



Finance Act 1966

1966 CHAPTER 18

PART II

INCOME TAX

17 Charge of income tax for 1966-67.

Income tax for the year 1966-67 shall be charged at the standard rate of 8s. 3d. in the pound, and in the case of an individual whose total income exceeds £2,000 at such higher rates in respect of the excess as Parliament may hereafter determine.

18 Surtax rates for 1965-66.

Income tax for the year 1965-66 shall be charged, in the case of an individual whose total income exceeded £2,000, in respect of the excess at rates in the pound which respectively exceed the standard rate by the amounts by which the higher rates for the year 1964-65 exceeded the standard rate for that year.

19 Exemption from tax of social security benefit.

Benefit under any Act of the present Session establishing a Ministry of Social Security and providing for benefits eligibility for which is to be determined by a Supplementary Benefits Commission established by the Act, or under any Act of the Parliament of Northern Ireland providing for corresponding benefits, shall not be regarded as income for any income tax purposes.

20 Exclusion from relief of interest on Post Office investment deposits.

In section 9(1) of the Finance Act 1956 (relief from income tax on certain savings bank interest) the reference to deposits with the Post Office savings bank shall not include a reference to investment deposits as defined in section 1(2) of the Post Office Savings Bank Act 1966.

21 Personal reliefs for non-residents.

- (1) This section has effect as respects the application of the proviso to section 227(2) of the Income Tax Act 1952 (under which certain non-residents are eligible for the personal reliefs from income tax subject to an adjustment made by reference to the amount of income tax payable on certain assumptions) to an individual whose income includes any dividends, interest, royalties or other profits (in this section referred to as income eligible for double taxation relief) which are chargeable to income tax but in respect of which relief (other than credit) is available under an Order in Council under section 347 of the Income Tax Act 1952, or under section 31 of this Act, so as to limit the rate of income tax so chargeable (but not so as to confer an exemption and make it income which is not subject to income tax charged in the United Kingdom).
- (2) Subject to subsection (3) below, for the purposes of the said proviso—
 - (a) in computing the amount of the income tax payable by the individual the tax chargeable in respect of the income eligible for double taxation relief shall be disregarded,
 - (b) in computing the amount of his income subject to income tax charged in the United Kingdom the income eligible for double taxation relief shall be disregarded, and
 - (c) in computing his total income from all sources, including income which is not subject to income tax charged in the United Kingdom, income eligible for double taxation relief shall be included and the income tax which would be chargeable on that total income shall be computed without regard to the double taxation relief available in respect of the income eligible for double taxation relief,and accordingly where this subsection applies the amount of the tax chargeable in respect of the income eligible for double taxation relief shall not be affected by the said section 227(2).
- (3) This section shall not operate so as to make the tax payable by an individual for a year of assessment higher than it would have been if the double taxation relief had not been available.
- (4) This section has effect as respects the year 1966-67 and subsequent years of assessment.

22 India, Pakistan and Burma pensions.

- (1) Section 40(1)(a) of the Finance Act 1956 (which exempts from income tax a pension paid under the authority of the Pensions (India, Pakistan and Burma) Act 1955 if it is the income of a person not resident in the United Kingdom, but not the part of the pension paid by virtue of the Pensions (Increase) Act 1962 or earlier Pensions (Increase) Acts) shall have effect subject to the provisions of this section.
- (2) The said section 40(1) shall not apply to so much of any pension of the description in paragraph (a) thereof as is paid by virtue of the application to the pension of the Pensions (Increase) Act 1965 or of any Act passed after this Act for purposes corresponding to the purposes of the said Act of 1965.

23 Surtax on income under certain settlements: exceptions to s. 415(1) of Act of 1952.

- (1) Notwithstanding section 12(1) of the Finance Act 1965 (which extends section 415(1) of the Income Tax Act 1952 so as to treat certain income arising under a settlement as being for surtax purposes the income of the settlor) the said section 415(1) shall not apply to income consisting of annual payments made under a partnership agreement to or for the benefit of a former member, or the widow or dependants of a deceased former member, of the partnership, being payments made under a liability incurred for full consideration.
- (2) Notwithstanding the said section 12(1), the said section 415(1) shall not apply to income consisting of annual payments made by an individual, in connection with the acquisition by him of the whole or part of a business—
 - (a) to or for the benefit of the individual from whom it is acquired or, if he is dead, to or for the benefit of his widow or dependants, or
 - (b) if the acquisition was from a partnership, to or for the benefit of a former member, or the widow or dependants of a deceased former member, of that or any preceding partnership, or to or for the benefit of an individual from whom the business or part was acquired by that or any preceding partnership or, if he is dead, to or for the benefit of the widow or dependants of such an individual, being payments made under a liability incurred for full consideration.
- (3) Payments made in respect of any individual under a liability incurred in connection with an acquisition from a partnership shall only be excluded from the operation of the said section 415(1) by virtue of paragraph (b) of the last foregoing subsection if, and to the extent that, they are made in substitution for, or matched by reductions in, other payments which would themselves be excluded from its operation.
- (4) Where the right of a former member of a partnership to payments falling due not more than ten years after he ceased to be a member of that partnership has devolved on his death, subsections (1) and (2) above shall apply to the payments as they would apply if he had not died.
- (5) Notwithstanding the said section 12(1), the said section 415(1) shall not apply to income arising under a settlement made by one party to a marriage by way of provision for the other after the dissolution or annulment of the marriage, or while they are separated under an order of a court or under a separation agreement or in such circumstances that the separation is likely to be permanent, being income payable to or applicable for the benefit of that other party.
- (6) For the purposes of this section—
 - (a) " former member ", in relation to a partnership, means an individual who has ceased to be a member of that partnership on retirement or death,
 - (b) a partnership becomes a " preceding partnership " of another if it transfers its business or part of its business to another and one or more individuals are members of both, and any preceding partnership of the transferor by reference to any part of the business transferred shall also become a preceding partnership of the transferee.
- (7) This section shall be in substitution for section 12(3) of the Finance Act 1965, and shall have effect for the year 1965-66 as well as for later years of assessment.

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

24 Dividend increases etc. in 1965-66: exclusion of surtax relief under s. 238 of Act of 1952.

- (1) Relief shall not be given under section 238 of the Income Tax Act 1952 (relief from surtax where income attributable to a period exceeding a year is received in a year) in respect of any dividends which apart from that section fall to be treated as income of the year 1965-66, being dividends paid by a company resident in the United Kingdom and not being preference dividends.
- (2) In this section—
- " company " includes any body corporate,
 - " preference dividends " means dividends paid on shares which do not carry any right to dividends other than dividends at a rate per cent. of the nominal value of the shares which is fixed, or fluctuates only with the standard rate of income tax,
 - " shares " includes stock.

25 Directors and employees of companies granted rights to acquire shares.

- (1) Where on or after 3rd May 1966 a person realises a gain by the exercise, or by the assignment or release, of a right to acquire shares in a body corporate obtained by that person as a director or employee of that or any other body corporate he shall be chargeable to income tax under Schedule E on an amount equal to the amount of his gain as computed in accordance with this section.
- (2) Subject to subsection (8) below—
- (a) the gain realised by the exercise of any such right at any time shall be taken to be the difference between the amount that a person might reasonably expect to obtain from a sale in the open market at that time of the shares acquired and the amount or value of the consideration given whether for them or for the grant of the right, and
 - (b) the gain realised by the assignment or release of any such right shall be taken to be the difference between the amount or value of the consideration for the assignment or release and the amount or value of the consideration given for the grant of the right,
- (a just apportionment being made of any entire consideration given for the grant of the right to acquire those shares and other shares or otherwise for the grant of the right to acquire those shares and for something besides) :
- Provided that neither the consideration given for the grant of the right nor any such entire consideration shall be taken to include the performance of any duties in or in connection with the office or employment by reason of which the right was granted, and no part of the amount or value of the consideration given for the grant shall be deducted more than once under this subsection.
- (3) Subject to subsection (4) below a person shall, in the case of a right granted by reason of his office or employment, be chargeable to tax under this section in respect of a gain realised by another person—
- (a) if the right was granted to the other person, or
 - (b) if the other person acquired the right otherwise than by or under an assignment made by way of a bargain at arm's length, or if the two are connected persons at the time when the gain is realised,

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but in a case within paragraph (b) of this subsection the gain realised shall be treated as reduced by the amount of any gain realised by a previous holder on an assignment of the right.

- (4) A person shall not be chargeable to tax by virtue of subsection (3)(b) above in respect of any gain realised by another person if the first-mentioned person was divested of the right by operation of law on his bankruptcy or otherwise, but the other person shall be chargeable to tax in respect of the gain under Case VI of Schedule D.
- (5) If a right to acquire shares in a body corporate is assigned or released in whole or in part for a consideration which consists of or comprises another right to acquire shares in that or any other body corporate, that right shall not be treated as consideration for the assignment or release, but this section shall apply in relation to it as it applies in relation to the right assigned or released and as if the consideration for its acquisition did not include the value of the right assigned or released but did include the amount or value of the consideration given for the grant of the right assigned or released so far as that has not been offset by any valuable consideration for the assignment or release other than the consideration consisting of the other right.
- (6) If as a result of two or more transactions a person ceases to hold a right to acquire shares in a body corporate and he or a connected person comes to hold another right to acquire shares in that or any other body corporate (whether or not acquired from the person to whom the other right was assigned) and any of those transactions was effected under arrangements to which two or more persons holding rights in respect of which tax may be chargeable under this section were parties, those transactions shall be treated for the purposes of the last foregoing subsection as a single transaction whereby the one right is assigned for a consideration which consists of or comprises the other right.

This subsection applies in relation to two or more transactions whether they involve an assignment preceding, coinciding with, or subsequent to, an acquisition.

- (7) This section applies in relation to rights granted at any time in the year 1965-66 or any earlier year of assessment as well as in relation to rights granted in any later year of assessment, but subject to the following subsection.
- (8) The amount of the gain realised at any time by the exercise, or by the assignment or release, of a right to acquire shares granted before 3rd May 1966 shall not exceed the difference between the market value of those shares at that time and their market value on 3rd May 1966 (and no gain shall be so realised unless the later value exceeds the earlier value).
- (9) For the purposes of this section a right to acquire shares is obtained by a person as a director or employee of a body corporate—
 - (a) if it is granted to him by reason of his office or employment as a director or employee of the body corporate who is chargeable to tax in respect of that office or employment under Case I of Schedule E, or
 - (b) if the right is assigned to him and was granted by reason of any such office or employment of his to some other person,and paragraph (a) above shall apply to a right granted by reason of a person's office or employment after he has ceased to hold it if it would apply to a right so granted in the last year of assessment in which he did hold it.

- (10) For the purposes of this section—

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- (a) references to the release of a right include references to agreeing to the restriction of the exercise of the right,
- (b) any question whether a person is connected with another shall be determined in accordance with paragraph 20 of Schedule 9 to the Finance Act 1962,
- (c) " director " and " employee " have the meanings given by section 390(1) of the Income Tax Act 1952,
- (d) in so far as the context permits, " shares" includes stock,

and this section shall apply in relation to any securities (as defined in paragraph 7(1) of Schedule 11 to the Finance Act 1965) issued by a body corporate as it applies in relation to shares in the body corporate.

- (11) Schedule 4 to this Act shall apply for the purposes of this section and shall be construed as if contained in this section.