



# Finance Act 1965

## 1965 CHAPTER 25

### PART II

#### INCOME TAX.

##### *Short term capital gains.*

#### **17 Amendments of Case VII of Schedule D.**

- (1) In section 10(2) of the Finance Act 1962 (which excludes from charge to tax gains accruing on disposals of land more than three years after acquisition and disposals of other assets more than six months after acquisition) for the words

“where the disposal occurs more than three years after the acquisition in the case of a disposal of land, or where the disposal occurs more than six months after the acquisition in any other case”

there shall be substituted the words

“where the disposal occurs more than twelve months after the acquisition”,

and section 14 of the Finance Act 1962 (disposal of land effected indirectly) shall cease to have effect.
- (2) In section 11(1) of the Finance Act 1962 (exemption of tangible movable property from Case VII) the words " with the exception of tangible movable property " shall cease to have effect, but the charge to tax thereby imposed shall have effect subject to the provisions of this and the next following section.
- (3) A mechanically propelled road vehicle constructed or adapted for the carriage of passengers shall not be a chargeable asset except for a vehicle of a type not commonly used as a private vehicle and unsuitable to be so used.
- (4) Currency of any description other than sterling shall be chargeable assets except in relation to an acquisition and disposal by an individual for the personal expenditure outside the United Kingdom of himself or his family or dependants (including

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expenditure on the provision or maintenance of any residence outside the United Kingdom).

- (5) A gain shall be exempt from tax chargeable under Case VII if accruing from the acquisition and disposal by any person of a decoration awarded for valour or gallant conduct which he acquired otherwise than for consideration in money or money's worth.
- (6) Where in the year 1965-66 or any subsequent year of assessment an individual disposes by way of gift of an asset the market value of which at the time of the gift does not exceed one hundred pounds there shall be exempt from tax chargeable under Case VII any gains accruing to the donor on the disposal but this subsection, taken together with section 27(2) of this Act, shall not apply to gifts made by the same individual in the same year of assessment the total market value of which exceeds one hundred pounds, taking the market value of any gift at the time of the gift.
- (7) If the adjusted sale price and adjusted purchase price to be taken into account in computing the amount of a gain accruing from an acquisition and disposal of securities of one of the descriptions in Schedule 9 to this Act are both within the exempt price range specified in that Schedule for those securities a gain accruing on that disposal shall be exempt from tax chargeable under Case VII (and a loss so accruing shall not be an allowable loss) and if the range between those prices overlaps that exempt price range a proportion of a gain so accruing shall be so exempt, which shall be the proportion which the part of the range between those prices which overlaps that exempt price range bears to the whole of the range between those prices (and correspondingly a part of a loss so accruing shall not be an allowable loss).

In this and the next following subsection " adjusted sale price " means the amount of the consideration for the disposal and " adjusted purchase price " means the amount of the consideration for the acquisition (that is the acquisition by the person making the disposal), both adjusted, where the nominal amount of the securities being disposed of is not one hundred pounds, to represent a price for a nominal amount of one hundred pounds.

- (8) If in consequence of a conversion on their redemption date of securities of one of the descriptions in the said Schedule any securities of that description and a new holding of Government securities are, under paragraph 10(2) of Schedule 9 to the Finance Act 1962 as applied by paragraph 11 of that Schedule, to be treated as the same asset acquired as the converted securities were acquired, and the adjusted purchase price of the converted securities is less than one hundred pounds then, in computing the gain accruing on an acquisition and disposal of the new holding, or any part of the new holding, there shall be added to the amount of the expenditure which is allowable as a deduction the amount of the gain which would have been exempted by virtue of the last foregoing subsection if the converted securities, or as the case may be the corresponding part of them, had been disposed of at the time of their redemption for a consideration equal to their nominal value.
- (9) If a claim is made under subsection (1) or subsection (2) of section 33 of this Act—
  - (a) that section shall apply as if references in those subsections to the purposes of Part III of this Act included references to the purposes of Chapter II of Part II of the Finance Act 1962 (Case VII),
  - (b) tax shall not be chargeable under Case VII on a gain accruing to the claimant from the acquisition and disposal of, or of the interest in, the new assets unless the period between the date when the claimant acquired the old assets, or the

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interest in the old assets, and the date when he disposed of the new assets, or the interest in the new assets, is twelve months or less.

This subsection shall not be taken as applying the said section 33 where the disposal of, or of the interest in, the old assets occurred before 7th April 1965.

- (10) At the end of section 12(4) of the Finance Act 1962 (amount or value of consideration to be equated to amount or value attributed for income tax purposes) for the words " for that purpose" there shall be substituted the words " or the interest or right in or over it for that purpose ", in section 12(5) of that Act (persons acting as nominees, etc.) for the words " (or for two or more persons jointly so entitled)" there shall be substituted the words " or for another person who would be so entitled but for being an infant or other person under disability (or for two or more persons who are or would be jointly so entitled) " and in the proviso to section 12(6) of that Act (residence of trustees) for the words " body corporate " there shall be substituted the word " person ".
- (11) Schedule 9 to the Finance Act 1962 shall be amended as follows—
- (a) paragraph 6(1) (transactions between husband and wife) shall not apply in relation to a disposal of an asset if until the disposal the asset formed part of trading stock of a trade carried on by the one making the disposal, or if the asset is acquired as trading stock for the purposes of a trade carried on by the one acquiring the asset,
  - (b) in paragraph 8(6)(a) (identification of shares) for the reference to six months there shall be substituted a reference to twelve months,
  - (c) for the purposes of paragraph 9(1) shares acquired for transfer or delivery after the date of transfer or delivery of the shares sold shall be deemed to have been acquired after the disposal of the shares sold,
  - (d) in paragraph 10(3) proviso before the words " consisting of" there shall be inserted " any consideration ",
  - (e) in paragraph 10(4) (reorganisation of share capital, etc.) references to any capital distribution from the company shall include references to any consideration given by any person, other than the company, in respect of the original shares,
  - (f) at the beginning of paragraph 20(4) (definition of connected persons) there shall be inserted the words " Except in relation to acquisitions or disposals of partnership assets pursuant to bona fide commercial arrangements ".
- (12) In this section references to a disposal chargeable under Case VII are references to cases where income tax under Case VII is chargeable on the gain accruing on the acquisition and disposal, or where it would be so chargeable if there were a gain so accruing.
- (13) This and the next following section shall be construed as one with Chapter II of Part II of the Finance Act 1962.
- (14) The foregoing provisions of this section shall not have effect in relation to an acquisition and disposal if either the acquisition or the disposal occurred before 7th April 1965, and the repeal by this section of section 14 of the Finance Act 1962 shall not have effect where the relevant land of the land-owning company mentioned in that section was acquired by that company before 7th April 1965.
- (15) Income tax shall not be charged by virtue of section 10 of the Finance Act 1962 in respect of an acquisition and disposal of land where—

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- (a) either the acquisition or the disposal, whichever is the earlier, occurs on or before 6th April 1965 but the disposal or acquisition, whichever is the later, occurs after 6th April 1965, and
  - (b) the disposal or acquisition, whichever is the later, occurs more than twelve months after the acquisition or disposal (but not more than three years after),
- but in the case of a gain of any amount exempted by the foregoing provisions of this subsection, the gain shall be treated for the purposes of Part III of this Act as if it were a chargeable gain, as denned in Part III of this Act, and any loss so accruing shall be brought into account accordingly; and for those purposes the question whether any, and if so what, gain or loss so accrues shall accordingly be determined in accordance with the provisions applicable to income tax chargeable under Case VII of Schedule D and not in accordance with the provisions of Part III of this Act.

This subsection shall apply to an option or other right to acquire or dispose of land as it applies to land.

## **18 Amendments of Case VII of Schedule D: chattels sold for £1,000 or less.**

- (1) There shall be exempt from tax chargeable under Case VII a gain accruing from the acquisition and disposal of an asset which is tangible movable property if the amount or value of the consideration for the disposal does not exceed one thousand pounds, and the amount of income tax (including surtax) chargeable under Case VII in respect of a gain accruing from the acquisition and disposal of an asset which is tangible movable property for a consideration exceeding one thousand pounds shall not exceed half the difference between that consideration and one thousand pounds.

For the purposes of this subsection the amount of the gain on which income tax is so chargeable shall be deemed to be the highest part of the income of the person charged for the year of assessment in question.

- (2) Subsection (1) above shall not affect section 10(4) of the Finance Act 1962 (losses) but for the purposes of the said section 10(4) the consideration for the disposal of any asset which is tangible movable property shall, if less than one thousand pounds, be deemed to be one thousand pounds and losses allowable under that subsection shall be restricted accordingly.
- (3) If two or more assets which have formed part of a set of articles of any description all owned at one time by one person are disposed of by that person, and—
- (a) to the same person, or
  - (b) to persons who are acting in concert or who are, in the terms of paragraph 21 of Schedule 7 to this Act, connected persons,

whether on the same or different occasions, those assets shall be treated for the purposes of subsections (1) and (2) of this section as a single asset but with any necessary apportionments of the reductions in tax, and in allowable losses, under subsections (1) and (2) of this section.

- (4) In applying subsections (1) and (2) of this section in a case where the disposal is of a right or interest in or over tangible movable property—
- (a) in the first instance those subsections shall be applied in relation to the asset as a whole, taking the consideration as including the market value of what remains undisposed of, in addition to the actual consideration,
  - (b) where the sum of the actual consideration and that market value exceeds one thousand pounds, the limitation on the amount of income tax (including

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- surtax) in subsection (1) shall be to half the difference between that sum and one thousand pounds multiplied by the fraction equal to the actual consideration divided by the said sum, and
- (c) where that sum is less than one thousand pounds any loss shall be restricted under subsection (2) of this section by deeming the actual consideration to be the actual consideration plus the said fraction of the difference between the said sum and one thousand pounds.
- (5) Subsections (1) and (2) of this section shall not apply—
- (a) in relation to a disposal of commodities of any description by a person dealing on a terminal market or dealing with or through a person ordinarily engaged in dealing on a terminal market, or
- (b) in relation to a disposal of currency of any description.
- (6) This section does not have effect in relation to a gain or loss accruing on the acquisition and disposal of an asset if either the acquisition or the disposal occurred before 7th April 1965.