



# Finance Act 1971

## 1971 CHAPTER 68

### PART IV

#### TAX ON CAPITAL GAINS AND ESTATE DUTY

- 55 Restoration of development value in computation of chargeable gains, and repeal of certain provisions made in connection with betterment levy**
- (1) The enactments mentioned in Part III of Schedule 14 to this Act (which, to the extent specified in the third column of that Part, provide for excluding development value in computing the amount of chargeable gains arising on the disposal of land in Great Britain and for certain allowances and reliefs in respect of betterment levy) are hereby repealed to the extent specified in the third column of that Part.
  - (2) Subject to paragraph 3 of Schedule 9 to this Act, the chargeable gains arising on any disposal after 22nd July 1970 shall be computed as if the enactments repealed by this section had never been enacted; but nothing in this section shall affect the operation of any enactment in relation to the computation of chargeable gains arising on a disposal on or before that date or, except as provided by paragraph 4 of that Schedule, in relation to any betterment levy charged or chargeable in respect of any act or event.
  - (3) Where a disposal was made on or before 22nd July 1970 but the conveyance or other instrument giving effect to it was executed after that date, then, unless the disposal was a chargeable act or event for the purposes of betterment levy, it shall be deemed for the purposes of subsection (2) of this section to have been made after that date.
  - (4) Where, by virtue of subsection (3) of this section, a disposal made on or before 22nd July 1970 is regarded as having been made after that date and as a result there is an increase in a person's chargeable gains or a reduction in a person's allowable losses in a year of assessment earlier than the year 1970-71 or (if that person is a company) in an accounting period ending before 23rd July 1970, then, unless that person otherwise elects,—
    - (a) the amount of the increase or reduction shall be left out of account in computing for the purposes of Part III of the Finance Act 1965 that person's chargeable gains or allowable losses in that year or accounting period; but

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- (b) in computing for those purposes that person's chargeable gains or allowable losses in the year of assessment or accounting period in which the conveyance or other instrument giving effect to the disposal was executed, the amount of the increase or reduction shall be treated as a chargeable gain accruing on a disposal made in that year or accounting period.

An election under this subsection must be made by notice in writing given to the inspector within two years after the end of the year of assessment or accounting period in which the conveyance or other instrument is executed or such longer time as the inspector may allow.

- (5) Schedule 9 to this Act shall have effect for supplementing this section.
- (6) All such adjustments shall be made, whether by the making of assessments or by discharge or repayment of tax or otherwise, as are required to give effect to the provisions of this section and of that Schedule.

## **56 Taxation of short-term capital gains**

- (1) Case VII of Schedule D (charge to income tax of short-term capital gains) is hereby abolished for the year 1971-72 and subsequent years of assessment.
- (2) Schedule 10 to this Act shall have effect for making, in connection with the abolition of Case VII, modifications to the capital gains tax and the corporation tax on chargeable gains and for otherwise supplementing the provisions of this section.
- (3) The enactments mentioned in Part IV of Schedule 14 to this Act are hereby repealed to the extent specified in the third column of that Part.
- (4) Nothing in this section shall affect—
- (a) any income tax chargeable for a year of assessment earlier than 1971-72 or the doing of anything in relation to any income tax so chargeable; or
  - (b) corporation tax on chargeable gains accruing on disposals before 20th April 1971.

## **57 Exemption or relief for small disposals**

- (1) An individual shall not be chargeable to capital gains tax for a year of assessment if the aggregate amount or value of the consideration for all the disposals of assets made by him in that year does not exceed £500.
- (2) The amount of the capital gains tax to which an individual not exempted under subsection (1) above is chargeable for any year of assessment shall not exceed one half of the difference between £500 and the aggregate amount or value mentioned therein.
- (3) For the purposes of this section and of Schedule 11 to this Act disposals made by a man to his wife living with him or by her to him shall be disregarded and all other disposals made by either shall be treated as made by one individual; and if by virtue of paragraph 3(2) of Schedule 10 to the Finance Act 1965 any amount is chargeable and assessable on the wife for any year of assessment, any relief due for that year under subsection (2) of this section shall be apportioned between them according to the amounts with which they would, apart from that subsection, be respectively chargeable to capital gains tax for that year.
- (4) Schedule 11 to this Act shall have effect for supplementing this section.

- (5) This section shall apply for the year 1970-71 and subsequent years of assessment and section 31 of the Finance Act 1968 (exemption for small amounts) shall not apply for any year of assessment later than 1970-71.

## **58 Disposal of options**

- (1) The following provisions of this section shall apply where—
- (a) an option to subscribe for shares in a company ; or
  - (b) an option to acquire assets exercisable by a person intending to use them, if acquired, for the purpose of a trade carried on by him;
- is disposed of or abandoned on or after 20th April 1971.
- (2) If the option is abandoned the abandonment shall, notwithstanding paragraph 14(3) of Schedule 7 to the Finance Act 1965, constitute the disposal of an asset (namely of the option).
- (3) Paragraph 10 of Schedule 6 to the Finance Act 1965 (restriction of allowable expenditure for wasting asset) shall not apply, and accordingly paragraph 14(4) of Schedule 7 to that Act (which determines the life of an option which is regarded as a wasting asset) shall not apply to such an option as is mentioned in subsection (1) (a) above.
- (4) The preceding provisions of this section do not apply in the case of such an option as is mentioned in subsection (1)(a) above, unless it is of a kind which, at the time of abandonment or other disposal, is quoted on a recognised stock exchange (within the meaning of section 535 of the Taxes Act) and there dealt in in the same manner as shares; but if the option is of a kind so quoted and dealt in within three months after the taking effect, with respect to the company granting the option, of any reorganisation, reduction, conversion or amalgamation to which paragraph 4, 5, 6 or 7 of Schedule 7 to the Finance Act 1965 applies, or within such longer period as the Board may by notice in writing allow, the option shall, for the purposes of those paragraphs, be regarded as the shares which could be acquired by exercising it and section 44(3) of that Act shall apply for determining its market value.

## **59 Abolition of charge to capital gains tax on death, etc.**

- (1) In relation to a death occurring or interest terminating after 30th March 1971—
- (a) the enactments mentioned in Schedule 12 to this Act (which make provision for and in connection with the imposition of a charge to capital gains tax on the death of an individual and on the termination of certain interests) shall have effect subject to the provisions of that Schedule; and
  - (b) the enactments mentioned in Part V of Schedule 14 to this Act are hereby repealed to the extent specified in the third column of that Part.
- (2) Section 25(7) of the Finance Act 1965 (end of certain periods treated as termination of life interest in settled property) shall not apply in relation to any fifteen years ending after 30th March 1971.

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## **60 Replacement of business assets**

Section 33 of the Finance Act 1965 (replacement of business assets) shall apply, where the acquisition of the new assets referred to in that section takes place on or after 20th April 1971, with the omission of—

- (a) the words “one, and the same one, of ” (which occur in subsection (1) and confine the relief available under that section to disposals and acquisitions of assets of the same class); and
- (b) subsection (4) (which restricts that relief in cases where a partner's share in the old assets is different from his share in the new assets).

## **61 Alteration of amount of estate duty**

- (1) As respects deaths occurring after 30th March 1971 the provisions of Part I of Schedule 17 to the Finance Act 1969 for determining the amount of estate duty on an estate shall have effect with the substitution of the words “£12,500 ” for the words “£10,000 ”—
  - (a) in paragraph (a) (under which no duty is payable on an estate if the aggregate principal value of all property comprised in the estate does not exceed £10,000); and
  - (b) in paragraph (b)(i) (under which the rate applicable to so much of that aggregate principal value as exceeds that sum but does not exceed £17,500 is 25 per cent.).
- (2) As respects deaths so occurring, section 16(3) of the Finance Act 1894 as substituted by section 33(1) of the Finance Act 1954 and further amended by paragraph 3 of Part III of Schedule 17 to the Finance Act 1969 (property other than certain settled property not to be aggregated with the latter if net value of non-settled property does not exceed £10,000, and provision for marginal relief if that net value does exceed that amount) shall have effect with the substitution of the words “£12,500 ” for the words “ten thousand pounds ” in paragraphs (a) and (b).

## **62 Payment of estate duty by instalments**

- (1) Estate duty chargeable on a death in respect of any property to which this subsection applies may, at the option of the person paying the duty, be paid by eight equal yearly instalments or sixteen half-yearly instalments.
- (2) The property to which subsection (1) above applies is the following, that is to say—
  - (a) shares or securities of a company the principal value of which falls to be ascertained under section 55 of the Finance Act 1940 (valuation by reference to assets of the company);
  - (b) shares or securities of a company not falling within paragraph (a) above and not quoted on a recognised stock exchange in the United Kingdom or elsewhere, if either the condition stated in subsection (3) below is fulfilled or the Commissioners of Inland Revenue are satisfied that the estate duty on those shares or securities cannot be paid at once without undue hardship;
  - (c) the following property situate in England and Wales, that is to say any leasehold estate or interest in land and any property which is treated as personal property for estate duty purposes by reason only of being held on trust for sale, not being in any case an estate, interest or right by way of mortgage or other security.

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- (3) The condition mentioned in subsection (2)(b) above is that not less than 20 per cent. of the estate duty chargeable on the death for which the person paying the duty on the shares or securities is accountable (in the same capacity) consists of duty on those shares or securities and such other duty (if any) as may by virtue of the other provisions of this section or of section 6(8) of the Finance Act 1894 (real property) be paid by instalments.
- (4) Where estate duty is chargeable on a death in respect of a business or an interest in a business, so much of the duty chargeable on the death as is attributable to the net value of the business or, as the case may be, to the value of that interest may, at the option of the person paying the duty, be paid by eight equal yearly instalments or sixteen half-yearly instalments.
- (5) For the purposes of subsection (4) above “the net value of the business ” means the principal value of the assets used in the business (including goodwill) reduced by the aggregate amount of any liabilities incurred for the purpose of the business ; and in ascertaining for the purposes of subsection (4) above the value of an interest in a business, no regard shall be had to assets or liabilities other than those by reference to which the net value of the business would have fallen to be ascertained in accordance with this subsection if the entire business had passed on the death of the deceased.
- (6) Notwithstanding anything in section 6 of the Finance Act 1894 (collection and recovery of estate duty), where subsection (1) or (4) above applies the first instalment shall be payable at the expiration of twelve months from the death of the deceased, and interest under section 18 of the Finance Act 1896 on the unpaid portion of the duty shall be added to each instalment and paid accordingly.
- (7) Notwithstanding the exercise of the option under subsection (1) or (4) above in respect of any estate duty, the duty for the time being unpaid, with interest under the said section 18 to the time of payment, may be paid at any time; and in any case the duty or, as the case may be, the unpaid portion of the duty, and any interest accrued under that section, shall become payable forthwith (whether before or after the expiration of twelve months from the death of the deceased)—
  - (a) in the case of duty on property to which subsection (1) above applies by virtue of paragraph (a), paragraph (b) or paragraph (c) of subsection (2) above, as the case may be, on a sale of the whole or any part of the property in question;
  - (b) in the case of duty on property consisting of a business falling within subsection (4) above, on a sale of the whole or any part of the business or of any interest in the business;
  - (c) in the case of duty on property consisting of an interest in such a business, on a sale of the whole or any part of that interest,so however that where the sale is of a part only of the property in question or, in a case falling within paragraph (b) above, is of an interest in the business, there shall become payable forthwith (with any interest thereon accrued as aforesaid) only such proportion of the duty or, as the case may be, of the unpaid portion of the duty as is referable to the part or interest sold.
- (8) Where estate duty is chargeable on a death in respect of an interest in a business and, under a partnership agreement or otherwise, any sum is paid in satisfaction of the whole or any part of that interest otherwise than on a sale, that interest or the part of it in question shall for the purposes of subsection (7) above be treated as having been sold at the time of the payment.

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- (9) Where a person, having paid to the Commissioners of Inland Revenue any estate duty which is or might have been payable to them by instalments under this section, is entitled to recover the duty from some other person by whom, as against him, the duty falls to be borne, that other person shall, in the absence of any agreement to the contrary, be entitled to repay the duty by the like instalments (with the like interest thereon) as if he were paying the duty to the Commissioners.
- (10) This section shall apply in relation to any death occurring after 30th March 1971.
- (11) In this section—
- (a) “business” includes a business carried on in the exercise of a profession or vocation, but does not include a business carried on otherwise than for gain;
  - (b) “company ” includes any body corporate.
- (12) This section shall be construed as one with Part I of the Finance Act 1894.