule 6 to the Finance Act 2001 (c. 9) (aggregates levy: civil penalties) is amended as follows.

(2) In sub-paragraph (1) of paragraph 7 (evasion)—

(a) at the end of paragraph (a), insert "and";

(b) omit paragraph (b) (by virtue of which only registered persons or persons who are registrable, or would be but for an exemption, are liable to the penalty);

(c) omit the words from "equal to the amount" to the end.

(3) After that sub-paragraph insert—

"(1A) The amount of the penalty shall be—

(a) equal to the amount of the levy evaded, or (as the case may be) intended to be evaded, by the person's conduct if at the time of engaging in that conduct he was or was required to be registered;

(b) equal to twice that amount if at that time the person neither was nor was required to be registered.".

(4) In sub-paragraphs (3) and (4) of paragraph 7, for "sub-paragraph (1)" substitute " sub-paragraph (1A) ".

(5) After paragraph 9 insert—

9A "**Incorrect records etc evidencing claim for tax credit**

(1) This paragraph applies where—

(a) a claim is made for a tax credit in such a case as is mentioned in—

(i) section 30(1)(c) of this Act (aggregate used in a prescribed industrial or agricultural process), or

(ii) section 30A of this Act (transitional tax credit in Northern Ireland);

(b) a record or other document is provided to the Commissioners as evidence for the claim; and

(c) the record or document is incorrect.

(2) The person who provided the document to the Commissioners, and any person who provided it to anyone else with a view to its being used as evidence for a claim for a tax credit, shall be liable to a penalty.

(3) The amount of the penalty shall be equal to 105 per cent of the difference between—

(a) the amount of tax credit that would have been due on the claim if the record or document had been correct, and

(b) the amount (if any) of tax credit actually due on the claim.

(4) The providing of a record or other document shall not give rise to a penalty under this paragraph if the person who provided it satisfies the Commissioners or, on appeal, an appeal tribunal that there is a reasonable excuse for his having provided it.

(5) Where by reason of providing a record or other document—

(a) a person is convicted of an offence (whether under this Act or otherwise), or

(b) a person is assessed to a penalty under paragraph 7 or 9 above,

that person shall not by reason of the providing of the record or document be liable also to a penalty under this paragraph.".

(6) This section shall be deemed to have come into force on 1st May 2002.

VALID FROM 24/07/2002

PART 6

MISCELLANEOUS AND SUPPLEMENTARY PROVISIONS

Recovery of taxes etc due in other member States

134 Recovery of taxes etc due in other member States

(1) Schedule 39 to this Act has effect with respect to the recovery in the United Kingdom of amounts in respect of which a request for enforcement has been made in accordance with the Mutual Assistance Recovery Directive by an authority in another member State.

(2) The "Mutual Assistance Recovery Directive" means Council Directive 76/308/EEC, as amended by Council Directive 2001/44/EC.

(3) No obligation of secrecy imposed by statute or otherwise precludes a tax authority in the United Kingdom—

(a) from disclosing information to another tax authority in the United Kingdom in connection with a request for enforcement made by the competent authority of another member State;

(b) from disclosing information that is required to be disclosed to the competent authority of another member State by virtue of the Mutual Assistance Recovery Directive;

(c) from disclosing information for the purposes of a request made by the tax authority under that Directive for the enforcement in another member State of an amount claimed by the authority in the United Kingdom.

(4) In subsection (3) "tax authority in the United Kingdom" means—

(a) the Commissioners of Customs and Excise,

(b) the Commissioners of Inland Revenue, or

(c) in relation to agricultural levies of the European Community within the meaning of section 6 of the European Communities Act 1972 (c. 72), any relevant Minister within the meaning of that section.

(5) Subsection (3)(a) does not apply in relation to disclosure by the Commissioners of Inland Revenue to a relevant Minister.

(6) The Treasury may by regulations make such provision as appears to them appropriate for the purpose of giving effect to any future amendments of the Mutual Assistance Recovery Directive.

The regulations may amend, replace or repeal any of the provisions of subsections (1) to (4) above or of Schedule 39.

(7) Regulations under subsection (6) shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.

Mandatory e-filing

135 Mandatory e-filing

(1) The Commissioners of Inland Revenue ("the Commissioners") may make regulations requiring the use of electronic communications for the delivery by specified persons of specified information required or authorised to be delivered by or under legislation relating to a taxation matter.

(2) Regulations under this section may make provision—

(a) as to the electronic form to be taken by information delivered to the Inland Revenue using electronic communications;

(b) requiring persons to prepare and keep records of information delivered to Inland Revenue by means of electronic communications;

(c) for the production of the contents of records kept in accordance with the regulations;

(d) as to conditions that must be complied with in connection with the use of electronic communications for the delivery of information;

(e) for treating information as not having been delivered unless conditions imposed by any of the regulations are satisfied;

(f) for determining the time at which and person by whom information is to be taken to have been delivered;

(g) for authenticating whatever is delivered.

(3) Regulations under this section may also make provision (which may include provision for the application of conclusive or other presumptions) as to the manner of proving for any purpose—

(a) whether any use of electronic communications is to be taken as having resulted in the delivery of information;

(b) the time of delivery of any information for the delivery of which electronic communications have been used;

(c) the person by whom information delivered by means of electronic communications was delivered;

(d) the contents of anything so delivered;

(e) the contents of any records;

(f) any other matter for which provision may be made by regulations under this section.

(4) Regulations under this section may—

(a) allow any authorisation or requirement for which the regulations may provide to be given or imposed by means of a specific or general direction given by the Commissioners;

(b) provide that the conditions of any such authorisation or requirement are to be taken to be satisfied only where the Inland Revenue are satisfied as to specified matters;

(c) allow a person to refuse to accept delivery of information in an electronic form or by means of electronic communications except in such circumstances as may be specified in or determined under the regulations;

(d) allow or require use to be made of intermediaries in connection with—

(i) the delivery of information by means of electronic communications; or

(ii) the authentication or security of anything transmitted by any such means.

(5) Regulations under this section may contain provision—

(a) requiring the Inland Revenue to notify persons appearing to them to be, or to have become, a person of a specified description and accordingly required to use electronic communications for any purpose in accordance with the regulations,

(b) enabling a person so notified to have the question whether he is a person of such a description determined in the same way as an appeal.

(6) Regulations under this section may provide—

(a) that information delivered by means of electronic communications must meet standards of accuracy and completeness set by specific or general directions given by the Commissioners, and

(b) that failure to meet those standards may be treated—

(i) as a failure to deliver the information, or

(ii) as a failure to comply with the requirements of the regulations.

(7) The power to make provision by regulations under this section includes power—

(a) to provide for a contravention of, or any failure to comply with, the regulations to attract a penalty of a specified amount not exceeding £3,000;

(b) to provide that specified enactments relating to penalties imposed for the purposes of any taxation matter (including enactments relating to assessments, review and appeal) apply, with or without modifications, in relation to penalties under the regulations;

(c) to make different provision for different cases;

(d) to make such incidental, supplemental, consequential and transitional provision in connection with any provision contained in any of the regulations as the Commissioners think fit.

(8) References in this section to the delivery of information include references to any of the following (however referred to)—

(a) the production or furnishing to a person of any information, account, record or document;

(b) the giving, making, issue or surrender to, or service on, any person of any notice, notification, statement, declaration, certificate or direction;

(c) the imposition on any person of any requirement or the issue to any person of any request;

(d) the making of any return, claim, election or application;

(e) the amendment or withdrawal of anything mentioned in paragraphs (a) to (d) above.

(9) Regulations under this section shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.

(10) In this section—

"the Inland Revenue" means—

(a) the Commissioners,

(b) any officer of the Commissioners, or

(c) any other person who for the purposes of electronic communications is acting under the authority of the Commissioners;

"legislation" means any enactment, Community legislation or subordinate legislation;

"specified" means specified by or under regulations under this section;

"subordinate legislation" has the same meaning as in the Interpretation Act 1978 (c. 30);

"taxation matter" means a taxation matter within the care and management of the Commissioners.

136 Use of electronic communications under other provisions

(1) Any power to make subordinate legislation for or in connection with the delivery of information conferred in relation to a taxation matter on—

(a) the Commissioners of Inland Revenue, or

(b) the Treasury,

includes power to make any such provision in relation to the delivery of that information as could be made in exercise of the power conferred by section 135.

(2) Provision made in exercise of the powers conferred by section 135 or subsection (1) above has effect notwithstanding so much of any enactment or subordinate legislation as would otherwise—

(a) allow information to be delivered otherwise than by means of electronic communications, or

(b) preclude the use of an intermediary in connection with its delivery.

(3) Expressions used in this section and section 135 have the same meaning in this section as in that section.

(4) Nothing in this section shall be read as restricting the generality of the power conferred by section 135.

Lorry road-user charge

137 Lorry road-user charge

(1) A tax, to be known as lorry road-user charge, shall be charged in respect of use of roads by lorries.

(2) The persons by whom lorry road-user charge shall be payable, the rates at which it shall be charged, and the lorries, roads and use in respect of which it shall be charged, shall be such as Parliament may determine.

(3) The amount of lorry road-user charge charged in respect of use of any roads by a lorry shall be calculated, in such manner as Parliament may determine, by reference to the distance travelled on those roads by the lorry.

(4) Lorry road-user charge shall be under the care and management of such Minister of the Crown or government department, and shall be administered and enforced in accordance with such provisions, as Parliament may determine.

(5) All money and securities for money collected or received for or on account of lorry road-user charge shall be paid into the Consolidated Fund.

(6) Subsection (5) does not apply if Parliament entrusts the care and management of lorry road-user charge to the Commissioners of Customs and Excise or the Commissioners of Inland Revenue (but see, in particular, section 10 of the Exchequer and Audit Departments Act 1866 as regards the revenues of the departments of those Commissioners).

(7) A Minister of the Crown, or a government department, may incur expenditure for preparing for the introduction of lorry road-user charge.

Registers of UK gilts

138 Authority of Bank of England to discharge functions in place of Bank of Ireland

(1) The Bank of England has authority, in the event of the Bank of Ireland ceasing to perform any of its functions in relation to United Kingdom government stock, to discharge any of the Bank of Ireland's functions in relation to such stock in place of the Bank of Ireland.

(2) The enactments relating to United Kingdom government stock have effect in relation to anything done in the circumstances mentioned in subsection (1) for the purposes of discharging any such functions—

(a) as if any reference to the Bank of Ireland were a reference to the Bank of England, and

(b) as if any reference to an officer of the Bank of Ireland were a reference to the corresponding officer of the Bank of England.

(3) In particular, sections 59 and 66 of the National Debt Act 1870 (c. 71) (provisions protecting the Bank and its officers from liability) apply to the Bank of England and to officers of that Bank in relation to anything done in the circumstances mentioned in subsection (1) above for the purposes of discharging any functions of the Bank of Ireland in relation to United Kingdom government stock.

(4) In this section—

"enactment" includes an enactment contained in subordinate legislation within the meaning of the Interpretation Act 1978 (c. 30);

"United Kingdom government stock" means stock or bonds of any of the descriptions included in Part 1 of Schedule 11 to the Finance Act 1942 (c. 21) (whether on or after the passing of this Act).

(5) This section shall be deemed always to have had effect.

139 Closure of UK gilts registers kept in Ireland

(1) The Treasury may by order made by statutory instrument provide—

(a) that no further stock or bonds may be registered in either of the Irish gilts registers on or after such day as the order may appoint ("the appointed day"), and

(b) for the transfer to the English gilts register of the entries subsisting in each of those registers at the beginning of the appointed day.

(2) The power conferred by subsection (1)(b) includes power to make provision in relation to stock and bonds which were not registered in either of the Irish gilts registers on the appointed day, but which should have been.

(3) An order under this section may contain such consequential, incidental, supplementary and transitional provision as appears to the Treasury to be necessary or expedient, including provision amending, repealing or revoking any enactment.

(4) In subsection (3) "enactment" means any enactment contained in—

(a) an Act, whenever passed, or

(b) an instrument, whenever made, under an Act, whenever passed.

(5) In this section—

"the English gilts register" is the register required to be kept at the office of the Chief Registrar of the Bank of England under section 47 of the Finance Act 1942 (c. 21) (registration of government stock); and

"the Irish gilts registers" are—

(a) the register required to be kept in Belfast under that section, and

(b) the register required to be kept in Dublin under that section.

(6) A statutory instrument containing an order under this section is subject to annulment in pursuance of a resolution of the House of Commons.

VALID FROM 11/03/2004

140 Administration of UK gilts

(1) In section 47 of the Finance Act 1942 (transfer and registration of government stock)—

(a) for subsection (1)(b) (power to provide for the keeping of stock and bond registers by the Banks of England and Ireland) substitute—

"(b) for the administration of such stock and bonds (including the registration of holders) by such one or more persons

as the Treasury may appoint in accordance with the regulations and the closure of any register;",

and

(b) after subsection (1E) insert—

"(1EA) Persons appointed in accordance with regulations under subsection (1)(b) shall be appointed on such terms (including terms as to the making of payments by the Treasury) as the Treasury consider appropriate, and the persons who may be so appointed include the Bank of England.".

(2) The Treasury may by order made by statutory instrument make such consequential, incidental, supplementary and transitional provision as appears to the Treasury to be necessary or expedient in consequence of the amendments made by subsection (1), including provision amending, repealing or revoking any enactment.

(3) In subsection (2) "enactment" means any enactment contained in—

(a) an Act, whenever passed, or

(b) an instrument, whenever made, under an Act, whenever passed.

(4) A statutory instrument containing an order under subsection (2) is subject to annulment in pursuance of a resolution of the House of Commons.

(5) Sums payable by the Treasury by virtue of section 47(1EA) of the Finance Act 1942 (c. 21) (as inserted by subsection (1) above) shall be met out of the National Loans Fund with recourse to the Consolidated Fund.

(6) This section shall come into force on such day as the Treasury may by order made by statutory instrument appoint.

Supplementary

141 Repeals

(1) The enactments mentioned in Schedule 40 to this Act (which include provisions that are spent or of no practical utility) are repealed to the extent specified.

(2) The repeals specified in that Schedule have effect subject to the commencement provisions and savings contained or referred to in the notes set out in that Schedule.

142 Interpretation

In this Act "the Taxes Act 1988" means the Income and Corporation Taxes Act 1988 (c. 1).

143 Short title

This Act may be cited as the Finance Act 2002.

SCHEDULES

VALID FROM 01/06/2002

SCHEDULE 1

Section 4

BEER FROM SMALL BREWERIES: REDUCED RATE OF DUTY

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 2

Section 5

HYDROCARBON OIL DUTIES: MINOR AND CONSEQUENTIAL AMENDMENTS RELATING TO BIODIESEL

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 3

Section 6

HYDROCARBON OIL DUTIES: REBATED HEAVY OIL ETC

. . . . . .

SCHEDULE 4

Section 12

POOL BETTING DUTY ETC

PART 1

AMENDMENTS OF THE BETTING AND GAMING DUTIES ACT 1981

1 The Betting and Gaming Duties Act 1981 (c. 63) is amended as follows.

2 For sections 6 to 8 (pool betting duty: charge, rate and payment) substitute—

"Pool betting duty

6 The duty

A duty of excise to be known as pool betting duty shall be charged in accordance with sections 7 to 8C.

7 Duty charged on net pool betting receipts

(1) If the amount of a person's net pool betting receipts for an accounting period is greater than zero, pool betting duty is charged on those receipts.

(2) The amount of that duty is 15 per cent of the amount of the receipts.

7A Calculating net pool betting receipts

For the purposes of section 7, the amount of a person's net pool betting receipts for an accounting period is—

7B Net pool betting receipts: meaning of "dutiable pool bet"

(1) For the purposes of a calculation under section 7A of the amount of a person's net pool betting receipts for any accounting period, a bet (wherever made) is a "dutiable pool bet" if—

(a) the bet is made by way of pool betting, and

(b) the following conditions are satisfied.

(2) The first condition is that—

(a) the bet is made by means of a totalisator situated in the United Kingdom and that person is the operator, or

(b) the bet is made otherwise than by means of a totalisator and that person is the promoter and is in the United Kingdom.

(3) The second condition is that the bet is not—

(a) made by way of sponsored pool betting,

(b) made as mentioned in section 4(3), or

(c) made for community benefit.

(4) The third condition is that if the bet was made before 31st March 2002, at least one event to which it relates takes place on or after that date.

7C Net pool betting receipts: calculating stake money

(1) This section applies for the purpose of calculating S in a calculation under section 7A.

(2) Any payment that entitles a person to make a bet shall, if he makes the bet, be treated as stake money on the bet.

(3) All payments made—

(a) for or on account of or in connection with bets that are dutiable pool bets for the purposes of the calculation,

(b) in addition to the stake money, and

(c) by the persons making the bets,

shall be treated as amounts due in respect of the bets except in so far as the contrary is proved by the person whose net pool betting receipts are being calculated.

7D Net pool betting receipts: when stakes etc fall due

(1) Subsections (2) to (5) apply for the purpose of calculating S in a calculation under section 7A but have effect subject to any regulations under subsection (6).

(2) Where—

(a) a person makes a bet, and

(b) the bet relates to a single event, or to two or more events all taking place on the same day,

any sum due to a person in respect of the bet shall be treated as falling due on the day on which the event or events take place.

(3) Where—

(a) a person makes a bet, and

(b) subsection (2) does not apply,

any sum due to a person in respect of the bet shall (subject to subsection (5)) be treated as falling due when the bet is made.

(4) Subsections (2) and (3) have effect in relation to a sum irrespective of when it is actually paid or required to be paid (even where a sum that those subsections require to be treated as falling due on or after 31st March 2002 was actually paid, or required to be paid, before that date).

(5) As respects a bet made before 31st March 2002 that relates to events at least one of which takes place before that date and at least one of which takes place on or after that date, any sum paid on or after that date in respect of the bet shall be treated as falling due when it is paid.

(6) The Commissioners may by regulations make provision as to when any sum due to a person in respect of a bet is to be treated as falling due for the purpose of calculating S in a calculation under section 7A.

(7) Provision made by regulations under subsection (6) may not provide for a sum due to a person in respect of a bet to be treated as falling due—

(a) earlier than when the bet is made, or

(b) later than when the bet is determined.

(8) Regulations made under subsection (6) may—

(a) make provision that applies generally or only in relation to a specified description of bet;

(b) make different provision for different purposes;

(c) make provision relating to bets made before the regulations are made (including bets made before the passing of the Finance Act 2002);

(d) make transitional provision.

7E Net pool betting receipts: expenses and profits

(1) Subsections (2) and (3) apply for the purpose of calculating E in a calculation under section 7A.

(2) The expenses and profits falling within this subsection are (subject to subsection (3))—

(a) those of the person whose net pool betting receipts are being calculated, and

(b) those of any other person concerned with or benefiting from the promotion of the betting concerned.

(3) Expenses and profits do not fall within subsection (2) so far as they are—

(a) provided out of amounts due, in respect of bets that are dutiable pool bets for the purposes of the calculation, to the person whose net pool betting receipts are being calculated, or

(b) referable to matters other than—

(i) the promotion or management of the betting concerned, or

(ii) activities ancillary to, or connected with, such promotion or management.

(4) The Commissioners may by regulations make provision as to the accounting period to which expenses and profits falling within subsection (2) are to be treated as attributable for the purpose of calculating E in a calculation under section 7A.

(5) Regulations made under subsection (4) may—

(a) make provision that applies generally or only in relation to a specified description of bet;

(b) make different provision for different purposes;

(c) make provision applying in respect of expenses incurred, and profits accruing, before the regulations are made (including any incurred or accruing before the passing of the Finance Act 2002);

(d) make transitional provision.

7F Net pool betting receipts: calculating winnings

(1) Subsections (2) to (5) apply for the purpose of calculating W in a calculation under section 7A.

(2) The reference to paying an amount to a person includes a reference to holding it in an account if the person is notified that the amount is being held for him in the account and that he is entitled to withdraw it on demand.

(3) The return of a stake shall be treated as a payment by way of winnings.

(4) Only payments of money shall be taken into account.

(5) Where a bet made before 31st March 2002 relates to events at least one of which takes place before that date and at least one of which takes place on or after that date, no account shall be taken of any payment by way of winnings on the bet.

(6) The Commissioners may by regulations make provision as to when amounts paid by way of winnings are to be treated as being paid for the purposes of calculating W in a calculation under section 7A.

(7) Regulations made under subsection (6) may—

(a) make provision that applies generally or only in relation to a specified description of bet;

(b) make different provision for different purposes;

(c) make provision applying in respect of amounts paid before the regulations are made (including amounts paid before the passing of the Finance Act 2002);

(d) make transitional provision.

8 Payment and recovery

(1) Pool betting duty charged on a person's net pool betting receipts for an accounting period—

(a) becomes due at the end of the period,

(b) shall be paid by the person, and

(c) shall, subject to any regulations under subsection (3) and any directions under paragraph 3 of Schedule 1 to this Act, be paid when it becomes due.

(2) Pool betting duty that is due to be paid may be recovered from the following persons as if they were jointly and severally liable to pay the duty—

(a) the person on whose net pool betting receipts the duty is charged ("the primary payer");

(b) a person responsible for the management of any business in the course of which any bets have been made that are dutiable pool bets for the purposes of calculations under section 7A of the amount of the primary payer's net pool betting receipts for any accounting period;

(c) a person responsible for the management of any totalisator used for the purposes of any such business;

(d) where a person within any of paragraphs (a) to (c) is a company, a director.

(3) The Commissioners may by regulations—

(a) make provision as to when pool betting duty is to be paid (including provision repealing paragraph 3 of Schedule 1 to this Act and the reference to that paragraph in subsection (1)(c));

(b) make provision as to how pool betting duty is to be paid.

(4) Regulations made under subsection (3) may—

(a) make provision that applies generally or only in relation to a specified person or class of person;

(b) make different provision for different purposes;

(c) make transitional provision.

8A Meaning of "bet made for community benefit" in sections 6 to 8

(1) For the purposes of sections 6 to 8 (but subject to any direction under subsection (3)), a bet is made "for community benefit" if—

(a) the promoter of the betting concerned is a community society or is bound to pay all benefits accruing from the betting to such a society, and

(b) the person making the bet knows, when making it, that the purpose of the betting is to benefit such a society.

(2) In the case of a bet made by means of a totalisator, the reference in subsection (1) to the promoter of the betting concerned is a reference to the operator.

(3) The Commissioners may direct that any bet specified by the direction, or of a description so specified, is not a bet made for community benefit.

(4) The power conferred by subsection (3) may not be exercised unless the Commissioners consider that an unreasonably large part of the amounts paid in respect of the bets concerned will, or may, be applied otherwise than—

(a) in the payment of winnings, or

(b) for the benefit of a community society.

(5) In this section "community society" means—

(a) a society established and conducted for charitable purposes only, or

(b) a society established and conducted wholly or mainly for the support of athletic sports or athletic games and not established or conducted for purposes of private gain.

(6) In this section "society" includes any club, institution, organisation or association of persons, by whatever name called.

8B Meaning of "accounting period" in sections 6 to 8

(1) For the purposes of sections 6 to 8—

(a) each period that ends with the last Saturday in a calendar month, and begins with the Sunday immediately following the previous such Saturday, is an accounting period, but

(b) the Commissioners may by regulations make provision for some other specified period to be an accounting period.

(2) Regulations made under subsection (1)(b) may—

(a) make provision that applies generally or only in relation to a specified person or class of person;

(b) make different provision for different purposes;

(c) make transitional provision.

8C Meaning of "bet" in sections 6 to 8A

(1) For the purposes of sections 6 to 8A, "bet" does not include the taking of a ticket or chance in a lottery.

(2) Where payments are made for the chance of winning any money or money's worth on terms under which the persons making the payments have a power of selection that may (directly or indirectly) determine the winner, those payments shall be treated as bets for the purposes of sections 6 to 8A notwithstanding that the power is not exercised.

(3) Subsection (2) has effect subject to section 12(3).

(4) Where any payment entitles a person to take part in a transaction that is, on his part only, not a bet made by way of pool betting by reason of his not in fact making any stake as if the transaction were such a bet, the transaction shall be treated as such a bet for the purposes of pool betting duty (and section 7C(3) shall apply to any such payment).".

Commencement Information

I7 Sch. 4 para. 2 wholly in force; Sch. 4 para. 2 in force at 31.3.2002 for specified purposes, otherwise in force at 24.7.2002, see. s. 12(5)(7)(a)(8)

3 In section 2(2) (bets to which section 2(1) does not apply)—

(a) in paragraph (b), after "bet," insert " or ", and

(b) omit paragraph (d) and the word "or" preceding it.

4 In section 4(6) (bets to which subsections (1) to (3) do not apply), for the words from "do not apply" to the end substitute " do not apply to on-course bets. ".

VALID FROM 24/04/2002

5 In section 9(2) (bets to which section applies), omit "or coupon betting" (in both places).

6 In section 9(3) (bets to which section does not apply)—

(a) in paragraph (a), omit "or coupon betting",

(b) for sub-paragraphs (i) to (iv) of paragraph (a) substitute—

"(i) the bet is not made by means of a totalisator, and

(ii) the promoter is in the Isle of Man; or",

and

(c) in paragraph (aa)(i), omit "or coupon betting".

Commencement Information

I8 Sch. 4 para. 6 wholly in force; Sch. 4 para. 6(b) in force at 31.3.2002; Sch. 4 para. 6(a)(c) in force at 24.4.2002, see s. 12(5)(6)

VALID FROM 24/04/2002

7 For section 9(6) substitute—

"(6) Section 8C(1) to (3) above shall have effect for the purposes of subsections (2)(a) and (5) above as it has effect for the purposes of sections 6 to 8A above.".

VALID FROM 24/04/2002

8 Omit section 11 (definition of coupon betting).

VALID FROM 24/04/2002

9 In section 12(3) (interpretation of sections 1 to 10 etc), omit "(except in sections 6, 7, 8, 9(2)(a) and 9(5) in their application to coupon betting)".

VALID FROM 24/04/2002

10 (1) Schedule 1 (administration etc of betting duties) is amended as follows.

(2) In paragraph 1, in the definition of "pool betting business", at the end insert " or would or might involve such sums becoming so payable if receipts from bets made for community benefit (as defined by section 8A of this Act) were not excluded from that duty. ".

(3) After paragraph 2 insert—

"2A (1) Pool betting duty shall be under the care and management of the Commissioners.

(2) Without prejudice to any other provision of this Schedule, the Commissioners may make regulations providing for any matter for which provision appears to them to be necessary for the administration or enforcement of pool betting duty or for the protection of the revenue from pool betting duty.

(3) Regulations under sub-paragraph (2) above may in particular—

(a) provide for payments on account of pool betting duty which may become chargeable to be made in advance;

(b) provide for the giving of security by means of a deposit or otherwise for duty due or to become due.".

(4) In paragraph 3, omit "shall be under the care and management of the Commissioners, and".

(5) In paragraph 4(2), for "sub-paragraphs (3) and (4)" substitute " sub-paragraph (3) ".

(6) Omit paragraph 4(4) to (6).

(7) In paragraph 5(1), for "made entry or given notice in accordance with paragraph 4(2) or (4)" substitute " made entry in accordance with paragraph 4(2) ".

(8) Renumber paragraph (b) of paragraph 5(2) as paragraph 5(3).

(9) In what remains of paragraph 5(2) after that renumbering, for the words from "paragraph 12(3) below, except that" to the end substitute " sub-paragraph (3) below. ".

(10) In paragraph 6(2), omit paragraph (b).

(11) Omit paragraphs 8 and 12.

(12) In paragraph 13(1)(b), after "any of paragraphs 2," insert " 2A, ".

(13) In paragraph 14(1), omit the words after paragraph (b).

(14) In paragraph 15(4), for "the said Schedule 1" substitute " Schedule 1 to the Betting, Gaming and Lotteries Act 1963 ".

Commencement Information

I9 Sch. 6 para. 10 wholly in force; Sch. 6 para. 10(1)(2)(5)-(11)(13)(14) in force at 24.4.2002; Sch. 6 para. 10(3)(4)(12) in force at 24.7.2002, see s. 12(6)(7)(b)

VALID FROM 24/04/2002

PART 2

MINOR AMENDMENTS AND TRANSITIONAL PROVISIONS

Amendment in the Excise Duties (Surcharges or Rebates) Act 1979

11 In section 1(3) of the Excise Duties (Surcharges or Rebates) Act 1979 (c. 8) (liability to duty other than pool betting duty adjusted if order under section in force when duty becomes due), omit the words from ", except that if the duty is pool betting duty" to the end.

Amendments in Schedule 5 to the Finance Act 1994

12 (1) Paragraph 6 of Schedule 5 to the Finance Act 1994 (c. 9) (decisions under the Betting and Gaming Duties Act 1981 that are subject to review and appeal) is amended as follows.

(2) In sub-paragraph (2)(a) (decisions in connection with requiring security for duty)—

(a) after "regulations under paragraph 2" insert " or 2A ", and

(b) after "in relation to general betting duty" insert " or pool betting duty ".

(3) After sub-paragraph (2) insert—

"(3) Any decision consisting in the giving of a direction under section 8A(3) of the Betting and Gaming Duties Act 1981 (pool betting duty: direction that bet is not made for community benefit).".

Commencement Information

I10 Sch. 4 para. 12 wholly in force; Sch. 4 para. 12(1)(3) in force at 24.4.2002; Sch. 4 para. 12(2) in force at 24.7.2002, see. s. 12(6)(7)(b)

Duty charged before 31st March 2002

13 (1) If—

(a) stake money is paid before 31st March 2002 in respect of a bet to which this paragraph applies, and

(b) pool betting duty charged on that money before that date is not paid before 24th April 2002,

that duty ceases on 24th April 2002 to be charged on that money.

(2) If—

(a) stake money is paid before 31st March 2002 in respect of such a bet, and

(b) pool betting duty charged on that money before that date is paid before 24th April 2002,

the person who paid that duty becomes entitled on 24th April 2002 to a credit equal to the amount of the duty.

(3) Effect is given to such a credit by setting it (until fully utilised) against pool betting duty that the person is liable to pay in respect of accounting periods for the purposes of pool betting duty that begin on or after 31st March 2002 (taking earlier such periods before later ones).

(4) Such a credit does not—

(a) carry interest,

(b) affect the payability of the duty mentioned in sub-paragraph (2), or

(c) entitle any person to any payment in respect of the credit.

(5) This paragraph applies to a bet if—

(a) it is a dutiable pool bet for the purposes of a calculation, under the section 7A of the Betting and Gaming Duties Act 1981 inserted by this Schedule, of the amount of a person's net pool betting receipts for any accounting period, and

(b) it is made before 31st March 2002 but all the events to which it relates take place on or after that date.

Notifications under paragraph 4(4) of Schedule 1 to that Act of premises used in connection with coupon betting

14 Any notification under paragraph 4(4) of Schedule 1 to the Betting and Gaming Duties Act 1981 (c. 63) (duty to notify premises used for purposes of pool betting business in connection only with coupon betting) that is effective immediately before 24th April 2002 shall on and after that date have effect (until withdrawn) as a notification made on 31st March 2002 under paragraph 4(3) of that Schedule (duty to notify premises used for purposes of betting business in connection only with general betting).

VALID FROM 24/07/2002

SCHEDULE 5

Section 19

VEHICLE EXCISE DUTY: REGISTERED VEHICLES ETC

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 6

Section 37

MINOR AMENDMENTS TO SCHEDULE E CHARGE

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 7

Section 43

CHARGEABLE GAINS: ROLL-OVER OF DEGROUPING CHARGE: MODIFICATION OF ENACTMENTS

The following Schedule is inserted after Schedule 7AA to the Taxation of Chargeable Gains Act 1992 (c. 12)—

"SCHEDULE 7AB

ROLL-OVER OF DEGROUPING CHARGE: MODIFICATION OF ENACTMENTS

Introductory

1 (1) This Schedule sets out how sections 152 and 153 and other related enactments are modified for the purposes of section 179B (roll-over of degrouping charge on business assets).

(2) In the enactments as so modified—

"company A" and "company B" have the same meanings as in section 179;

"relevant asset" means the asset mentioned in section 179B(1);

"deemed sale" means the sale of the relevant asset that is treated as taking place by virtue of section 179(3) or (6);

"deemed sale consideration" means the amount for which company A is treated as having sold the relevant asset;

"time of accrual" means—

(a) in a case where section 179(3) applies, the time at which, by virtue of section 179(4), the gain or loss accruing on the deemed sale is treated as accruing to company A;

(b) in a case where section 179(6) applies, the latest time at which the company satisfies the conditions in section 179(7).

Section 152

2 (1) For subsection (1) of section 152 (roll-over relief) substitute—

(") If—

(a) company B was carrying on a trade at the time when it disposed of the relevant asset to company A,

(b) the relevant asset was used, and used only, for the purposes of that trade throughout the period when it was owned by company B,

(c) an amount that is not less than the deemed sale consideration is applied by company A in acquiring other assets, or an interest in other assets ("the new assets"),

(d) on acquisition the new assets are taken into use, and used only, for the purposes of a trade carried on by company A,

(e) both the relevant asset and the new assets are within the classes of assets listed in section 155, and

(f) company A makes a claim as respects the amount applied as mentioned in paragraph (c),

company A shall be treated for the purposes of this Act as if the deemed sale consideration were (if otherwise of a greater amount) reduced to such amount as would secure that neither a gain nor a loss accrues to the company in respect of the deemed sale.

(1A) Where subsection (1) applies, company A shall be treated for the purposes of this Act as if the amount or value of the consideration for the acquisition of, or of the interest in, the new assets were reduced by the same amount as the amount of the reduction under that subsection.

(1B) Subsection (1) does not affect the value at which company A is treated by virtue of section 179 as having reacquired the relevant asset.

(1C) Subsection (1A) does not affect the treatment for the purposes of this Act of the other party to the transaction involving the new assets. ".

(2) In subsection (2) of that section (application of subsection (1) where old assets held on 6th April 1965)—

(a) for "subsection (1)(a)" substitute "subsection (1)";

(b) for "subsection (1)(b)" substitute "subsection (1A)".

(3) In subsection (3) of that section (reinvestment period), for "after the disposal of, or of the interest in, the old assets" substitute "after the time of accrual".

(4) In subsection (5) of that section (new assets must be acquired for purposes of trade), for "the trade" substitute "the trade carried on by company A".

(5) In subsection (6) of that section (apportionment where part of building etc not used for purposes of trade), omit "or disposal" and insert at the end "or of the deemed sale consideration".

(6) After that subsection insert—

(") In subsection (6) "period of ownership", in relation to the relevant asset, means the period during which the asset was owned by company B. ".

(7) In subsection (7) of that section (apportionment where old assets not used for purposes of trade throughout period of ownership)—

(a) for the words from the beginning to "period of ownership" substitute "If the relevant asset was not used for the purposes of the trade carried on by company B throughout the period during which it was owned by that company";

(b) for the words from "or disposal" to the end substitute "of the asset or of the deemed sale consideration".

(8) In subsection (9) of that section ("period of ownership" does not include period before 31st March 1982), for " "period of ownership" does not" substitute "the references to the period during which the relevant asset was owned by company B do not".

(9) In subsection (11) of that section (apportionment of consideration for assets not all of which are subject of claim), omit "or disposal" and insert at the end "; and similarly in relation to the deemed sale consideration".

Section 153

3 For subsection (1) of section 153 (assets only partly replaced) substitute—

(") If—

(a) an amount that is less than the deemed sale consideration is applied by company A in acquiring other assets, or an interest in other assets ("the new assets"),

(b) the difference between the deemed sale consideration and the amount so applied ("the shortfall") is less than the amount of the gain (whether all chargeable gain or not) accruing on the deemed sale,

(c) the conditions in paragraphs (a), (b), (d) and (e) of section 152(1) are satisfied, and

(d) company A makes a claim as respects the amount applied as mentioned in paragraph (a) above,

company A shall be treated for the purposes of this Act as if the amount of the gain accruing as mentioned in paragraph (b) above were reduced to the same amount as the shortfall (with a proportionate reduction, if not all of that gain is chargeable gain, in the amount of the chargeable gain).

(1A) Where subsection (1) applies, company A shall be treated for the purposes of this Act as if the amount or value of the consideration for the acquisition of, or of the interest in, the new assets were reduced by the amount by which the gain is reduced (or as the case may be the amount by which the chargeable gain is proportionately reduced) under that subsection.

(1B) Subsection (1) does not affect the value at which company A is treated by virtue of section 179 as having reacquired the relevant asset.

(1C) Subsection (1A) does not affect the treatment for the purposes of this Act of the other party to the transaction involving the new assets. ".

Section 153A

4 (1) In subsection (1) of section 153A (provisional application of sections 152 and 153)—

(a) for the words from "a person" to "takes place" substitute "company A declares, in its return for the chargeable period in which the time of accrual falls";

(b) for "the trade" substitute "a trade carried on by company A";

(c) for "the whole or any specified part of the consideration" substitute "an amount equal to the deemed sale consideration or any specified part of that amount".

(2) In subsection (5) of that section (meaning of "relevant day"), for paragraphs (a) and (b) substitute "the fourth anniversary of the last day of the accounting period of company A in which the time of accrual falls".

Section 155

5 In section 155 (relevant classes of assets), in Head A of Class 1, after paragraph 2 insert— "In Head A "the trade" means—

(a) for the purposes of determining whether the relevant asset is within this head, the trade carried on by company B;

(b) for the purposes of determining whether the new assets are within this head, the trade carried on by company A. ".

Section 159

6 (1) In subsection (1) of section 159 (new assets must be chargeable assets), for the words from "in the case of a person" to the second "in relation to him" substitute "if the relevant asset (or, as the case may be, the property mentioned in section 179(3)(b)) is a chargeable asset in relation to company A at the time of accrual, unless the new assets are chargeable assets in relation to that company".

(2) In subsection (2) of that section (subsection (1) not to apply where new assets acquired by UK resident after disposal of old ones)—

(a) for paragraph (a) substitute—

(") company A acquires the new assets after the time of accrual, and ";

(b) in paragraph (b) for "the person" substitute "that company".

(3) In subsection (3) of that section (subsection (2) not to apply in certain cases where new assets acquired by dual resident), for "the person" substitute "company A".

(4) In subsection (6) of that section (definitions)—

(a) in paragraph (a) for " "the old assets" and "the new assets" have the same meanings" substitute " "the new assets" has the same meaning";

(b) omit paragraph (b).

(5) Omit subsection (7) of that section (acquisitions before 14th March 1989).

Section 175

7 (1) In subsection (2) of section 175 (single-trade rule for group members not to apply in case of dual resident investing company)—

(a) for "the consideration for the disposal of the old assets" substitute "the amount of the deemed sale consideration";

(b) for " "the old assets" and "the new assets" have the same meanings" substitute " "the new assets" has the same meaning".

(2) In subsection (2A) of that section (claim by two group members to be treated as same person for roll-over purposes), for paragraph (a) substitute—

(") company A is a member of a group of companies at the time of accrual, ".

(3) In subsection (2AA) of that section (conditions for claim under subsection (2A))—

(a) in paragraph (a) for the words from the beginning to "chargeable assets" substitute "that company A is resident in the United Kingdom at the time of accrual, or the relevant asset (or, as the case may be, the property mentioned in section 179(3)(b)) is a chargeable asset"

(b) in paragraph (b) for "the assets" substitute "the new assets (within the meaning of section 152)".

(4) Immediately before subsection (2B) of that section (roll-over relief for group member not itself carrying on trade) insert—

(") Section 152 or 153 shall apply where—

(a) company B was not carrying on a trade at the time when it disposed of the relevant asset to company A, but was a member of a group of companies at that time, and

(b) immediately before that time the relevant asset was used, and used only, for the purposes of the trade which (in accordance with subsection (1) above) is treated as carried on by the members of the group which carried on a trade,

as if company B had been carrying on that trade. ".

(5) In subsection (2B) of that section—

(a) omit paragraph (a);

(b) in paragraph (b), for "those purposes" substitute "the purposes of the trade which (in accordance with subsection (1) above) is treated as carried on by the members of the group which carry on a trade".

(6) Omit subsection (4) of that section (acquisitions before 20th March 1990).

Section 185

8 (1) In subsection (3) of section 185 (no roll-over relief in certain cases where company acquires new assets after becoming non-resident)—

(a) omit "the company";

(b) for paragraph (a) substitute—

(") the time of accrual falls before the relevant time; and ";

(c) insert "the company" at the beginning of paragraph (b).

(2) In subsection (5) of that section (definitions), in paragraph (c) for " "the old assets" and "the new assets" have the same meanings" substitute " "the new assets" has the same meaning".

Section 198

9 (1) For subsection (1) of section 198 (replacement of business assets used in connection with oil fields) substitute—

(") If at the time of accrual the relevant asset (or, as the case may be, the property mentioned in section 179(3)(b)) was used by company A for the purposes of a ring fence trade carried on by it, section 152 or 153 shall not apply unless the new assets are on acquisition taken into use, and used only, for the purposes of that trade. ".

(2) In subsection (3) of that section (new asset conclusively presumed to be depreciating asset), for "in relation to any of the consideration on a material disposal" substitute "in a case falling within subsection (1) above".

(3) In subsection (5) of that section (definitions), omit paragraph (a).

Schedule 22 to the Finance Act 2000

10 In sub-paragraph (2) of paragraph 67 of Schedule 22 to the Finance Act 2000 (c. 17) (no roll-over relief for tonnage tax assets)—

(a) after "the disposal", in the first and third places, insert "or deemed sale";

(b) in paragraph (a) after "Asset No.1" insert "or, as the case may be, the deemed sale consideration".".

VALID FROM 24/07/2002

SCHEDULE 8

Section 44(2)

CHARGEABLE GAINS: EXEMPTIONS IN CASE OF SUBSTANTIAL SHAREHOLDING

PART 1

NEW SCHEDULE 7AC TO THE TAXATION OF CHARGEABLE GAINS ACT 1992

1 The following Schedule is inserted after Schedule 7AB to the Taxation of Chargeable Gains Act 1992 (c. 12)—

"SCHEDULE
7AC

EXEMPTIONS FOR DISPOSALS BY COMPANIES WITH SUBSTANTIAL SHAREHOLDING

PART 1

THE EXEMPTIONS

The main exemption

1 (1) A gain accruing to a company ("the investing company") on a disposal of shares or an interest in shares in another company ("the company invested in") is not a chargeable gain if the requirements of this Schedule are met.

(2) The requirements are set out in—

Part 2 (the substantial shareholding requirement), and

Part 3 (requirements to be met in relation to the investing company and the company invested in).

(3) The exemption conferred by this paragraph does not apply in the circumstances specified in paragraph 5 or the cases specified in paragraph 6.

Subsidiary exemption: disposal of asset related to shares where main exemption conditions met

2 (1) A gain accruing to a company ("company A") on a disposal of an asset related to shares in another company ("company B") is not a chargeable gain if either of the following conditions is met.

(2) The first condition is that—

(a) immediately before the disposal company A holds shares or an interest in shares in company B, and

(b) any gain accruing to company A on a disposal at that time of the shares or interest would, by virtue of paragraph 1, not be a chargeable gain.

(3) The second condition is that—

(a) immediately before the disposal company A does not hold shares or an interest in shares in company B but is a member of a group and another member of that group does hold shares or an interest in shares in company B, and

(b) if company A, rather than that other company, held the shares or interest, any gain accruing to company A on a disposal at that time of the shares or interest would, by virtue of paragraph 1, not be a chargeable gain.

(4) Where assets of a company are vested in a liquidator under section 145 of the Insolvency Act 1986 or Article 123 of the Insolvency (Northern

Ireland) Order 1989 or otherwise, this paragraph applies as if the assets were vested in, and the acts of the liquidator in relation to the assets were the acts of, the company (acquisitions from or disposals to him by the company being disregarded accordingly).

(5) The exemption conferred by this paragraph does not apply in the circumstances specified in paragraph 5 or the cases specified in paragraph 6.

Subsidiary exemption: disposal of shares or related asset where main exemption conditions previously met

3 (1) A gain accruing to a company ("company A") on a disposal of shares, or an interest in shares or an asset related to shares, in another company ("company B") is not a chargeable gain if the following conditions are met.

(2) The conditions are—

(a) that at the time of the disposal company A meets the requirement in paragraph 7 (the substantial shareholding requirement) in relation to company B;

(b) that a chargeable gain or allowable loss would, apart from this paragraph, accrue to company A on the disposal (but see sub-paragraph (3) below);

(c) that at the time of the disposal—

(i) company A is resident in the United Kingdom, or

(ii) any chargeable gain accruing to company A on the disposal would, by virtue of section 10(3), form part of that company's chargeable profits for corporation tax purposes;

(d) that there was a time within the period of two years ending with the disposal ("the relevant period") when, if—

(i) company A, or

(ii) a company that at any time in the relevant period was a member of the same group as company A,

had disposed of shares or an interest in shares in company B that it then held, a gain accruing would, by virtue of paragraph 1, not have been a chargeable gain; and

(e) that, if at the time of the disposal the requirements of paragraph 19 (requirements relating to company invested in) are not met in relation to company B, there was a time within the relevant period when company B was controlled by—

(i) company A, or

(ii) company A together with any persons connected with it, or

(iii) a company that at any time in the relevant period was a member of the same group as company A, or

(iv) any such company together with any persons connected with it.

(3) Sub-paragraph (1) does not apply if—

(a) the condition in sub-paragraph (2)(b) is met but would not be met but for a failure to meet the requirement in paragraph 18(1)(b) (requirement as to investing company to be met immediately after the disposal), and

(b) the failure to meet that requirement is not due to—

(i) the fact that company A has been wound up or dissolved, or

(ii) where the winding up or dissolution takes place as soon as is reasonably practicable in the circumstances, the fact that company A is about to be wound up or dissolved.

(4) In determining for the purpose of sub-paragraph (2)(d) whether a gain accruing on the hypothetical disposal referred to would have been a chargeable gain, the requirements of paragraph 18(1)(b) and of paragraph 19(1)(b) (requirement as to company invested in to be met immediately after the disposal) shall be assumed to be met.

(5) Where—

(a) immediately before the disposal company B holds an asset,

(b) the expenditure allowable in computing any gain or loss on that asset, were it to be disposed of by company B immediately before that disposal, would fall to be reduced because of a claim to relief under section 165 (gifts relief) in relation to an earlier disposal, and

(c) that earlier disposal took place within the relevant period,

sub-paragraph (1) does not prevent a gain accruing to company A on the disposal from being a chargeable gain but any loss so accruing is not an allowable loss.

(6) Where assets of company B are vested in a liquidator under section 145 of the Insolvency Act 1986 or Article 123 of the Insolvency (Northern Ireland) Order 1989 or otherwise, sub-paragraph (5)(a) applies as if the assets were vested in the company.

(7) In determining "the relevant period" for the purposes of sub-paragraph (2)(d) or (e) or sub-paragraph (5)(c), section 28 (time of disposal under contract) applies with the omission of subsection (2) (postponement of time of disposal in case of conditional contract).

(8) The exemption conferred by this paragraph does not apply in the circumstances specified in paragraph 5 or the cases specified in paragraph 6.

Application of exemptions in priority to provisions deeming there to be no disposal etc

4 (1) For the purposes of determining whether an exemption conferred by this Schedule applies, the question whether there is a disposal shall be determined without regard to—

(a) section 116(10) (reorganisation, conversion of securities, etc treated as not involving disposal),

(b) section 127 (share reorganisations etc treated as not involving disposal), or

(c) section 192(2)(a) (distribution not treated as capital distribution).

(2) Sub-paragraph (1) does not apply to a disposal of shares if the effect of its applying would be that relief attributable to the shares under Schedule 15 to the Finance Act 2000 (corporate venturing scheme) would be withdrawn or reduced under paragraph 46 of that Schedule (withdrawal or reduction of investment relief on disposal of shares).

(3) Where or to the extent that an exemption conferred by this Schedule does apply—

(a) the provisions mentioned in sub-paragraph (1)(a) and (b) do not apply in relation to the disposal, and

(b) the provision mentioned in sub-paragraph (1)(c) does not apply in relation to the subject matter of the disposal.

(4) Where section 127 is disapplied by sub-paragraph (3)(a) in a case in which that section would otherwise have applied in relation to the disposal by virtue of paragraph 84 of Schedule 15 to the Finance Act 2000 (corporate venturing scheme: share exchanges), paragraph 85 of that Schedule (attribution of relief to new shares) does not apply.

(5) In this paragraph any reference to section 127 includes a reference to that provision as applied by any enactment relating to corporation tax.

Circumstances in which exemptions do not apply

5 (1) Where in pursuance of arrangements to which this paragraph applies—

(a) an untaxed gain accrues to a company ("company A") on a disposal of shares, or an interest in shares or an asset related to shares, in another company ("company B"), and

(b) before the accrual of that gain—

(i) company A acquired control of company B, or the same person or persons acquired control of both companies, or

(ii) there was a significant change of trading activities affecting company B at a time when it was controlled by company A, or when both companies were controlled by the same person or persons,

none of the exemptions in this Schedule applies to the disposal.

(2) This paragraph applies to arrangements from which the sole or main benefit that (but for this paragraph) could be expected to arise is that the gain on the disposal would, by virtue of this Schedule, not be a chargeable gain.

(3) For the purposes of sub-paragraph (1)(a) a gain is "untaxed" if the gain, or all of it but a part that is not substantial, represents profits that have not been brought into account (in the United Kingdom or elsewhere) for the purposes of tax on profits for a period ending on or before the date of the disposal.

(4) The reference in sub-paragraph (3) to profits being brought into account for the purposes of tax on profits includes a reference to the case where—

(a) an amount in respect of those profits is apportioned to a company resident in the United Kingdom by virtue of subsection (3) of

section 747 of the Taxes Act 1988 (imputation of chargeable profits etc of controlled foreign companies), and

(b) a sum is chargeable on that company in respect of that amount by virtue of subsection (4) of that section for an accounting period of that company ending on or before the date of the disposal.

(5) For the purposes of sub-paragraph (1)(b)(ii) there is a "significant change of trading activities affecting company B" if—

(a) there is a major change in the nature or conduct of a trade carried on by company B or a 51% subsidiary of company B, or

(b) there is a major change in the scale of the activities of a trade carried on by company B or a 51% subsidiary of company B, or

(c) company B or a 51% subsidiary of company B begins to carry on a trade.

(6) In this paragraph—

"arrangements" includes any scheme, agreement or understanding, whether or not legally enforceable;

"major change in the nature or conduct of a trade" has the same meaning as in section 768 of the Taxes Act (change of ownership of company: disallowance of trading losses);

"profits" means income or gains (including unrealised income or gains).

Other cases excluded from exemptions

6 (1) The exemptions conferred by this Schedule do not apply—

(a) to a disposal that by virtue of any enactment relating to chargeable gains is deemed to be for a consideration such that no gain or loss accrues to the person making the disposal,

(b) to a disposal a gain on which would, by virtue of any enactment not contained in this Schedule, not be a chargeable gain, or

(c) to a deemed disposal under section 440(1) or (2) of the Taxes Act (deemed disposal on transfer of asset of insurance company from one category to another).

(2) The hypothetical disposal referred to in paragraph 2(2)(b) or (3)(b) or paragraph 3(2)(d) shall be assumed not to be a disposal within sub-paragraph (1)(a), (b) or (c) above.

PART 2THE SUBSTANTIAL SHAREHOLDING REQUIREMENT

The requirement

7 The investing company must have held a substantial shareholding in the company invested in throughout a twelve-month period beginning not more than two years before the day on which the disposal takes place.

Meaning of "substantial shareholdin"g

8 (1) For the purposes of this Schedule a company holds a "substantial shareholding" in another company if it holds shares or interests in shares in that company by virtue of which—

(a) it holds not less than 10% of the company's ordinary share capital,

(b) it is beneficially entitled to not less than 10% of the profits available for distribution to equity holders of the company, and

(c) it would be beneficially entitled on a winding up to not less than 10% of the assets of the company available for distribution to equity holders.

This is without prejudice to what is meant by "substantial" where the word appears in other contexts.

(2) Schedule 18 to the Taxes Act 1988 (meaning of equity holder and determination of profits or assets available for distribution) applies for the purposes of sub-paragraph (1).

(3) In that Schedule as it applies for those purposes—

(a) for any reference to sections 403C and 413(7) of that Act, or either of those provisions, substitute a reference to sub-paragraph (1) above;

(b) omit the words in paragraph 1(4) from "but" to the end;

(c) omit paragraph 5(3) and paragraphs 5B to 5F; and

(d) omit paragraph 7(1)(b).

Aggregation of holdings of group companies

9 (1) For the purposes of paragraph 7 (the substantial shareholding requirement) a company that is a member of a group is treated—

(a) as holding any shares or interest in shares held by any other company in the group, and

(b) as having the same entitlement as any such company to any rights enjoyed by virtue of holding shares or an interest in shares.

(2) Sub-paragraph (1) is subject to paragraph 17(4) (exclusion of aggregation in case of assets of long-term insurance fund of insurance company).

Effect of earlier no-gain/no-loss transfer

10 (1) For the purposes of this Part the period for which a company has held shares is treated as extended by any earlier period during which the shares concerned, or shares from which they are derived, were held—

(a) by a company from which the shares concerned were transferred to the first-mentioned company on a no-gain/ no-loss transfer, or

(b) by a company from which the shares concerned, or shares from which they are derived, were transferred on a previous no-gain/ no-loss transfer—

(i) to a company within paragraph (a), or

(ii) to another company within this paragraph.

(2) For the purposes of sub-paragraph (1)—

(a) a "no-gain/no-loss transfer" means a disposal and corresponding acquisition that by virtue of any enactment relating to chargeable gains are deemed to be for a consideration such that no gain or loss accrues to the person making the disposal;

(b) a transfer shall be treated as if it had been a no-gain/no- loss transfer if it is a transfer to which subsection (1) of section 171 (transfers within a group) would apply but for subsection (3) of that section.

(3) Where sub-paragraph (1) applies to extend the period for which a company ("company A") is treated as having held any shares, that company shall be treated for the purposes of this Part as having had at any time the same entitlement—

(a) to shares, and

(b) to any rights enjoyed by virtue of holding shares,

as the company ("company B") that at that time held the shares concerned or, as the case may be, the shares from which they are derived.

(4) The shares and rights to be so attributed to company A include any holding or entitlement attributed at that time to company B under paragraph 9 (aggregation of holdings of group companies).

(5) In this paragraph, except in paragraphs (a) to (c) of sub-paragraph (6), "shares" includes an interest in shares.

(6) For the purposes of this paragraph shares are "derived" from other shares only where—

(a) a company becomes a co-owner of shares previously owned by it alone, or vice versa,

(b) a company's interest in shares as co-owner changes (without the company ceasing to be a co-owner),

(c) one holding of shares is treated by virtue of section 127 as the same asset as another, or

(d) there is a sequence of two or more of the occurrences mentioned in paragraphs (a) to (c).

The reference in paragraph (c) to section 127 includes a reference to that provision as applied by any enactment relating to corporation tax.

Effect of deemed disposal and reacquisition

11 (1) For the purposes of this Part a company is not regarded as having held shares throughout a period if, at any time during that period, there is a deemed disposal and reacquisition of—

(a) the shares concerned, or

(b) shares, or an interest in shares, from which those shares are derived.

(2) For the purposes of this Part a company is not regarded as having held an interest in shares throughout a period if, at any time during that period, there is a deemed disposal and reacquisition of—

(a) the interest concerned, or

(b) shares, or an interest in shares, from which that interest is derived.

(3) In this paragraph—

"deemed disposal and reacquisition" means a disposal and immediate reacquisition treated as taking place under any enactment relating to corporation tax;

"derived" has the same meaning as in paragraph 10.

Effect of repurchase agreement

12 (1) This paragraph applies where—

(a) a company that holds shares in another company transfers the shares under a repurchase agreement, and

(b) by virtue of section 263A(1) (agreements for sale and repurchase of securities) the disposal is disregarded for the purposes of the enactments relating to chargeable gains.

(2) During the period of the repurchase agreement—

(a) the original owner shall be treated for the purposes of this Part as continuing to hold the shares transferred and accordingly as retaining his entitlement to any rights attached to them, and

(b) the interim holder shall be treated for those purposes as not holding the shares transferred and as not becoming entitled to any such rights.

This is subject to the following qualification.

(3) If at any time before the end of the period of the repurchase agreement the original owner, or another member of the same group as the original owner, becomes the holder—

(a) of any of the shares transferred, or

(b) of any shares directly or indirectly representing any of the shares transferred,

sub-paragraph (2) does not apply after that time in relation to those shares or, as the case may be, in relation to the shares represented by those shares.

(4) In this paragraph a "repurchase agreement" means an agreement under which—

(a) a person ("the original owner") transfers shares to another person ("the interim holder") under an agreement to sell them, and

(b) the original owner or a person connected with him is required to buy them back either—

(i) in pursuance of an obligation to do so imposed by that agreement or by any related agreement, or

(ii) in consequence of the exercise of an option acquired under that agreement or any related agreement.

For the purposes of paragraph (b) agreements are related if they are entered into in pursuance of the same arrangements (regardless of the date on which either agreement is entered into).

(5) Any reference in this paragraph to the period of a repurchase agreement is to the period beginning with the transfer of the shares by the original owner to the interim holder and ending with the repurchase of the shares in pursuance of the agreement.

Effect of stock lending arrangements

13 (1) This paragraph applies where—

(a) a company that holds shares in another company transfers the shares under a stock lending arrangement, and

(b) by virtue of section 263B(2) (stock lending arrangements) the disposal is disregarded for the purposes of the enactments relating to chargeable gains.

(2) During the period of the stock lending arrangement—

(a) the lender shall be treated for the purposes of this Part as continuing to hold the shares transferred and accordingly as retaining his entitlement to any rights attached to them, and

(b) the borrower shall be treated for those purposes as not holding the shares transferred and as not becoming entitled to any such rights.

This is subject to the following qualification.

(3) If at any time before the end of the period of the stock lending arrangement the lender, or another member of the same group as the lender, becomes the holder—

(a) of any of the shares transferred, or

(b) of any shares directly or indirectly representing any of the shares transferred,

sub-paragraph (2) does not apply after that time in relation to those shares or, as the case may be, in relation to the shares represented by those shares.

(4) In this paragraph a "stock lending arrangement" means arrangements between two persons ("the borrower" and "the lender") under which—

(a) the lender transfers shares to the borrower otherwise than by way of sale, and

(b) a requirement is imposed on the borrower to transfer those shares back to the lender otherwise than by way of sale.

(5) Any reference in this paragraph to the period of a stock lending arrangement is to the period beginning with the transfer of the shares by the lender to the borrower and ending—

(a) with the transfer of the shares back to the lender in pursuance of the arrangement, or

(b) when it becomes apparent that the requirement for the borrower to make a transfer back to the lender will not be complied with.

(6) The following provisions apply for the purposes of this paragraph as they apply for the purposes of section 263B—

(a) subsections (5) and (6) of that section (references to transfer back of securities to include transfer of other securities of the same description);

(b) section 263C (references to transfer back of securities to include payment in respect of redemption).

Effect in relation to company invested in of earlier company reconstruction etc

14 (1) This paragraph applies where shares in one company ("company X")—

(a) are exchanged (or deemed to be exchanged) for shares in another company ("company Y"), or

(b) are deemed to be exchanged by virtue of section 136 for shares in company X and shares in another company ("company Y"),

in circumstances such that, under section 127 as that section applies by virtue of section 135 or 136, the original shares and the new holding are treated as the same asset.

(2) Where company Y—

(a) is the company invested in, and is accordingly the company by reference to which the requirement of paragraph 7 (the substantial shareholding requirement) falls to be met, or

(b) is a company by reference to which, by virtue of this paragraph, that requirement may be met, or

(c) is a company by reference to which, by virtue of paragraph 15 (effect of earlier demerger) that requirement may be met,

that requirement may instead be met, in relation to times before the exchange (or deemed exchange), by reference to company X.

(3) If in any case that requirement can be met by virtue of this paragraph (or by virtue of this paragraph together with paragraph 15), it shall be treated as met.

(4) In sub-paragraph (1) "original shares" and "new holding" shall be construed in accordance with sections 126, 127, 135 and 136.

Effect in relation to company invested in of earlier demerger

15 (1) This paragraph applies where shares in one company ("the subsidiary") are transferred by another company ("the parent company") on a demerger.

(2) Where the subsidiary—

(a) is the company invested in, and is accordingly the company by reference to which the requirement of paragraph 7 (the substantial shareholding requirement) falls to be met, or

(b) is a company by reference to which, by virtue of this paragraph, that requirement may be met, or

(c) is a company by reference to which, by virtue of paragraph 14 (effect of earlier company reconstruction etc), that requirement may be met,

that requirement may instead be met, in relation to times before the transfer, by reference to the parent company.

(3) If in any case that requirement can be met by virtue of this paragraph (or by virtue of this paragraph together with paragraph 14), it shall be treated as met.

(4) In this paragraph a "transfer of shares on a demerger" means a transfer such that, by virtue of section 192(2)(b), sections 126 to 130 apply as if the parent company and the subsidiary were the same company and the transfer were a reorganisation of that company's share capital not involving a disposal or acquisition.

Effect of investing company's liquidation

16 Where assets of the investing company, or of a company that is a member of the same group as the investing company, are vested in a liquidator under section 145 of the Insolvency Act 1986 or Article 123 of the Insolvency (Northern Ireland) Order 1989 or otherwise, this Part applies as if the assets were vested in, and the acts of the liquidator in relation to the assets were the acts of, the company (acquisitions from or disposals to him by the company being disregarded accordingly).

Special rules for assets of insurance company's long-term insurance fund

17 (1) In the following two cases paragraph 8(1) (meaning of substantial shareholding) has effect as if, in paragraphs (a), (b) and (c), "30%" were substituted for "10%".

(2) The first case is where the investing company is an insurance company and the disposal is of an asset of its long-term insurance fund.

(3) The second case is where—

(a) the investing company is a 51% subsidiary of an insurance company, and

(b) the insurance company holds as an asset of its long-term insurance fund shares or an interest in shares—

(i) in the investing company, or

(ii) in another company through which it owns shares in the investing company.

The reference in paragraph (b)(ii) to owning shares through another company has the same meaning as in section 838 of the Taxes Act (subsidiaries).

(4) Where the investing company is a member of a group that includes an insurance company, paragraph 9 (aggregation of holdings of group companies) does not apply in relation to shares or an interest in shares held by the insurance company as assets of its long-term insurance fund.

(5) In this paragraph "insurance company" and "long-term insurance fund" have the meanings given by section 431(2) of the Taxes Act.

PART 3 REQUIREMENTS TO BE MET IN RELATION TO INVESTING COMPANY AND COMPANY INVESTED IN

Requirements relating to the investing company

18 (1) The investing company must—

(a) have been a sole trading company or a member of a qualifying group throughout the period ("the qualifying period")—

(i) beginning with the start of the latest twelve-month period by reference to which the requirement of paragraph 7 (the substantial shareholding requirement) is met, and

(ii) ending with the time of the disposal, and

(b) be a sole trading company or a member of a qualifying group immediately after the time of the disposal.

(2) For this purpose a "qualifying group" means—

(a) a trading group, or

(b) a group that would be a trading group if the activities of any group member that is not established for profit were disregarded to the extent that they are carried on otherwise than for profit.

In determining whether a company is established for profit, no account shall be taken of any object or power of the company that is only incidental to its main objects.

(3) The requirement in sub-paragraph (1)(a) is met if the investing company was a sole trading company for some of the qualifying period and a member of a qualifying group for the remainder of that period.

(4) The requirement in sub-paragraph (1)(a) is treated as met if at the time of the disposal—

(a) the investing company is a member of a group, and

(b) there is another member of the group in relation to which that requirement would have been met if—

(i) the subject matter of the disposal had been transferred to it immediately before the disposal in circumstances in which section 171(1) (transfers within a group) applied, and

(ii) it had made the disposal.

(5) If the disposal is by virtue of section 28(1) or (2) (asset disposed of under contract) treated as made at a time before the asset is conveyed or transferred, the requirements in sub-paragraph (1)(a) and (b) must also be complied with as they would have effect if the references in those provisions and sub-paragraph (4) to the time of the disposal were to the time of the conveyance or transfer.

(6) In this paragraph a "sole trading company" means a trading company that is not a member of a group.

Requirements relating to the company invested in

19 (1) The company invested in must—

(a) have been a qualifying company throughout the period—

(i) beginning with the start of the latest twelve-month period by reference to which the requirement of paragraph 7 (the substantial shareholding requirement) is met, and

(ii) ending with the time of the disposal, and

(b) be a qualifying company immediately after the time of the disposal.

(2) For this purpose a "qualifying company" means a trading company or the holding company of a trading group or a trading subgroup.

(3) If the disposal is by virtue of section 28(1) or (2) (asset disposed of under contract) treated as made at a time before the asset is conveyed or transferred, the requirements in sub-paragraph (1)(a) and (b) must also be complied with as they would have effect if the references there to the time of the disposal were to the time of the conveyance or transfer.

Meaning of "trading compan"y

20 (1) In this Schedule "trading company" means a company carrying on trading activities whose activities do not include to a substantial extent activities other than trading activities.

(2) For the purposes of sub-paragraph (1) "trading activities" means activities carried on by the company—

(a) in the course of, or for the purposes of, a trade being carried on by it,

(b) for the purposes of a trade that it is preparing to carry on,

(c) with a view to its acquiring or starting to carry on a trade, or

(d) with a view to its acquiring a significant interest in the share capital of another company that—

(i) is a trading company or the holding company of a trading group or trading subgroup, and

(ii) if the acquiring company is a member of a group, is not a member of that group.

(3) Activities do not qualify as trading activities under sub-paragraph (2)(c) or (d) unless the acquisition is made, or (as the case may be) the company starts to carry on the trade, as soon as is reasonably practicable in the circumstances.

(4) The reference in sub-paragraph (2)(d) to the acquisition of a significant interest in the share capital of another company is to an acquisition of ordinary share capital in the other company—

(a) such as would make that company a 51% subsidiary of the acquiring company, or

(b) such as would give the acquiring company a qualifying shareholding in a joint venture company without making the two companies members of the same group.

Meaning of "trading grou"p

21 (1) In this Schedule "trading group" means a group—

(a) one or more of whose members carry on trading activities, and

(b) the activities of whose members, taken together, do not include to a substantial extent activities other than trading activities.

(2) For the purposes of sub-paragraph (1) "trading activities" means activities carried on by a member of the group—

(a) in the course of, or for the purposes of, a trade being carried on by any member of the group,

(b) for the purposes of a trade that any member of the group is preparing to carry on,

(c) with a view to any member of the group acquiring or starting to carry on a trade, or

(d) with a view to any member of the group acquiring a significant interest in the share capital of another company that—

(i) is a trading company or the holding company of a trading group or trading subgroup, and

(ii) is not a member of the same group as the acquiring company.

(3) Activities do not qualify as trading activities under sub-paragraph (2)(c) or (d) unless the acquisition is made, or (as the case may be) the group member in question starts to carry on the trade, as soon as is reasonably practicable in the circumstances.

(4) The reference in sub-paragraph (2)(d) to the acquisition of a significant interest in the share capital of another company is to an acquisition of ordinary share capital in the other company—

(a) such as would make that company a member of the same group as the acquiring company, or

(b) such as would give the acquiring company a qualifying shareholding in a joint venture company without making the joint venture company a member of the same group as the acquiring company.

(5) For the purposes of this paragraph the activities of the members of the group shall be treated as one business (with the result that activities are disregarded to the extent that they are intra-group activities).

Meaning of "trading subgrou"p

22 (1) In this Schedule "trading subgroup" means a subgroup—

(a) one or more of whose members carry on trading activities, and

(b) the activities of whose members, taken together, do not include to a substantial extent activities other than trading activities.

(2) For the purposes of sub-paragraph (1) "trading activities" means activities carried on by a member of the subgroup—

(a) in the course of, or for the purposes of, a trade being carried on by any member of the subgroup,

(b) for the purposes of a trade that any member of the subgroup is preparing to carry on,

(c) with a view to any member of the subgroup acquiring or starting to carry on a trade, or

(d) with a view to any member of the subgroup acquiring a significant interest in the share capital of another company that—

(i) is a trading company or the holding company of a trading group or trading subgroup, and

(ii) is not a member of the same group as the acquiring company.

(3) Activities do not qualify as trading activities under sub-paragraph (2)(c) or (d) unless the acquisition is made, or (as the case may be) the subgroup member in question starts to carry on the trade, as soon as is reasonably practicable in the circumstances.

(4) The reference in sub-paragraph (2)(d) to the acquisition of a significant interest in the share capital of another company is to an acquisition of ordinary share capital in the other company—

(a) such as would make that company a member of the same subgroup as the acquiring company, or

(b) such as would give the acquiring company a qualifying shareholding in a joint venture company without making the two companies members of the same group.

(5) For the purposes of this paragraph the activities of the members of the subgroup shall be treated as one business (with the result that activities are disregarded to the extent that they are intra-subgroup activities).

Treatment of holdings in joint venture companies

23 (1) This paragraph applies where a company ("the company") has a qualifying shareholding in a joint venture company.

(2) In determining whether the company is a trading company—

(a) its holding of shares in the joint venture company shall be disregarded, and

(b) it shall be treated as carrying on an appropriate proportion—

(i) of the activities of the joint venture company, or

(ii) where the joint venture company is a holding company, of the activities of that company and its 51% subsidiaries.

This sub-paragraph does not apply if the company is a member of a group and the joint venture company is a member of the same group.

(3) In determining whether the company is a member of a trading group or the holding company of a trading group—

(a) every holding of shares in the joint venture company by a member of the group having a qualifying shareholding in that company shall be disregarded, and

(b) each member of the group having a qualifying shareholding in the joint venture company shall be treated as carrying on an appropriate proportion—

(i) of the activities of the joint venture company, or

(ii) where the joint venture company is a holding company, of the activities of that company and its 51% subsidiaries.

This sub-paragraph does not apply if the joint venture company is a member of the group.

(4) In determining whether the company is the holding company of a trading subgroup—

(a) every holding of shares in the joint venture company by the company and any of its 51% subsidiaries having a qualifying shareholding in the joint venture company shall be disregarded, and

(b) the company and each of its 51% subsidiaries having a qualifying shareholding in the joint venture company shall be treated as carrying on an appropriate proportion—

(i) of the activities of the joint venture company, or

(ii) where the joint venture company is a holding company, of the activities of that company and its 51% subsidiaries.

This sub-paragraph does not apply if the joint venture company is a member of the same group as the company.

(5) In sub-paragraphs (2)(b), (3)(b) and (4)(b) "an appropriate proportion" means a proportion corresponding to the percentage of the ordinary share capital of the joint venture company held by the company concerned.

(6) In this paragraph "shares", in relation to a joint venture company, includes securities of that company or an interest in shares in or securities of that company.

(7) For the purposes of this paragraph the activities of a joint venture company that is a holding company and its 51% subsidiaries shall be treated as a single business (so that activities are disregarded to the extent that they are intra-group activities or, as the case may be, intra-subgroup activities).

Meaning of "joint venture compan"y and "qualifying shareholdin"g

24 (1) For the purposes of this Schedule a company is a "joint venture company" if, and only if—

(a) it is a trading company or the holding company of a trading group or trading subgroup, and

(b) there are five or fewer persons who between them hold 75% or more of its ordinary share capital.

In determining whether there are five or fewer such persons as are mentioned in paragraph (b), the members of a group are treated as if they were a single company.

(2) For the purposes of this Schedule—

(a) a company that is not a member of a group has a "qualifying shareholding" in a joint venture company if, and only if, it holds shares or an interest in shares in the joint venture company by virtue of which it holds 10% or more of that company's ordinary share capital;

(b) a company that is a member of a group has a "qualifying shareholding" in a joint venture company if, and only if—

(i) it holds ordinary share capital of the joint venture company, and

(ii) the members of the group between them hold 10% or more of the ordinary share capital of that company.

Effect in relation to company invested in of earlier company reconstruction, demerger etc

25 The provisions of—

(a) paragraph 14 (effect of earlier company reconstruction etc), and

(b) paragraph 15 (effect of earlier demerger),

have effect in relation to the requirements of paragraph 19 (requirements in relation to company invested in) as they have effect in relation to the requirement of paragraph 7 (the substantial shareholding requirement).

PART 4INTERPRETATION

Meaning of "compan"y, "grou"p and related expressions

26 (1) In this Schedule—

(a) "company" has the meaning given by section 170(9); and

(b) references to a group, or to membership of a group, shall be construed in accordance with the provisions of section 170 read as if "51 per cent" were substituted for "75 per cent".

(2) References in this Schedule to a "subgroup" are to companies that would form a group but for the fact that one of them is a 51% subsidiary of another company.

(3) In this Schedule "holding company"—

(a) in relation to a group, means the company described in section 170 as the principal company of the group;

(b) in relation to a subgroup, means a company that would be the holding company of a group but for being a 51% subsidiary of another company.

(4) In this Schedule "51% subsidiary" has the meaning given by section 838 of the Taxes Act.

In applying that section for the purposes of this Schedule, any share capital of a registered industrial and provident society shall be treated as ordinary share capital.

(5) References in this Schedule to a "group" or "subsidiary" shall be construed with any necessary modifications where applied to a company incorporated under the law of a country or territory outside the United Kingdom.

Meaning of "trad"e

27 In this Schedule "trade" means anything that—

(a) is a trade, profession or vocation, within the meaning of the Income Tax Acts, and

(b) is conducted on a commercial basis with a view to the realisation of profits.

Meaning of "twelve-month perio"d

28 For the purposes of this Schedule a "twelve-month period" means a period ending with the day before the first anniversary of the day with which, or in the course of which, the period began.

Meaning of "interest in share"s

29 (1) References in this Schedule to an interest in shares are to an interest as a co-owner of shares.

(2) It does not matter whether the shares are owned jointly or in common, or whether the interests of the co-owners are equal.

Meaning of "asset related to share"s

30 (1) This paragraph explains what is meant by an asset related to shares in a company.

(2) An asset is related to shares in a company if it is—

(a) an option to acquire or dispose of shares or an interest in shares in that company, or

(b) a security to which are attached rights by virtue of which the holder is or may become entitled to acquire or dispose of (whether by conversion or exchange or otherwise)—

(i) shares or an interest in shares in that company, or

(ii) an option to acquire or dispose of shares or an interest in shares in that company, or

(iii) another security falling within this paragraph, or

(c) an option to acquire or dispose of any security within paragraph (b) or an interest in any such security, or

(d) an interest in, or option over, any such option or security as is mentioned in paragraph (a), (b) or (c), or

(e) any interest in, or option over, any such interest or option as is mentioned in paragraph (d) or this paragraph.

(3) In determining whether a security is within sub-paragraph (2)(b), no account shall be taken—

(a) of any rights attached to the security other than rights relating, directly or indirectly, to shares of the company in question, or

(b) of rights as regards which, at the time the security came into existence, there was no more than a negligible likelihood that they would in due course be exercised to a significant extent.

(4) The references in this paragraph to an interest in a security or option have a meaning corresponding to that given by paragraph 29 in relation to an interest in shares.

Index of defined expressions

31 In this Schedule the expressions listed below are defined or otherwise explained by the provisions indicated:

PART 5CONSEQUENTIAL PROVISIONS

Meaning of "chargeable share"s or "chargeable asse"t

32 Any exemption conferred by this Schedule shall be disregarded in determining whether shares are "chargeable shares", or an asset is a "chargeable asset", for the purposes of any enactment relating to corporation tax or capital gains tax.

Negligible value claims

33 (1) This paragraph applies where—

(a) a company makes a claim under section 24(2) (assets of negligible value) in relation to shares held by it, and

(b) by virtue of this Schedule any loss accruing to the company on a disposal of the shares at the time of the claim would not be an allowable loss.

(2) Where this paragraph applies the company may not exercise the option under section 24(2) to specify a time earlier than the time of the claim as the time when the shares are treated as sold and reacquired by virtue of that subsection.

(3) This paragraph applies to—

(a) an interest in shares in a company, or

(b) an asset related to shares in a company,

as it applies to shares in that company.

Reorganisations etc: deemed accrual of chargeable gain or allowable loss held over on earlier transaction

34 (1) The exemptions conferred by this Schedule do not apply to or affect a chargeable gain or allowable loss deemed to accrue on a disposal by virtue of section 116(10)(b) (reorganisations, conversions and reconstructions: deemed accrual of gain or loss held over on earlier transaction).

(2) Sub-paragraph (1) does not apply where the relevant earlier transaction was a deemed disposal and reacquisition under section 92(7) of the Finance Act 1996 (convertible securities etc).

Recovery of charge postponed on transfer of assets to non-resident company

35 (1) This paragraph applies where—

(a) a company disposes of an asset in circumstances falling within section 140(4) (recovery of charge postponed on transfer of assets to non-resident company), and

(b) by virtue of this Schedule any gain accruing to the company on the disposal would not be a chargeable gain.

(2) Where this paragraph applies the amount by which the consideration received on the disposal would be treated as increased by virtue of section 140(4) shall instead be treated as accruing to the company, at the time of the disposal, as a chargeable gain to which this Schedule does not apply.

(3) Any reference in section 140 to an amount being brought or taken into account under or in accordance with subsection (4) of that section includes a reference to an amount being treated, by virtue of sub-paragraph (2) above, as accruing as a chargeable gain.

Appropriation of asset to trading stock

36 (1) Where—

(a) an asset acquired by a company otherwise than as trading stock of a trade carried on by it is appropriated by the company for the purposes of the trade as trading stock (whether on the commencement of the trade or otherwise), and

(b) if the company had then sold the asset for its market value, a chargeable gain or allowable loss would have accrued to the company but for an exemption conferred by this Schedule,

the company is treated for the purposes of the enactments relating to chargeable gains as if it had thereby disposed of the asset for its market value.

(2) Section 173 (transfers within a group: trading stock) applies in relation to this paragraph as it applies in relation to section 161 (appropriations to and from stock).

Recovery of held-over gain on claim for gifts relief

37 (1) This paragraph applies where—

(a) a company disposes of an asset,

(b) the expenditure allowable in computing a gain or loss on that disposal falls to be reduced because of a claim for relief under section 165 (gifts relief) in relation to an earlier disposal, and

(c) by virtue of this Schedule any gain accruing to the company on the disposal mentioned in paragraph (a) would not be a chargeable gain.

(2) Where this paragraph applies the amount of the held-over gain, or an appropriate proportion of it, shall be treated as accruing to the company, at the time of the disposal mentioned in sub-paragraph (1)(a), as a chargeable gain to which this Schedule does not apply.

(3) An "appropriate proportion" means a proportion determined on a just and reasonable basis having regard to the subject matter of the disposal mentioned in sub-paragraph (1)(a) and the subject matter of the earlier disposal that was the subject of the claim for relief under section 165.

(4) In this paragraph "held-over gain" has the same meaning as in section 165.

Degrouping: time when deemed sale and reacquisition treated as taking place

38 (1) Where—

(a) a company, as a result of ceasing at any time ("the time of degrouping") to be a member of a group, is treated by section 179(3) as having sold and immediately reacquired an asset, and

(b) if the company owning the asset at the time of degrouping had disposed of it immediately before that time, any gain accruing on the disposal would by virtue of this Schedule not have been a chargeable gain,

section 179(3) shall have effect as if it provided for the deemed sale and reacquisition to be treated as taking place immediately before the time of degrouping.

(2) Where—

(a) a company, as a result of ceasing at any time ("the relevant time") to satisfy the conditions in section 179(7), is treated by section 179(6) as having sold and immediately reacquired an asset, and

(b) if the company owning the asset at the relevant time had disposed of it immediately before that time, any gain accruing on the disposal would by virtue of this Schedule not have been a chargeable gain,

section 179(6) shall have effect as if it provided for the deemed sale and reacquisition to be treated as taking place immediately before the relevant time.

(3) Any reference in this paragraph to a disposal or other event taking place immediately before the time of degrouping or the relevant time is to its taking place immediately before that time but on the same day.

Effect of FOREX matching regulations

39 (1) No gain or loss shall be treated as arising under the FOREX matching regulations on a disposal on which by virtue of this Schedule any gain would not be a chargeable gain.

(2) The "FOREX matching regulations" means any regulations made under Schedule 15 to the Finance Act 1993 (exchange gains and losses: alternative method of calculation).".

PART 2

CONSEQUENTIAL AMENDMENTS

Degrouping: time of accrual of chargeable gain or allowable loss

2 In section 179(4) of the Taxation of Chargeable Gains Act 1992 (c. 12) (deemed sale and reacquisition on company ceasing to be member of group: time when chargeable gain or allowable loss treated as accruing), for "which, apart from this subsection, would accrue" substitute " accruing ".

Treatment of furnished holiday lettings

3 (1) Section 241 of the Taxation of Chargeable Gains Act 1992 (furnished holiday lettings) is amended as follows.

(2) In subsection (3) (commercial letting of furnished holiday accommodation to be treated as trade for certain purposes), for the opening words substitute—

"Subject to subsections (4) to (8) below, for the purposes of the provisions mentioned in subsection (3A) below—".

(3) After that subsection insert—

"(3A) The provisions referred to in subsection (3) above are—

sections 152 to 157 (roll-over relief on replacement of business asset),

section 165 (gifts relief),

Section 253 (relief for loans to traders),

Schedule A1 (taper relief),

Schedule 6 (retirement relief etc), and

Schedule 7AC (exemptions for disposals by companies with substantial shareholding).".

(4) In subsection (4) for "sections mentioned in subsection (3)" substitute " provisions mentioned in subsection (3A) ".

Overseas life insurance companies

4 In Schedule 7B of the Taxation of Chargeable Gains Act 1992 (c. 12) (modification of Act in relation to overseas life insurance companies), after paragraph 15 add—

"16 In Schedule 7AC, in paragraph 3(2)(c)(ii), the words "section 11(2)(b), (c) or (d) of the Taxes Act" shall be treated as substituted for the words "section 10(3)".".

Corporate venturing scheme

5 In Schedule 15 to the Finance Act 2000 (c. 17) (the corporate venturing scheme), in paragraphs 84(1) and 85(1) after "(see paragraph 83" insert " and paragraph 4 of Schedule 7AC to the Taxation of Chargeable Gains Act 1992 ".

VALID FROM 24/07/2002

SCHEDULE 9

Section 45

CHARGEABLE GAINS: SHARE EXCHANGES AND COMPANY RECONSTRUCTIONS

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 10

Section 47

CHARGEABLE GAINS: TAPER RELIEF: MINOR AMENDMENTS

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VALID FROM 24/07/2002

SCHEDULE 11

Section 51

CHARGEABLE GAINS: DEDUCTION OF PERSONAL LOSSES FROM GAINS TREATED AS ACCRUING TO SETTLORS

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VALID FROM 24/07/2002

SCHEDULE 12

Section 53

TAX RELIEF FOR EXPENDITURE ON RESEARCH AND DEVELOPMENT

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VALID FROM 24/07/2002

SCHEDULE 13

Section 54

TAX RELIEF FOR EXPENDITURE ON VACCINE RESEARCH ETC

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SCHEDULE 14

Section 54

TAX CREDITS UNDER SCHEDULE 13: CONSEQUENTIAL AMENDMENTS

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SCHEDULE 15

Section 56

R&D TAX RELIEF FOR SMALL AND MEDIUM-SIZED ENTERPRISES: MINOR AND CONSEQUENTIAL AMENDMENTS

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VALID FROM 23/01/2003

SCHEDULE 16

Section 57

COMMUNITY INVESTMENT TAX RELIEF

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SCHEDULE 17

Section 57

COMMUNITY INVESTMENT TAX RELIEF: CONSEQUENTIAL AMENDMENTS

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SCHEDULE 18

Section 58

RELIEF FOR COMMUNITY AMATEUR SPORTS CLUBS

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SCHEDULE 19

Section 59

CAPITAL ALLOWANCES: CARS WITH LOW CARBON DIOXIDE EMISSIONS

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 20

Section 61

CAPITAL ALLOWANCES: PLANT OR MACHINERY FOR GAS REFUELLING STATION

Introductory

1 The Capital Allowances Act 2001 (c. 2) is amended as follows.

Types of expenditure for which first-year allowances available

2 In section 39, after the entry relating to section 45D (which is inserted by Schedule 19 to this Act) add—

"section 45E	expenditure on plant or machinery for gas refuelling station".

First-year qualifying expenditure: plant or machinery for gas refuelling station

3 After section 45D (which is added by Schedule 19 to this Act) insert—

"**45E Expenditure on plant or machinery for gas refuelling station**

(1) Expenditure is first-year qualifying expenditure if—

(a) it is incurred in the period beginning with 17th April 2002 and ending with 31st March 2008,

(b) it is expenditure on plant or machinery for a gas refuelling station where the plant or machinery is unused and not second-hand, and

(c) it is not excluded by section 46 (general exclusions).

(2) For the purposes of this section expenditure on plant or machinery for a gas refuelling station is expenditure on plant or machinery installed at a gas refuelling station for use solely for or in connection with refuelling vehicles with natural gas or hydrogen fuel.

(3) For the purposes of subsection (2) the plant or machinery which is for use for or in connection with refuelling vehicles with natural gas or hydrogen fuel includes—

(a) any storage tank for natural gas or hydrogen fuel,

(b) any compressor, pump, control or meter used for or in connection with refuelling vehicles with natural gas or hydrogen fuel, and

(c) any equipment for dispensing natural gas or hydrogen fuel to the fuel tank of a vehicle.

(4) For the purposes of this section—

"gas refuelling station" means any premises, or that part of any premises, where vehicles are refuelled with natural gas or hydrogen fuel;

"hydrogen fuel" means a fuel consisting of gaseous or cryogenic liquid hydrogen which is used for propelling vehicles;

"vehicle" means a mechanically propelled road vehicle.".

General exclusions affecting first-year qualifying expenditure

4 In section 46, in subsection (1) (expenditure which is subject to the general exclusions) after the entry relating to section 45D (which is added by Schedule 19 to this Act) add—

"section 45E	(expenditure on plant or machinery for gas refuelling station)".

Amount of first-year allowance

5 In section 52(3), in the Table, after the entry relating to expenditure qualifying under section 45D (which is added by Schedule 19 to this Act) add—

"Expenditure qualifying under section 45E (expenditure on plant or machinery for gas refuelling station)	100%".

VALID FROM 24/07/2002

SCHEDULE 21

Section 63

FIRST-YEAR ALLOWANCES FOR EXPENDITURE WHOLLY FOR A RING FENCE TRADE

PART 1

PLANT AND MACHINERY

Introductory

1 Part 2 of the Capital Allowances Act 2001 (c. 2) (plant and machinery allowances) is amended as follows.

Types of expenditure for which first-year allowances available

2 In section 39, after the entry relating to section 45E (which is added by Schedule 20 to this Act) add ", or

section 45F	expenditure on plant and machinery for use wholly in a ring fence trade.".

First-year qualifying expenditure: plant and machinery for use wholly in a ring fence trade

3 After section 45E (which is inserted by Schedule 20 to this Act) insert—

"**45F Expenditure on plant and machinery for use wholly in a ring fence trade**

(1) Expenditure is first-year qualifying expenditure if—

(a) it is incurred on or after 17th April 2002,

(b) it is incurred by a company,

(c) it is incurred on the provision of plant or machinery for use wholly for the purposes of a ring fence trade, and

(d) it is not excluded by section 46 (general exclusions).

(2) This section is subject to section 45G (plant or machinery used for less than five years in a ring fence trade).

(3) In this section "ring fence trade" means a ring fence trade in respect of which tax is chargeable under section 501A of the Taxes Act 1988 (supplementary charge in respect of ring fence trades).".

Plant or machinery used for less than five years in a ring fence trade

4 After section 45F insert—

"**45G Plant or machinery used for less than five years in a ring fence trade**

(1) Expenditure incurred by a company on the provision of plant or machinery is to be treated as never having been first-year qualifying expenditure under section 45F if the plant or machinery—

(a) is at no time in the relevant period used in a ring fence trade carried on by the company or a company connected with it, or

(b) is at any time in the relevant period used for a purpose other than that of a ring fence trade carried on by the company or a company connected with it.

(2) For the purposes of this section "the relevant period" means whichever of the following periods, beginning with the incurring of the expenditure, first ends, namely—

(a) the period ending with the fifth anniversary of the incurring of the expenditure, or

(b) the period ending with the day preceding the first occasion on which the plant or machinery, after becoming owned by the company which incurred the expenditure, is not owned by a company which is either that company or a company connected with it.

(3) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (1).

(4) If a person who has made a return becomes aware that, after making it, anything in it has become incorrect because of the operation of this section, he must give notice to the Inland Revenue specifying how the return needs to be amended.

(5) The notice must be given within 3 months beginning with the day on which the person first became aware that anything in the return had become incorrect because of the operation of this section.

(6) In this section "ring fence trade" has the same meaning as in section 45F.".

General exclusions affecting first-year qualifying expenditure

5 In section 46, in subsection (1) (expenditure which is subject to the general exclusions) after the entry relating to section 45E (which is added by Schedule 20 to this Act) add ", or

section 45F	(expenditure on plant and machinery for use wholly in a ring fence trade).".

Amount of first-year allowances

6 In section 52(3), in the Table, after the entry relating to expenditure qualifying under section 45E (which is added by Schedule 20 to this Act) add—

"Expenditure qualifying under section 45F (expenditure on plant and machinery for use wholly in a ring fence trade) which is long-life asset expenditure	24%
Expenditure qualifying under section 45F (expenditure on plant and machinery for use wholly in a ring fence trade) other than long-life asset expenditure	100%".

Penalty for failure to provide information etc

7 (1) The Taxes Management Act 1970 (c. 9) is amended as follows.

(2) In the second column of the Table in section 98, in the entry relating to requirements imposed by provisions of the Capital Allowances Act, after "45B(5) and (6)," insert " 45G(4) and (5), ".

PART 2

MINERAL EXTRACTION ALLOWANCES

Introductory

8 Part 5 of the Capital Allowances Act 2001 (c. 2) (mineral extraction allowances) is amended as follows.

First-year qualifying expenditure

9 After section 416, insert the following Chapter—

"CHAPTER 5A

FIRST-YEAR QUALIFYING EXPENDITURE

General

416A First-year allowances available for certain types of qualifying expenditure

A first-year allowance is not available unless the qualifying expenditure is first-year qualifying expenditure under section 416B (expenditure incurred wholly for purposes of a ring fence trade).

Types of expenditure which may qualify for first year allowances

416B Expenditure incurred by company for purposes of a ring fence trade

(1) Expenditure is first-year qualifying expenditure if—

(a) it is incurred on or after 17th April 2002,

(b) it is incurred by a company,

(c) it is incurred wholly for the purposes of a ring fence trade, and

(d) it is not excluded by—

(i) subsection (2) (acquisition of mineral asset), or

(ii) subsection (3) (acquisition of asset representing expenditure of connected company).

(2) Expenditure is not first-year qualifying expenditure under this section if it is expenditure on acquiring a mineral asset.

(3) Expenditure is not first-year qualifying expenditure under this section if it is expenditure incurred by a company on the acquisition of an asset representing expenditure incurred by a company connected with that company.

(4) To the extent that references in this section to an asset representing expenditure incurred by a company include a reference to an asset representing expenditure on mineral exploration and access, they also include a reference to any results obtained from any search, exploration or inquiry on which any such expenditure was incurred.

(5) In this section "ring fence trade" means a ring fence trade in respect of which tax is chargeable under section 501A of the Taxes Act 1988 (supplementary charge in respect of ring fence trades).

Supplementary

416C Time when expenditure is incurred

(1) In determining whether expenditure is first-year qualifying expenditure under this Chapter, any effect of the provisions specified in subsection (2) on the time at which the expenditure is to be treated as incurred is to be disregarded.

(2) The provisions are—

(a) section 400(4) (which treats certain pre-trading expenditure as incurred on the first day of trading), and

(b) section 434 (which treats certain other expenditure incurred for the purposes of a trade about to be carried on as incurred on that day).".

First-year allowances

10 At the beginning of Chapter 6 (allowances and charges) insert—

"First-year allowances

First-year allowances

416D (1) A person is entitled to a first-year allowance in respect of first-year qualifying expenditure if the expenditure is incurred in a chargeable period to which this Act applies.

(2) Any first-year allowance is made for the chargeable period in which the first-year qualifying expenditure is incurred.

(3) The amount of the allowance is a percentage of the first-year qualifying expenditure in respect of which the allowance is made, as shown in the Table—

TABLE

AMOUNT OF FIRST-YEAR ALLOWANCES

Type of first-year qualifying expenditure	***Amount***
Expenditure qualifying under section 416B (expenditure incurred wholly for the purposes of a ring fence trade)	100%

(4) A person who is entitled to a first-year allowance may claim the allowance in respect of the whole or a part of the first-year qualifying expenditure.

(5) This section is subject to section 416E (artificially inflated claims for first-year allowances).".

Artificially inflated claims for first-year allowances

11 After section 416D insert—

"**416E Artificially inflated claims for first-year allowances**

(1) To the extent that a transaction is attributable to arrangements entered into wholly or mainly for a disqualifying purpose, it shall be disregarded in determining for a chargeable period the amount of any first-year allowance to which a person is entitled.

(2) For the purposes of this section, arrangements are entered into wholly or mainly for a "disqualifying purpose" if their main object, or one of their main objects, is to enable a person to obtain—

(a) a first-year allowance to which he would not otherwise be entitled, or

(b) a first-year allowance of a greater amount than that to which he would otherwise be entitled.

(3) In this section "arrangements" includes any scheme, agreement or understanding, whether or not legally enforceable.".

Amount of allowances and charges: balancing charge for period in which expenditure incurred

12 (1) Section 418 is amended as follows.

(2) In subsection (4) (amount of balancing charge) after paragraph (b) insert the following as a second sentence—

"Where a person is liable to a balancing charge in respect of first-year qualifying expenditure for the chargeable period in which he incurred the expenditure, any first-year allowance made in respect of the expenditure shall be treated for the purposes of paragraph (b) as if it were an allowance for an earlier chargeable period.".

Unrelieved qualifying expenditure: effect of first-year qualifying expenditure

13 (1) Section 419 is amended as follows.

(2) In subsection (1) (amount of qualifying expenditure which is unrelieved qualifying expenditure for the chargeable period in which the expenditure is incurred) for "the whole of it" substitute—

"(a) the whole of it, unless the expenditure is first-year qualifying expenditure, or

(b) if the expenditure is first-year qualifying expenditure, none of it,

but paragraph (b) is subject to subsections (3) to (5). ".

(3) After subsection (2) insert—

"(3) If, in the case of expenditure which is first-year qualifying expenditure, a disposal receipt falls to be brought into account for the chargeable period in which the expenditure is incurred ("the initial period"), subsection (4) below applies.

(4) Where this subsection applies, the unrelieved balance of the expenditure shall be taken to be unrelieved qualifying expenditure for the initial period, but only for the purpose specified in subsection (5).

(5) The purpose is that of determining in accordance with sections 417 and 418—

(a) any question whether the person who incurred the expenditure—

(i) is entitled to a balancing allowance for the initial period, or

(ii) is liable to a balancing charge for that period, and

(b) if so, the amount of that balancing allowance or balancing charge.

(6) In this section "the unrelieved balance of the expenditure" means so much of the first-year qualifying expenditure in question as remains after deducting the amount of any first-year allowance given in respect of the whole or any part of that expenditure.".

VALID FROM 24/07/2002

SCHEDULE 22

Section 64

COMPUTATION OF PROFITS: ADJUSTMENT ON CHANGE OF BASIS

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 23

Section 79

EXCHANGE GAINS AND LOSSES FROM LOAN RELATIONSHIPS ETC

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 24

Section 80

CORPORATION TAX: CURRENCY

Modifications etc. (not altering text)
C5 Sch. 24 extended (retrospective to 30.9.2002) by Finance Act 2003 (c. 14), **s. 177(4)(8)(11)**

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 25

Section 82

LOAN RELATIONSHIPS

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 26

Section 83

DERIVATIVE CONTRACTS

Modifications etc. (not altering text)

C6 Sch. 26 modified by 1996 c. 8, **s. 86(3C)** (as inserted (24.7.2002 with effect as mentioned in s. 82(2) of the amending Act) by 2002 c. 23, s. 82, **Sch. 25 Pt. 1 para. 6(3)**)

C7 Sch. 26 extended (retrospective to 30.9.2002) by Finance Act 2003 (c. 14), **s. 177(4)(8)(11)**

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 27

Section 83

DERIVATIVE CONTRACTS: MINOR AND CONSEQUENTIAL AMENDMENTS

Modifications etc. (not altering text)

C8 Sch. 27 extended (retrospective to 30.9.2002) by Finance Act 2003 (c. 14), **s. 177(4)(8)(11)**

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 28

Section 83

DERIVATIVE CONTRACTS: TRANSITIONAL PROVISIONS ETC

Modifications etc. (not altering text)
C9 Sch. 28 extended (retrospective to 30.9.2002) by Finance Act 2003 (c. 14), **s. 177(6)-(8)(11)**

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 29

Section 84(1)

GAINS AND LOSSES OF A COMPANY FROM INTANGIBLE FIXED ASSETS

Modifications etc. (not altering text)
C10 Sch. 29 applied (with modifications) (15.8.2002) by S.I. 2002/1967, **regs. 3-6**

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 30

Section 84(2)

GAINS AND LOSSES OF A COMPANY FROM INTANGIBLE FIXED ASSETS: CONSEQUENTIAL AMENDMENTS

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 31

Section 85

GAINS OF INSURANCE COMPANY FROM VENTURE CAPITAL INVESTMENT PARTNERSHIP

The following Schedule is inserted after Schedule 7AC to the Taxation of Chargeable Gains Act 1992 (c. 12)—

"SCHEDULE 7AD

GAINS OF INSURANCE COMPANY FROM VENTURE CAPITAL INVESTMENT PARTNERSHIP

Introduction

1 This Schedule applies where the assets of the long-term insurance fund of an insurance company ("the company") include assets held by the company as a limited partner in a venture capital investment partnership ("the partnership").

Meaning of "venture capital investment partnershi"p

2 (1) A "venture capital investment partnership" means a partnership in relation to which the following conditions are met.

(2) The first condition is that the sole or main purpose of the partnership is to invest in unquoted shares or securities.

This condition shall not be regarded as met unless it appears from—

(a) the agreement constituting the partnership, or

(b) any prospectus issued to prospective partners,

that that is the sole or main purpose of the partnership.

(3) The second condition is that the partnership does not carry on a trade.

(4) The third condition is that not less than 90% of the book value of the partnership's investments is attributable to investments that are either—

(a) shares or securities that were unquoted at the time of their acquisition by the partnership, or

(b) shares that were quoted at the time of their acquisition by the partnership but which it was reasonable to believe would cease to be quoted within the next twelve months.

(5) For the purposes of the third condition—

(a) the following shall be disregarded—

(i) any holding of cash, including cash deposited in a bank account or similar account but not cash acquired wholly or partly for the purpose of realising a gain on its disposal;

(ii) any holding of quoted shares or securities acquired by the partnership in exchange for unquoted shares or securities;

(b) whether the 90% test is met shall be determined by reference to the values shown in the partnership's accounts at the end of a period of account of the partnership.

(6) Where a partnership ceases to meet the above conditions, the company shall be treated as if the partnership had continued to be a venture capital investment partnership until the end of the period of account of the partnership during which it ceased to meet the conditions.

(7) A partnership that ceases to meet those conditions cannot qualify again as a venture capital investment partnership.

For this purpose a partnership is treated as the same partnership notwithstanding a change in membership if any person who was a member before the change remains a member.

Interest in relevant assets of partnership treated as single asset

3 (1) Where this Schedule applies section 59 (partnerships) does not have effect to make the company chargeable on its share of gains accruing on each disposal of relevant assets of the partnership.

(2) Instead—

(a) the company's interest in relevant assets of the partnership is treated as a single asset ("the single asset") acquired by the company when it became a member of the partnership, and

(b) the following provisions of this Schedule have effect.

(3) For the purposes of this Schedule the "relevant assets" of the partnership are the shares and securities held by the partnership, other than qualifying corporate bonds.

(4) Nothing in this Schedule shall be read—

(a) as affecting the operation of section 59 in relation to partners who are not insurance companies carrying on long-term business or are not limited partners, or

(b) as imposing any liability on the partnership as such.

The cost of the single asset

4 (1) The company is treated as having given, wholly and exclusively for the acquisition of the single asset, consideration equal to the amount of capital contributed by it on becoming a member of the partnership.

(2) Any further amounts of capital contributed by it to the partnership are treated on a disposal of the single asset as expenditure incurred wholly and exclusively on the asset for the purpose of enhancing its value and reflected in its state or nature at the time of the disposal.

(3) Where the investments of the partnership include qualifying corporate bonds, the amount to be taken into account under sub-paragraph (1) or (2) is proportionately reduced.

(4) The reduction is made by applying to that amount the fraction:

$$\frac{A-B}{A}$$

where—

A is the book value of all shares and securities held by the partnership at the end of the period of account of the partnership in which the amount of capital in question is fully invested by the partnership, and

B is the book value of all qualifying corporate bonds held by the partnership at the end of that period of account.

(5) For the purposes of sub-paragraph (4) the "book value" means the value shown in the partnership's accounts at the end of the period of account.

Deemed disposal of single asset in case of distribution

5 (1) There is a disposal of the single asset on each occasion on which the company receives a distribution from the partnership that does not consist entirely of income or the proceeds of sale or redemption of assets that are not relevant assets.

(2) The disposal is taken to be for a consideration equal to the amount of the distribution or of so much of it as does not consist of income or the proceeds of sale or redemption of assets that are not relevant assets.

(3) Where—

(a) the partnership disposes of relevant assets on which a chargeable gain or allowable loss would accrue if they were held by the company alone, and

(b) no distribution of the proceeds of the disposal is made within twelve months of the disposal,

the company is treated as having received its share of the proceeds as a distribution at the end of the period of account of the partnership following that in which the disposal took place, or at the end of the period of six months after the date of the disposal, whichever is the later.

(4) The operation of sub-paragraph (3) is not affected by the partnership having ceased to be a venture capital investment partnership before the time at which the distribution is treated as received by the company.

(5) Where sub-paragraph (3) applies, any subsequent actual distribution of the proceeds is disregarded.

Apportionment in case of part disposal

6 (1) For the purposes of section 42 (apportionment of cost etc in case of part disposal) the market value of the property remaining undisposed of on a part disposal of the single asset shall be determined as follows.

(2) If there is no further disposal of that asset in the period of account in which the part disposal in question takes place, the market value of the property remaining undisposed of shall be taken to be equal to the company's share of the book value of the relevant assets of the partnership as shown in the partnership's accounts at the end of that period of account.

(3) If there is a further disposal of that asset in the period of account in which the part disposal in question takes place, or more than one, the market value of the property remaining undisposed of shall be taken to be equal to the sum of—

(a) the amount or value of the consideration on the further disposal or, as the case may be, the total amount or value of the consideration on the further disposals, and

(b) the amount (if any) of the company's share of the book value of the relevant assets of the partnership as shown in the partnership's accounts at the end of that period of account.

Disposal of partnership asset giving rise to offshore income gain

7 (1) Nothing in this Schedule shall be read as affecting the operation of Chapter 5 of Part 17 of the Taxes Act (offshore funds).

(2) Where an offshore income gain accrues to the company under that Chapter from the disposal of any relevant asset of the partnership, the amount of any distribution received or treated as received by the company from the partnership that represents the whole or part of the proceeds of disposal of that asset is treated for the purposes of this Schedule as reduced by the amount of the whole or a corresponding part of the offshore income gain.

Exclusion of negligible value claim

8 No claim may be made in respect of the single asset under section 24(2) (assets that have become of negligible value).

Investment in other venture capital investment partnerships

9 (1) For the purposes of paragraph 2 (meaning of "venture capital investment partnership") an investment by way of capital contribution to another venture capital investment partnership shall be treated as an investment in unquoted shares or securities.

(2) The Treasury may by regulations make provision, in place of but corresponding to that made by paragraphs 3 to 8, in relation to gains accruing on a disposal of relevant assets by such a partnership.

(3) The regulations may make provision for any period of account to which, in accordance with paragraphs 11 to 13, this Schedule applies.

Interpretation

10 (1) In this Schedule—

"insurance company", "long-term business" and "long-term insurance fund" have the same meaning as in Chapter 1 of Part 12 of the Taxes Act (see section 431(2) of that Act);

"limited partner" means—

(a) a person carrying on a business as a limited partner in a partnership registered under the Limited Partnership Act 1907, or

(b) a person carrying on a business jointly with others who, under the law of a country or territory outside the United Kingdom, is not entitled to

take part in the management of the business and is not liable beyond a certain limit for debts or obligations incurred for the purposes of the business;

"relevant assets" has the meaning given by paragraph 3(3);

"securities" has the same meaning as in section 132 and also includes any debentures;

"unquoted" and "quoted", in relation to shares or securities, refer to listing on a recognised stock exchange.

(2) References in this Schedule to the partnership's accounts are to accounts drawn up in accordance with generally accepted accounting practice.

If no such accounts are drawn up, the references to the treatment of any matter, or the amounts shown, in the accounts of the partnership are to what would have appeared if accounts had been drawn up in accordance with generally accepted accounting practice.

(3) References in this Schedule to capital contributed to a limited partnership include amounts purporting to be provided by way of loan if—

(a) the loan carries no interest,

(b) all the limited partners are required to make such loans, and

(c) the loans are accounted for as partners' capital, or partners' equity, in the accounts of the partnership.

(4) For the purposes of this Schedule the assets of—

(a) a Scottish partnership, or

(b) a partnership under the law of any other country or territory under which assets of a partnership are regarded as held by or on behalf of the partnership as such,

shall be treated as held by the members of the partnership in the proportions in which they are entitled to share in the profits of the partnership.

References in this Schedule to the company's interest in, or share of, the partnership's assets shall be construed accordingly.

General commencement and transitional provisions

11 (1) Subject to paragraph 12 (election to remain outside Schedule), this Schedule applies—

(a) to periods of account of the partnership beginning on or after 1st January 2002, and

(b) to a period of account of the partnership beginning before that date and ending on or after it, unless the company elects that it shall not do so.

(2) Where the company became a member of the partnership before the beginning of the first period of account of the partnership to which this Schedule applies, the cost of the single asset at the beginning of that period of account shall be taken to be equal to the total of the relevant indexed base costs.

(3) For the purposes of sub-paragraph (2)—

(a) the "indexed base cost" means—

(i) in relation to a holding that by virtue of section 104 is to be treated as a single asset, what would be the indexed pool of expenditure within the meaning of section 110 if the holding were disposed of, and

(ii) in relation to any other asset, the amount of expenditure together with the indexation allowance that would be fall to be deducted if the asset were disposed of; and

(b) the "relevant indexed base costs" means the indexed base costs that would be taken into account in computing in accordance with section 59 the gain or loss of the company if all the shares and securities (other than qualifying corporate bonds) held by the partnership were disposed of on the last day of the company's accounting period immediately preceding its first accounting period beginning on or after 1st January 2002.

(4) No account shall be taken under this Schedule of a distribution by the partnership in a period of account to which this Schedule applies to the extent that it represents a chargeable gain accruing in an earlier period to which this Schedule does not apply.

Election to remain outside Schedule

12 If the company—

(a) became a member of the partnership before the beginning of the first period of account of the partnership to which this Schedule would otherwise apply, or

(b) made its first contribution of capital to the partnership before 17th April 2002,

it may elect that the provisions of this Schedule shall not apply to it in relation to that partnership.

How and when election to be made

13 Any election under paragraph 11 or 12 must be made—

(a) by notice to an officer of the Board,

(b) not later than the end of the period of two years after the end of the company's first accounting period beginning on or after 1st January 2002.".

VALID FROM 24/07/2002

SCHEDULE 32

Section 86

LLOYD'S UNDERWRITERS

Individuals

1 Chapter 3 of Part 2 of the Finance Act 1993 (c. 34) (Lloyd's underwriters, etc) is amended as follows.

2 In section 178(stop loss and quota share insurance), in subsection (1) (deductions), for paragraph (c) substitute—

"(c) where an amount is payable by him under a quota share contract—

(i) so much of that amount as exceeds the amount of transferred losses that are declared on or before the date the contract takes effect ("the declared amount"), or

(ii) if the contract does not take effect, the amount so payable under the contract.".

3 After subsection (3) of that section insert—

"(3A) Where the amount payable by a member under a quota share contract is less than the declared amount, the difference between the two amounts shall be treated as a trading receipt in computing the profits arising from the member's underwriting business in the year of assessment which corresponds to the underwriting year in which the contract takes effect.

(3B) Where a member has entered a quota share contract, any amount paid by him to cover a cash call in respect of transferred losses that are not declared at the time the contract takes effect shall be treated—

(a) for the purposes of subsection (1)(c)(i) and (3A) above, as an amount payable under the contract, and

(b) for the purposes of section 172, as a payment made at the time the contract takes effect.".

4 For subsection (4) of that section substitute—

"(4) For the purposes of this section—

"cash call" has the same meaning as in Part 1 of Schedule 20 to this Act;

"quota share contract" means any contract between a 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 he is a member;

and where the taking over of a member's rights and liabilities is conditional upon the occurrence of any event, the contract does not take effect until that event occurs; and

"transferred loss", in relation to such a contract, means a loss for which that other person takes over liability under the contract (disregarding, in the case of a loss that has been declared at the time it is taken over, any part of it in respect of which the member has paid a cash call before that time).".

5 In section 184(1) (interpretation), in the definition of "stop-loss insurance", after "business" insert " , except insurance taken out by entering a quota share contract (within the meaning of section 178 above) ".

Corporate bodies

6 Chapter 5 of Part 4 of the Finance Act 1994 (c. 9) (Lloyd's underwriters: corporations etc) is amended as follows.

7 In section 225 (stop loss and quota share insurance), in subsection (1) (deductions), for paragraph (b) substitute—

"(b) where an amount is payable by it under a quota share contract—

(i) so much of that amount as exceeds the amount of transferred losses that are declared on or before the date the contract takes effect ("the declared amount"), or

(ii) if the contract does not take effect, the amount so payable under the contract.".

8 After subsection (3) of that section insert—

"(3A) Where the amount payable by a corporate member under a quota share contract is less than the declared amount—

(a) if the underwriting year in which the contract takes effect falls within a single accounting period, the difference between the two amounts ("the surplus") shall be treated as a trading receipt in computing the profits arising from the member's underwriting business for that period, and

(b) if that underwriting year falls within two or more accounting periods, the apportioned part of the surplus shall be treated as a trading receipt in computing the profits arising from the member's underwriting business for each of those periods.

(3B) Where a corporate member has entered a quota share contract, any amount paid by it to cover a cash call in respect of transferred losses that are not declared at the time the contract takes effect shall be treated, for the purposes of subsections (1)(b)(i) and (3A) above, as an amount payable under the contract at that time.".

9 For subsection (4) of that section substitute—

"(4) In this section—

"apportioned part", in relation to any insurance money or other amount, means a part apportioned under section 72 of the Taxes Act 1988;

"cash call" means a request for funds which, in pursuance of a contract made in accordance with the rules and practices of Lloyd's, is made to a corporate member by the agent of a syndicate of which it is a member;

"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;

and where the taking over of a member's rights and liabilities is conditional upon the occurrence of any event, the contract does not take effect until that event occurs; and

"transferred loss", in relation to such a contract, means a loss for which that other person takes over liability under the contract (disregarding, in the case of a loss that has been declared at the

time it is taken over, any part of it in respect of which the member has paid a cash call before that time).".

10 In section 230(1) (interpretation), in the definition of "stop-loss insurance", after "business" insert " , except insurance taken out by entering a quota share contract (within the meaning of section 225 above) ".

VALID FROM 24/07/2002

SCHEDULE 33

Section 109

VENTURE CAPITAL TRUSTS

. . . . . .

VALID FROM 24/04/2002

SCHEDULE 34

Section 111

STAMP DUTY: WITHDRAWAL OF GROUP RELIEF: SUPPLEMENTARY PROVISIONS

. . . . . .

VALID FROM 24/04/2002

SCHEDULE 35

Section 113

STAMP DUTY: WITHDRAWAL OF RELIEF FOR COMPANY ACQUISITIONS: SUPPLEMENTARY PROVISIONS

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 36

Section 115(7)

STAMP DUTY: CONTRACTS CHARGEABLE AS CONVEYANCES: SUPPLEMENTARY PROVISIONS

PART 1

SUBSALES

Introduction

1 This Part of this Schedule has effect for affording relief from duty under section 115 (contracts chargeable as conveyances) on a subsale.

Meaning of "subsal"e

2 For the purposes of this Schedule there is a subsale—

(a) where the purchaser under a contract or agreement for the sale of an estate or interest in land in the United Kingdom ("the original sale"), without having obtained a conveyance of the property contracted to be sold, contracts to sell the whole or part of the property to another person, or

(b) where the sub-purchaser under a subsale of an estate or interest in land in the United Kingdom, without having obtained a conveyance of the property contracted to be sold, contracts to sell to another person the whole or part of the property contracted to be sold by the original sale,

so as to entitle that person to call for a conveyance from the original seller.

Relief where duty paid on original sale or earlier subsale

3 (1) Where duty under section 115 has been paid—

(a) on the original sale, or

(b) on an intervening subsale,

duty under that section on a subsale, or subsequent subsale, is chargeable only in respect of the amount (if any) by which the chargeable consideration on that transaction exceeds the chargeable consideration on the earlier transaction.

(2) If there is more than one such earlier transaction on which duty has been paid, the reference in sub-paragraph (1) to the chargeable consideration on the earlier transaction shall be read as a reference to the higher or highest amount of chargeable consideration on which duty has been paid.

(3) If the subsale does not relate to the whole of the property to which the earlier transaction related, the references in sub-paragraphs (1) and (2) to the chargeable consideration on an earlier transaction shall be read as references to an appropriate proportion of that consideration.

(4) What is an appropriate proportion shall be determined on a just and reasonable basis having regard to the subject matter of the subsale and of the earlier transaction.

(5) For the purposes of this paragraph the chargeable consideration on a transaction is the consideration that falls to be brought into account in determining the duty chargeable on it.

(6) Where under this paragraph duty on a subsale is chargeable in respect of part only of the consideration for the subsale, it is chargeable at the rate that would be applicable if the whole of the chargeable consideration on the subsale were taken into account.

PART 2

SUBSEQUENT CONVEYANCE OR TRANSFER

Introduction

4 (1) This Part of this Schedule has effect for affording relief where*ad valorem* duty is chargeable both—

(a) under section 115 on a contract or agreement ("the original sale"), and

(b) on a subsequent conveyance or transfer by the original seller to the purchaser, or a sub-purchaser, in conformity with that contract or agreement.

(2) References in this Part to the purchaser under the original sale, or a sub-purchaser under a subsale, include a person by whom the rights of the purchaser, or a sub-purchaser, are exercisable by virtue of any assignment (in Scotland, assignation) or agreement (other than a subsale).

Conveyance or transfer of property contracted to be sold

5 (1) Where the original seller conveys the whole of the property contracted to be sold—

(a) to the purchaser, or

(b) to a sub-purchaser in circumstances in which section 58(4) of the Stamp Act 1891 (c. 39) applies (conveyance chargeable only on consideration moving from sub-purchaser),

the conveyance or transfer is chargeable with duty only to the extent (if any) that the*ad valorem* duty chargeable on it (apart from this sub-paragraph) exceeds the duty paid under section 115 on the original sale together with the amount of any such duty paid on an intervening subsale.

(2) Where—

(a) the original seller conveys the property contracted to be sold to different sub-purchasers in parts or parcels, and

(b) section 58(5) of the Stamp Act 1891 (c. 39) applies (conveyance chargeable only on consideration moving from sub-purchaser),

the conveyance or transfer of each part or parcel is chargeable with duty only to the extent (if any) that the*ad valorem* duty chargeable on it (apart from this sub-paragraph) exceeds an appropriate proportion of the*ad valorem* duty paid on the original sale together with an appropriate proportion of any such duty paid on an intervening subsale.

(3) What is an appropriate proportion shall be determined on a just and reasonable basis having regard to the subject matter of the conveyance or transfer and of the earlier transaction.

(4) Where sub-paragraph (1) or (2) applies to reduce or extinguish the duty payable on a conveyance or transfer, the Commissioners shall, upon application and upon production of the earlier instrument or instruments, duly stamped, either—

(a) denote the payment of the whole of the*ad valorem* duty upon the conveyance or transfer, or

(b) transfer to the conveyance or transfer the*ad valorem* duty paid on the earlier instrument or instruments.

Repayment of duty in certain cases

6 (1) Where—

(a) duty is paid under section 115 on the original sale,

(b) one or more conveyances or transfers are executed in conformity with that contract or agreement so that the whole of the property contracted to be sold is duly conveyed to a purchaser or to one or more sub-purchasers,

(c) those conveyances or transfers are all duly stamped, and

(d) the aggregate amount of the duty that would have been paid on those conveyances or transfers but for duty having been previously paid on the original sale is less than the duty paid on the original sale,

the Commissioners shall repay the difference to the person by whom the duty was paid on the original sale.

(2) If duty has been paid under section 115 on one or more intervening subsales, sub-paragraph (1) has effect with the following modifications—

(a) the reference to duty having been paid on the original sale shall be read as a reference to duty having been paid either on the original sale or on an intervening subsale;

(b) the reference to the amount of duty paid on the original sale shall be read as a reference to the aggregate of the amounts paid on the original sale and any intervening subsales, and

(c) any repayment shall be apportioned among the persons by whom those amounts were paid.

(3) The apportionment mentioned in sub-paragraph (2)(c) shall be made on a just and reasonable basis having regard to the subject matter of the original sale and of the subsale or subsales in question.

PART 3

GENERAL SUPPLEMENTARY PROVISIONS

Construction of references to duty on transactions

7 Any reference in section 115 or this Schedule to duty chargeable or paid on a transaction is to duty chargeable or paid on the stamping of the instrument by which the transaction is effected.

Transactions relating to land in the UK and to other property

8 (1) Where a transaction relates both to land in the United Kingdom and to other property, section 115 and this Schedule apply as if there were separate transactions.

(2) Similarly, the reference in section 115(1)(b) to a series of transactions is to a series of transactions so far as relating to land in the United Kingdom.

(3) If, in a case where a transaction or series of transactions relates partly to land in the United Kingdom and partly to other property, the consideration is not apportioned in a manner that is just and reasonable, section 115 and this Schedule shall have effect as if the consideration had been apportioned in such a manner.

Person claiming relief to establish entitlement

9 It is for a person claiming any relief under this Schedule to prove to the satisfaction of the Commissioners that he is entitled to relief and in what amount.

Construction as one

10 Section 115 and this Schedule shall be construed as one with the Stamp Act 1891 (c. 39).

VALID FROM 23/04/2002

SCHEDULE 37

Section 116(2)

STAMP DUTY: ABOLITION OF DUTY ON INSTRUMENTS RELATING TO GOODWILL: SUPPLEMENTARY PROVISIONS

. . . . . .

VALID FROM 01/04/2002

SCHEDULE 38

Section 132

AGGREGATES LEVY AMENDMENTS

Introduction

1 This Schedule makes amendments to provisions of Part 2 of the Finance Act 2001 (c. 9) (aggregates levy).

The charge

2 In section 16(1) (charge to aggregates levy), for “A levy" substitute “ A tax ”.

Meaning of "aggregat"e etc

3 (1) Section 17 (meaning of "aggregate" etc) is amended as follows.

(2) In subsection (2) (meaning of "taxable" aggregate), for paragraph (d) substitute—

"(d) it is aggregate that on the commencement date is on a site other than—

(i) its originating site, or

(ii) a site that is required to be registered under the name of a person who is the operator, or one of the operators, of that originating site.".

(3) In subsection (3)(d) (exemption for aggregate won in the course of road works), in sub-paragraph (ii) for "otherwise than wholly or mainly" substitute " not ".

(4) In subsection (4), in paragraph (d) (exemption for cuttings from oil drilling)—

(a) after "the Petroleum Act 1998" insert " or the Petroleum (Production) Act (Northern Ireland) 1964 ";

(b) omit the words from "otherwise" to the end (which restrict the exemption to off-shore drilling).

Exempt processes

4 (1) Section 18 (exempt processes) is amended as follows.

(2) In subsection (2)(c) (exemption for production of lime etc), for "some other substance" substitute " anything else ".

(3) In subsection (3) (meaning of "relevant substance"), omit paragraphs (d) (calcite) and (h) (flint).

Commercial exploitation

5 (1) Section 19 (commercial exploitation) is amended as follows.

(2) In subsection (2) (description of sites removal of aggregate from which counts as exploitation), in paragraph (b) for the words from "who is the operator" to the end substitute " under whose name that originating site is also registered ".

(3) After subsection (3) (meaning of "commercial" exploitation) insert—

"(3A) For the purposes of subsection (3)(a) above "business" includes any activity of a Government department, local authority or charity.".

(4) In subsection (4) (exemption in certain cases where aggregate is won from one site and incorporated into a neighbouring site), for the words "adjacent land" in both places substitute " other land ".

Responsibility for commercial exploitation

6 In section 22 (which determines who is taken to be responsible for exploitation of aggregate), at the end of subsection (2) (responsibility for "commercial" exploitation) insert—

"For the purposes of this subsection "business" includes any activity of a Government department, local authority or charity.".

The register

7 In section 24 (the register), in subsection (6) (premises that may be registered) insert after paragraph (c)—

"(ca) for mixing, otherwise than in permitted circumstances (within the meaning given by section 19(7)), any aggregate with any material or substance other than water,".

Insolvency etc

8 In section 37 (regulations about cases of insolvency etc), in subsection (7) (meaning of "insolvency procedure) omit paragraphs (g) to (j) (appointment of receiver and other interim or provisional orders).

Notification of registrability etc

9 (1) Paragraph 1 of Schedule 4 (notification of registrability etc) is amended as follows.

(2) For sub-paragraph (1) substitute—

"(1) An unregistered person who—

(a) is required to be registered for the purposes of aggregates levy, or

(b) has formed the intention of carrying out taxable activities that are registrable,

shall notify the Commissioners of that fact.

(1A) An unregistered person who—

(a) would be required to be registered for the purposes of aggregates levy but for an exemption by virtue of regulations under section 24(4) of this Act, or

(b) has formed the intention of carrying out taxable activities that would be registrable but for such an exemption,

shall, in such cases or circumstances as may be prescribed in the regulations, notify the Commissioners of that fact.

(1B) For the purposes of sub-paragraphs (1) and (1A) above, taxable activities are "registrable" if a person carrying them out is, by reason of doing so, required by section 24(2) of this Act to be registered for the purposes of aggregates levy.".

(3) In sub-paragraphs (2) and (5), after "sub-paragraph (1)" insert " or (1A) ".

Restriction on powers to provide for set-off

10 In paragraph 11 of Schedule 8 (restriction on powers to provide for set-off), in sub-paragraph (2) (meaning of "insolvency procedure") omit paragraphs (f), (g) and (h) (appointment of receiver and other interim or provisional orders).

VALID FROM 24/07/2002

SCHEDULE 39

Section 134(1)

RECOVERY OF TAXES ETC DUE IN OTHER MEMBER STATES

. . . . . .

VALID FROM 24/07/2002

SCHEDULE 40

Section 141

REPEALS

PART 1

EXCISE DUTIES

(1) ALCOHOLIC LIQUOR DUTIES

Short title and chapter	***Extent of repeal***
Alcoholic Liquor Duties Act 1979 (c. 4)	Section 1(9).
This repeal shall be deemed to have come into force on 28th April 2002.	

(2) HYDROCARBON OIL DUTIES

Short title and chapter	***Extent of repeal***
Hydrocarbon Oil Duties Act 1979 (c. 5)	In section 6AB(1), the words from “and delivered" to the end.
Finance Act 1998 (c. 36)	Section 9(2) and (3).

1 The repeal in the Hydrocarbon Oil Duties Act 1979 has effect in accordance with section 5(8)(c) of this Act.

2 The repeals in the Finance Act 1988 have effect in accordance with section 5(8)(b) of this Act.

(3) AMUSEMENT MACHINE LICENCE DUTY

Short title and chapter	***Extent of repeal***
These repeals have effect in accordance with section 8(6) of this Act.,	

Betting and Gaming Duties Act 1981 (c. 63)	In section 26(2), the definition of "thirty-five-penny machine".
Finance Act 1995 (c. 4)	In Schedule 3, paragraph 8(2)(b).

These repeals have effect in accordance with section 8(6) of this Act.,

(4) BETTING DUTIES

Short title and chapter	***Extent of repeal***
Excise Duties (Surcharges or Rebates) Act 1979 (c. 8)	In section 1(3), the words from ", except that if the duty is pool betting duty" to the end.
Betting and Gaming Duties Act 1981 (c. 63)	In section 2(2), paragraph (d) and the word "or" preceding it. In section 9(2), the words "or coupon betting" (in both places). In section 9(3)(a), the words "or coupon betting". In section 9(3)(aa)(i), the words "or coupon betting". Section 9(4). Section 11. In section 12(3), the words "(except in sections 6, 7, 8, 9(2)(a) and 9(5) in their application to coupon betting)". In Schedule 1— (a) in paragraph 3, the words "shall be under the care and management of the Commissioners, and"; (b) paragraphs 4(4) to (6), 6(2)(b), 8 and 12; (c) in paragraph 14(1), the words after paragraph (b).
Finance Act 1986 (c. 41)	In Schedule 4, paragraph 2(1).
Finance Act 1993 (c. 34)	Section 39(a).
Finance Act 2001 (c. 9)	In Schedule 1, the second paragraph (which begins "In section 6(1)").

1 The repeal of section 9(4) of the Betting and Gaming Duties Act 1981 has effect in accordance with section 14(6) of this Act.

2 The other repeals have effect in accordance with section 12 of this Act.

(5) VEHICLE EXCISE DUTY

Short title and chapter	***Extent of repeal***
Vehicle Excise and Registration Act 1994 (c. 22)	Section 57(8). In Schedule 1, paragraph 2(4).
Finance Act 1995 (c. 4)	In Schedule 4, paragraph 7.

1 The repeal of paragraph 2(4) of Schedule 1 to the Vehicle Excise and Registration Act 1994 has effect subject to the saving in section 20(3) of this Act.

2 The repeal of paragraph 7 of Schedule 4 to the Finance Act 1995 has effect in accordance with section 18(3) of this Act.

(6) Drawback of excise duty

Short title and chapter	***Extent of repeal***
Customs and Excise Manage-ment Act 1979 (c. 2)	Section 133(3).

PART 2

VALUE ADDED TAX

(1) DISALLOWANCE OF INPUT TAX WHERE CONSIDERATION NOT PAID

Short title and chapter	***Extent of repeal***
Value Added Tax Act 1994 (c. 23)	Section 36(4A) and (5)(ea).
Finance Act 1997 (c. 16)	Section 39(2) to (4).
These repeals have effect in accordance with section 22(3) of this Act.	

(2) INVOICES

Short title and chapter	***Extent of repeal***
Value Added Tax Act 1994 (c. 23)	Section 6(9). In paragraph 2 of Schedule 11— (a) in the heading, the words “*, VAT invoices*"; (b) in sub-paragraph (1), the words from “and may require" to the end; (c) sub-paragraphs (2) and (2A).
Finance Act 1996 (c. 8)	Section 38(2).
These repeals have effect in accordance with section 24(5) and (6) of this Act.	

PART 3

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

(1) DEDUCTIONS FROM PAYMENTS TO SUB-CONTRACTORS

Short title and chapter	***Extent of repeal***
These repeals have effect in accordance with section 40(4) of this Act.	

Income and Corporation Taxes Act 1988 (c. 1)	In section 559— (a) in subsection (4), the words from “and the sum so deducted" to the end; (b) subsections (5) and (5A); (c) subsection (8).
Finance Act 1998 (c. 36)	In Schedule 7, in paragraph 1 the words “559(4)(b) and (5) (twice)". In Schedule 8, paragraph 2(1).

These repeals have effect in accordance with section 40(4) of this Act.

(2) COMPANY RECONSTRUCTIONS

Short title and chapter	***Extent of repeal***
Income and Corporation Taxes Act 1988 (c. 1)	In section 842(3)(c), the words “or amalgamation".
Taxation of Chargeable Gains Act 1992 (c. 12)	In the heading before section 135, the words “and amalgamations". In section 139(1), in the heading, in subsection (1)(a) and in subsection (5) (twice), the words “or amalgamation". In section 211(2)— (a) in paragraph (a), and (b) in the closing words, the words “or amalgamation". In section 214C(2)(a) and (3), the words “or amalgamation".
Finance (No. 2) Act 1992 (c. 48)	Section 35(1).

These repeals have effect in accordance with paragraphs 7 and 8 of Schedule 9 to this Act.

(3) TAPER RELIEF

Short title and chapter	***Extent of repeal***
Taxation of Chargeable Gains Act 1992 (c. 12)	In section 2A(8)(b)(ii), the words “11 or". In Schedule A1— (a) paragraph 11; (b) in paragraph 22(1), in the definition of “51 per cent subsidiary", the words “(except in paragraph 11 above)"; (c) in paragraph 23, the final sentence of sub-paragraph (4), sub-paragraph (5), in sub-paragraph (7) the words “, (5)(b)" and sub-paragraphs (9) and (10); (d) paragraph 24(6).

These repeals have effect in accordance with paragraphs 2, 4 and 7 of Schedule 10 to this Act.

(4) GAINS TREATED AS ACCRUING TO SETTLORS

Short title and chapter	***Extent of repeal***
Taxation of Chargeable Gains Act 1992 (c. 12)	In section 2(5)(b), the words “77, 86,". Section 77(6A). Section 86(4A). In section 86A(8), the words “or aggregate amount".
Finance Act 1998 (c. 36)	In Schedule 21, paragraph 6(1) and (2).

These repeals have effect in accordance with paragraphs 7 and 8 of Schedule 11 to this Act.

(5) TAX RELIEF FOR RESEARCH AND DEVELOPMENT EXPENDITURE

Short title and chapter	***Extent of repeal***
Finance Act 2000 (c. 17)	In Schedule 20— (a) in paragraph 5(1)(c), the words “(within the meaning of section 231A(4) of the Taxes Act 1988)"; (b) in paragraph 12, the word “and" at the end of paragraph (a).

These repeals have effect for accounting periods ending on or after 1st April 2002.

(6) COMMUNITY INVESTMENT TAX CREDIT

Short title and chapter	***Extent of repeal***
Finance Act 1990 (c. 29)	In section 25(7), the word “and" at the end of paragraph (b).

This repeal has effect in accordance with section 57(3) and (4)(b) of this Act.

(7) CARS WITH LOW CARBON DIOXIDE EMISSIONS

Short title and chapter	***Extent of repeal***
Capital Allowances Act 2001 (c. 2)	In section 39, the word “or" preceding the words “section 45A". In section 46(1), the word “or" preceding the words “section 45A". In section 74(2), the word “and" preceding paragraph (b).

These repeals have effect in accordance with section 59 of this Act.

(8) COMPUTATION OF PROFITS

Short title and chapter	***Extent of repeal***

Income and Corporation Taxes Act 1988 (c. 1)	In section 473(2), the words, “, if the securities were not such as are mentioned in subsection (1)(b) above".
Finance Act 1998 (c. 36)	Section 44. Schedule 6.
Capital Allowances Act 2001	In Schedule 2, paragraph 102.

The repeal in section 473(2) of the Taxes Act 1988 has effect in accordance with section 67(4)(a) of this Act.

The other repeals have effect in accordance with section 64(6) of and paragraphs 16 and 17 of Schedule 22 to this Act.

(9) ASSET-LINKED LOAN RELATIONSHIPS

Short title and chapter	***Extent of repeal***
Finance Act 1996 (c. 8)	In section 92, in subsection (1)(e), the word “and". Section 93(11) and (13).

The repeal in section 92 of the Finance Act 1996 (c. 8) has effect in accordance with section 72 of this Act.

The repeals in section 93 of that Act have effect in accordance with section 75 of this Act.

(10) FOREX AND EXCHANGE GAINS AND LOSSES FROM LOAN RELATIONSHIPS ETC

Short title and chapter	***Extent of repeal***
Income and Corporation Taxes Act 1988 (c. 1)	In section 15(1), the second indent of paragraph 2(3) of Schedule A. Section 56(3A) to (3D). In Schedule 24, paragraphs 13 to 19. In Schedule 27, paragraph 5(2A) so far as relating to sections 125 to 133 of the Finance Act 1993.
Taxation of Chargeable Gains Act 1992 (c. 12)	In section 117(A1), the words “(subject to sections 117A and 117B below)". Sections 117A and 117B.
Finance Act 1993 (c. 34)	Section 60. Sections 125 to 169. Schedules 15 to 17. In Schedule 18, paragraph 2.
Finance Act 1994 (c. 9)	Sections 114 to 116. Section 226(2).
Finance Act 1995 (c. 4)	Section 52(2). Section 131. In Schedule 24, paragraphs 1 to 3. In Schedule 25, paragraphs 6(5) and 7.

Finance Act 1996 (c. 8)	In section 85(2), the word “and" at the end of paragraph (b). In section 92(6)(b), the words “127 or". In Schedule 9— (a) paragraphs 4 and 11(4); (b) in paragraph 13(6), the definition of “related transaction"; (c) in paragraph 15(1), the words “for the purposes of section 84 of this Act". In Schedule 11, in paragraph 3A(1)(b), the words “debt or". In Schedule 14, paragraphs 67 to 74. In Schedule 15, paragraphs 22 to 24. In Schedule 20, paragraphs 68 to 70.
Finance Act 1998 (c. 36)	Section 108(3) and (4)(a). In section 109— (a) subsections (1) and (2); (b) subsection (4) so far as relating to those subsections; (c) subsection (5) so far as relating to the enactments specified in paragraph (a) of it. Section 110(4)(b). Schedule 4, paragraph 7.
Finance Act 2000 (c. 17)	Section 106. In Schedule 22, paragraph 50(2)(b). In Schedule 29, paragraphs 20, 21 and 41 to 43.

The repeal in Schedule 27 to the Taxes Act 1988 has effect for account periods beginning on or after 1st October 2002.

The other repeals have effect in accordance with section 79(3) of this Act and Schedule 23 to this Act.

(11) CORPORATION TAX: CURRENCY

Short title and chapter	***Extent of repeal***
Finance Act 1993 (c. 34)	In section 93, subsections (3) and (6) and, in subsection (7), the definitions of “branch" and “the closing rate/net investment method".
Finance Act 1994 (c. 9)	Section 226(1).
Finance Act 1998 (c. 36)	Section 163(3)(b) and (c).

These repeals have effect in accordance with section 80 of this Act and Schedule 24 to this Act.

(12) LOAN RELATIONSHIPS: GENERAL AMENDMENTS

Short title and chapter	***Extent of repeal***
Income and Corporation Taxes Act 1988 (c. 1)	In section 77(2)(a), sub-paragraph (ii) and the preceding word “or". Section 403ZC(2). In section 432A(9B), the definition of “money debt". In section 797A, the second sentence in subsection (5) and in subsection (7). In Schedule 28A— (a) in paragraph 7, in sub-paragraph (1)(d), the word “and" preceding sub-paragraph (iii), in sub-paragraph (1)(e), the word “and" preceding sub-paragraph (iii), and sub-paragraph (2); (b) in paragraph 16, in sub-paragraph (1)(d), the word “and" preceding sub-paragraph (iii), in sub-paragraph (1)(e), the word “and" preceding sub-paragraph (iii), and sub-paragraph (2).
Finance Act 1988 (c. 39)	In Schedule 6, in paragraph 3— (a) sub-paragraphs (3)(a), (4)(a) and (5)(a) and (b); (b) in sub-paragraph (5), in the words following paragraph (c), the word “group"; (c) sub-paragraph (6).
Finance Act 1996 (c. 8)	In section 83— (a) in subsection (2), paragraphs (b) and (d) and the word “or" at the end of paragraph (c); (b) subsection (4); (c) in subsection (7), in paragraph (a), the word “(b)", and paragraph (b) and the preceding word “and". In section 87— (a) in subsection (3), in paragraph (a) the words “or in the two years before the beginning of that period", in paragraph (b) the words “or in those two years", and paragraph (c) and the preceding word “or"; (b) subsections (6) to (8). Section 89. Section 91. In Schedule 8, paragraph 2. In Schedule 9, in paragraph 17— (a) in sub-paragraph (5), in paragraph (a) the words “or in the period of two years before the beginning of that period" and in

These repeals have effect in accordance with section 82(2) of this Act.

	paragraph (b) the words “or in those two years"; (b) sub-paragraphs (6) and (7). In Schedule 9, in paragraph 18— (a) in sub-paragraph (1), the word “and" immediately preceding paragraph (b); (b) in sub-paragraph (4), the definition of “control".
Finance Act 1998 (c. 36)	Section 82(1) and (2)(c) and (e).

These repeals have effect in accordance with section 82(2) of this Act.

(13) DERIVATIVE CONTRACTS

Short title and chapter	***Extent of repeal***
Income and Corporation Taxes Act 1988 (c. 1)	Section 468AA. In section 807A(7), the definition of “relevant qualifying payment". In Schedule 5AA— (a) in paragraph 1, sub-paragraphs (2)(b) and (c) and (3), in sub-paragraph (5), the words “and 396", in sub-paragraph (6), the words “, corporation tax" and “or 396", and sub-paragraph (7); (b) paragraph 2(3); (c) paragraph 4(4A); (d) in paragraph 4A, in sub-paragraph (5)(b), the words “or 396", and sub-paragraph (10A); (e) paragraph 6(3A); (f) paragraph 9. In Schedule 27, paragraph 5(2A) so far as relating to sections 159 and 160 of, and paragraph 1 of Schedule 18 to, the Finance Act 1994.
Finance Act 1990 (c. 29)	Section 81(1).
Finance Act 1994 (c. 9)	Sections 147 to 175. Section 177. Schedule 18.
Finance Act 1995 (c. 4)	Section 52(3). Section 132.
Finance Act 1996 (c. 8)	Section 93A(3)(a) and (7). Section 101(2) to (6). Schedule 12. In Schedule 14, paragraphs 75 to 79. In Schedule 15, paragraph 25. In Schedule 20, paragraph 71.
Finance Act 1998 (c. 36)	Section 99(2) and (3). In section 109—

	(a) subsection (3); (b) subsection (4) so far as relating to subsection (3); (c) subsection (5) so far as relating to the enactments specified in paragraph (b) of it.
Finance Act 2000 (c. 17)	In Schedule 30, paragraph 24(3).
Finance Act 2002 (c. 23)	Sections 69 and 70. Section 78.

The repeal in Schedule 27 to the Taxes Act 1988 has effect for account periods beginning on or after 1st October 2002.

The other repeals have effect in accordance with section 83(3) of this Act.

(14) DEDUCTION OF TAX: PAYMENTS TO EXEMPT BODIES ETC

Short title and chapter	***Extent of repeal***
Income and Corporation Taxes Act 1988 (c. 1)	Section 349B(1)(b) and the word “or" preceding it.

This repeal has effect in accordance with section 94(7) of this Act.

(15) GIFTS OF REAL PROPERTY TO CHARITY

Short title and chapter	***Extent of repeal***
Income and Corporation Taxes Act 1988	In section 587B(9), the word “and" preceding paragraph (d).

This repeal has effect in accordance with section 97 of this Act.

(16) REFERENCES TO ACCOUNTING PRACTICE AND PERIODS OF ACCOUNT

Short title and chapter	***Extent of repeal***
Taxes Management Act 1970 (c. 9)	In section 12AB(5), the definition of “period of account".
Income and Corporation Taxes Act 1988 (c. 1)	Section 43A(2). Section 91A(8). Section 91B(11)(e) and the word “and" preceding it. In section 297(5B), the second sentence. Section 494AA(2)(b) and the word “or" preceding it. In section 560(2), the words from “and in paragraph (f)" to the end. In section 834(1), in the definition of “accounting date", the words from “and “period of account"" to the end. Section 837A(5). In section 842B(2), the second sentence.

	In Schedule 5, in paragraphs 2(6) and 6(4), the definitions of "period of account". In Schedule 28B, in paragraph 4(6B), the second sentence.
Finance Act 1988 (c. 39)	In section 86(3), the definition of "period of account".
Finance Act 1989 (c. 26)	In section 43(9), the definition of "period of account".
Taxation of Chargeable Gains Act 1992 (c. 9)	In section 161(3A), the words from "and in paragraph (a)" to the end. In section 13(5B), the second sentence.
Finance Act 1997 (c. 16)	In Schedule 12— (a) in paragraph 1(1)(c), the words ", in the case of companies incorporated in any part of the United Kingdom," and "for the purposes of the accounts of such companies"; (b) in paragraph 4(5), the words ", if the recipient were a company incorporated in the United Kingdom,"; (c) in paragraph 15(1)(c), the words ", in the case of companies incorporated in any part of the United Kingdom," and "for the purposes of the accounts of such companies"; (d) paragraph 28(1) to (4).
Finance Act 1998 (c. 36)	Section 45. In Schedule 18, in paragraph 14(2), the second sentence.
Finance Act 1999 (c. 16)	In Schedule 6, paragraph 3(5).
Finance Act 2000 (c. 17)	In Schedule 14, in paragraph 22(4), the second sentence. In Schedule 15, in paragraph 29(4), the second sentence. In Schedule 20, in paragraph 25(1), the definition of "normal accounting practice". In Schedule 23, in paragraph 5, the definitions of "normal accounting practice" and "statutory accounts".
Capital Allowances Act 2001 (c. 2)	Section 179(2). Section 219(2).

(17) FINANCIAL TRADING STOCK

Short title and chapter	***Extent of repeal***
Income and Corporation Taxes Act 1988 (c. 1)	Section 100(1B)(a).

Finance Act 1988 (c. 39)	In Schedule 12, paragraph 2.

(18) BANKS ETC IN COMPULSORY LIQUIDATION

Short title and chapter	***Extent of repeal***
Finance (No. 2) Act 1992 (c. 48)	In Schedule 12, paragraphs 3(3)(c) and 4(3).
Finance Act 1998 (c. 36)	In Schedule 7, in paragraph 8, the words “3(3)(c) and".

These repeals have effect in accordance with section 107 of this Act.

PART 4

OTHER TAXES

(1) AIR PASSENGER DUTY: EXTENSION OF AREA TO WHICH EEA RATES APPLY

Short title and chapter	***Extent of repeal***
Finance Act 1994 (c. 9)	In section 30(2), the word “or" preceding paragraph (b).

This repeal has effect in accordance with section 121 of this Act.

(2) CLIMATE CHANGE LEVY

Short title and chapter	***Extent of repeal***
Finance Act 2000 (c. 17)	In Schedule 6, in paragraph 20(7), paragraph (c) and the preceding word “and".

This repeal has effect in accordance with section 125(2) of this Act.

(3) AGGREGATES LEVY

Short title and chapter	***Extent of repeal***
Finance Act 2001 (c. 9)	In section 17— (a) subsection (3)(a); (b) in subsection (4), paragraph (b) and the words in paragraph (d) from “otherwise" to the end. Section 18(3)(d) and (h). In section 20(1)— (a) the words “and is not rock" in paragraphs (a) and (b); (b) paragraph (c). Section 21(2)(b). Section 24(6)(b) and (8)(a). Section 37(7)(g) to (j).

	In Schedule 6, in paragraph 7(1), paragraph (b) and the words from “equal to the amount" to the end. In Schedule 8, in paragraph 11(2), paragraphs (f), (g) and (h).

The repeals in Schedule 6 to the Finance Act 2001 shall be deemed to have come into force on 1st May 2002.

The other repeals shall be deemed to have come into force on 1st April 2002.

PART 5

MISCELLANEOUS

RECOVERY OF TAX DUE IN OTHER MEMBER STATES

Short title and chapter	***Extent of repeal***
Finance Act 1977 (c. 36)	Section 11.
Finance Act 1980 (c. 48)	In section 17— (a) subsection (1); (b) in subsection (2A), the words “(1) and"; (c) in subsection (3), the words from the beginning to “passing of this Act;".

Status:
Point in time view as at 31/03/2002. This version of this Act contains provisions that are not valid for this point in time.

Changes to legislation:
Finance Act 2002 is up to date with all changes known to be in force on or before 24 August 2023. 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.