SCHEDULES

SCHEDULE 4

Section 38.

WITHDRAWAL OF RELIEF FOR INTEREST ON LOANS TO BUY LAND ETC.

Amendments of Part IX of the Taxes Act 1988

1 (1) Section 353 of the Taxes Act 1988 (general provision for relief for interest payments) is amended as follows.

(2) In subsection (1), for "sections 354", in each place, substitute "sections 359".

(3) In subsections (1A) and (1B), omit the words "354 or".

(4) For subsection (1G) substitute—

"(1G) In subsection (1F) above "the applicable percentage" means the percentage which is the basic rate for the year of assessment in question."

2 Sections 354 to 358 of the Taxes Act 1988 (loans to buy land etc.) shall cease to have effect.

3 (1) Section 367 of the Taxes Act 1988 (supplementary provisions) is amended as follows.

(2) Omit subsection (1) and, in subsection (2), the words "354(1) and".

(3) In subsections (3) and (4), for "sections 354", in each place, substitute "sections 359".

(4) In subsection (5), for "sections 356A to 357 and" substitute "section".

4 In section 369 of the Taxes Act 1988 (mortgage interest payable under deduction of tax), for subsection (1A) substitute—

"(1A) In subsection (1) above "the applicable percentage" means the percentage which is the basic rate for the year of assessment in which the payment has become or becomes due."

5 (1) Section 370 of the Taxes Act 1988 (meaning of "relevant loan interest") is amended as follows.

(2) In subsection (1)—

(a) for "sections 372" substitute "sections 373"; and

(b) omit the words "or (3)".

(3) In subsection (2), omit the words "354(1) or", "356A, 357 or", and paragraph (c) and the word "and" immediately before it.

(4) Omit subsections (3), (4), (6) and (7).

(5) In subsection (5), for the words from "sections" to "each" substitute "section 365 shall".

6 Section 372 of the Taxes Act 1988 (home improvement loans) shall cease to have effect.

7 (1) Section 373 of the Taxes Act 1988 (loans in excess of the qualifying maximum, and joint borrowers) is amended as follows.

(2) Omit—

(a) in subsection (1), the words "section 356A, section 357(1) or";

(b) subsections (3) and (4);

(c) in subsection (5), the words from "and" to "also fulfilled"; and

(d) in subsection (7), the words from "and" to the end.

(3) In subsection (6), for "sections 370 to 372" substitute "section 370".

8 In section 374 of the Taxes Act 1988 (conditions for application of section 369), omit subsection (1)(c) and, in subsection (2), the words "(c) or".

9 (1) In section 375 of the Taxes Act 1988 (interest ceasing to be relevant loan interest, etc.), after subsection (8A) insert—

"(8B) Subsections (1), (5) and (6) above shall not apply where interest ceases to be relevant loan interest by virtue of section 38 of the Finance Act 1999."

(2) Omit subsections (9) and (10) of that section.

10 Section 375A of the Taxes Act 1988 (option to deduct interest for Schedule A purposes) shall cease to have effect.

11 In section 376 of the Taxes Act 1988 (meaning of qualifying borrowers and qualifying lenders), omit—

(a) in subsection (3), the words from "and" to the end; and

(b) subsection (6).

12 Section 377 of the Taxes Act 1988 (variation of repayment terms of certain loans) shall cease to have effect.

13 In section 378 of the Taxes Act 1988 (supplementary regulations)—

(a) omit subsections (1), (2) and (4); and

(b) in subsection (3), for "377", wherever occurring, substitute "376A".

14 In section 379 of the Taxes Act 1988 (interpretation of sections 369 to 378)—

(a) in the definition of "qualifying lender", omit the words "to (6)";

(b) in the definition of "regulations", omit the words "except in sections 378(1) and (2)"; and

(c) after the definition of "relevant loan interest" insert the following definition—

""separated" means separated under an order of a court of competent jurisdiction or by deed of separation or in such circumstances that the separation is likely to be permanent."

Other amendments

15 (1) Section 488 of the Taxes Act 1988 (tax liability of co-operative housing associations) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (b), for the words from "as payable not" to "relates; and" substitute "in relation to the association as if there were no interest so payable"; and

(b) omit paragraph (c).

(3) In subsection (2), omit paragraph (b) and the word "and" immediately preceding it.

(4) In subsection (4), omit the words "a member or of".

(5) In subsection (11A), for "all persons concerned" substitute "the association".

(6) Omit subsection (12).

16 In section 548(3) of the Taxes Act 1988 (cases where deemed surrender and payment in relation to certain loans does not apply), for paragraph (a) substitute—

"(a) to a policy if it is a qualifying policy and interest at a commercial rate is payable on the sum lent;".

17 (1) Section 222 of the Taxation of Chargeable Gains Act 1992 (relief on disposal of private residence) is amended as follows.

(2) In subsection (8), in paragraph (a), omit the words from "within" to "Act".

(3) After subsection (8) insert—

"(8A) Subject to subsections (8B), (8C) and (9) below, for the purposes of subsection (8) above living accommodation is job-related for a person if—

(a) it is provided for him by reason of his employment, or for his spouse by reason of her employment, in any of the following cases—

(i) where it is necessary for the proper performance of the duties of the employment that the employee should reside in that accommodation;

(ii) where the accommodation is provided for the better performance of the duties of the employment, and it is one of the kinds of employment in the case of which it is customary for employers to provide living accommodation for employees;

(iii) where, there being a special threat to the employee's security, special security arrangements are in force and the employee resides in the accommodation as part of those arrangements;

or

(b) under a contract entered into at arm's length and requiring him or his spouse to carry on a particular trade, profession or vocation, he or his spouse is bound—

(i) to carry on that trade, profession or vocation on premises or other land provided by another person (whether under a tenancy or otherwise); and

(ii) to live either on those premises or on other premises provided by that other person.

(8B) If the living accommodation is provided by a company and the employee is a director of that or an associated company, subsection (8A)(a)(i) or (ii) above shall not apply unless—

(a) the company of which the employee is a director is one in which he or she has no material interest; and

(b) either—

(i) the employment is as a full-time working director, or

(ii) the company is non-profit making, that is to say, it does not carry on a trade nor do its functions consist wholly or mainly in the holding of investments or other property, or

(iii) the company is established for charitable purposes only.

(8C) Subsection (8A)(b) above does not apply if the living accommodation concerned is in whole or in part provided by—

(a) a company in which the borrower or his spouse has a material interest; or

(b) any person or persons together with whom the borrower or his spouse carries on a trade or business in partnership.

(8D) For the purposes of this section—

(a) a company is an associated company of another if one of them has control of the other or both are under the control of the same person; and

(b) "employment", "director", "full-time working director", "material interest" and "control", in relation to a body corporate, have the same meanings as they have for the purposes of Chapter II of Part V of the Taxes Act."

(4) In subsection (9)—

(a) for "Section 356(3)(b) and (5) of the Taxes Act" substitute "Subsections (8A)(b) and (8C) above"; and

(b) for "within the meaning of that section" substitute "for the purposes of that subsection".

Commencement

18 (1) Paragraph 9(2) above has effect in relation to any loan the only payments under which are payments falling within subsection (3) or (4) of section 38 of this Act.

(2) Paragraph 15 above has effect in relation to any claim for (or for part of) the year 2000-01 or any subsequent year of assessment.

(3) Paragraph 16 above has effect in relation to loans made on or after 6th April 2000.

(4) Paragraph 17 above has effect for the year 2000-01 and subsequent years of assessment.

(5) The other provisions of this Schedule have effect in relation to any payment of interest falling within subsection (3) or (4) of section 38 of this Act.