



# Finance Act 1976

## 1976 CHAPTER 40

### PART III

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER II

#### BENEFITS DERIVED BY COMPANY DIRECTORS AND OTHERS FROM THEIR EMPLOYMENT

#### **60 Payments by way of expenses**

- (1) Subject to the provisions of this Chapter, where in any year a person is employed in director's or higher-paid employment and by reason of his employment there are paid to him in respect of expenses any sums which, apart from this section, are not chargeable to tax as his income, those sums are to be treated as emoluments of the employment and accordingly chargeable to income tax under Schedule E.
- (2) Subsection (1) above is without prejudice to any claim for deductions under section 189, 192 or 194(3) of the Taxes Act (relief for necessary expenses, etc.).
- (3) The reference in that subsection to sums paid in respect of expenses includes any sums put at the employee's disposal by reason of his employment and paid away by him.
- (4) This section has effect for the year 1977-78 and subsequent years.

#### **61 General provision charging benefits**

- (1) Where in any year a person is employed in director's or higher-paid employment and—
  - (a) by reason of his employment there is provided for him, or for others being members of his family or household, any benefit to which this section applies; and
  - (b) the cost of providing the benefit is not (apart from this section) chargeable to tax as his income,

there is to be treated as emoluments of the employment, and accordingly chargeable to income tax under Schedule E, an amount equal to whatever is the cash equivalent of the benefit.

- (2) The benefits to which this section applies are living or other accommodation, entertainment, domestic or other services, and other benefits and facilities of whatsoever nature (whether or not similar to any of those mentioned above in this subsection), excluding however those taxable under sections 64 to 68 below in this Chapter, and subject to the exceptions provided for by the next following section.
- (3) For the purposes of this section and sections 62 and 63 below, the persons providing a benefit are those at whose cost the provision is made.
- (4) This section has effect for the year 1977-78 and for subsequent years.

## **62 Exceptions from general charge**

- (1) Without prejudice to its generality, section 61 above applies where by reason of the person's employment a car is made available (without any transfer of the property in it) either to himself or to others being members of his family or household, and it is made available for his or their private use, but applies only where in the relevant year either—
  - (a) the car is not used for the employee's business travel; or
  - (b) its use for such travel is insubstantial compared with the private use that is made of it.
- (2) That section applies to benefits in connection with a car made available as mentioned in subsection (1) above, but only for a year in which either paragraph (a) or paragraph (b) of that subsection is the case; and, for a year in which neither paragraph is the case, the section applies only to benefits in connection with the provision of a driver for the car.
- (3) Section 61 above does not apply where the benefit consists in provision for the employee, in premises occupied by the employer or others providing it, of accommodation, supplies or services used by the employee solely in performing the duties of his employment.
- (4) That section does not apply where the benefit consists in the provision of living accommodation and—
  - (a) the person providing it is the employee's employer, and it is provided in part of premises occupied by him; and
  - (b) the employee is required by the terms of his employment to reside in the accommodation provided, and it is necessary for him to reside on the premises for the proper performance of his duties.
- (5) But subsection (4) above does not operate where the accommodation is provided by a company and either—
  - (a) the employee is a director of that company ; or
  - (b) he is a director of another company over which it has control, or which has control over it, or which is under the control of a person who also has control over the company first mentioned.
- (6) Section 61 above does not apply to a benefit consisting in the provision by the employee's employer for the employee himself, or for the spouse, children or

dependants of the employee, of any pension, annuity, lump sum, gratuity or other like benefit to be given on the employee's death or retirement.

- (7) Section 61 does not apply to a benefit consisting in the provision by the employee's employer of meals in any canteen in which meals are provided for the staff generally.

### **63 Cash equivalent of benefits charged under s. 61**

- (1) The cash equivalent of any benefit chargeable to tax under section 61 above is an amount equal to the cost of the benefit, less so much (if any) of it as is made good by the employee to those providing the benefit.
- (2) Subject to the following subsections, the cost of a benefit is the amount of any expense incurred in or in connection with its provision, and (here and in those subsections) includes a proper proportion of any expense relating partly to the benefit and partly to other matters.
- (3) Where the benefit consists in the transfer of an asset by any person, and since that person acquired or produced the asset it has been used or has depreciated, the cost of the benefit is deemed to be the market value of the asset at the time of transfer.
- (4) Where the benefit consists in an asset being placed at the employee's disposal, or at the disposal of others being members of his family or household, for his or their use (without any transfer of the property in the asset), or of its being used wholly or partly for his or their purposes, then the cost of the benefit in any year is deemed to be—
- (a) the annual value of the use of the asset, ascertained under subsection (5) below, plus
  - (b) the total of any expense incurred in or in connection with the provision of the benefit (excluding however the expense of acquiring or producing it incurred by the person to whom the asset belongs).
- (5) The annual value of the use of the asset, for the purposes of subsection (4) above—
- (a) in the case of land, is its annual value determined in accordance with section 531 of the Taxes Act; and
  - (b) in the case of a car to which section 62(1)(a) or (b) applies in that year, is 20 per cent. of its original market value or 10 per cent. if at the end of the year its age exceeds 4 years ; and
  - (c) in any other case is 10 per cent. of its market value at the time when it was first applied (by those providing the benefit in question) in the provision of any benefit for a person, or for members of his family or household, by reason of his employment.
- (6) But where there is payable, by those providing the benefit, any sum by way of rent or hire-charge for the asset, the following applies—
- (a) if the annual amount of the rent or hire-charge is equal to, or greater than, the annual value of the use of the asset as ascertained under subsection (5) above, that amount is to be substituted for the annual value in subsection (4)(a); and
  - (b) if that amount is less than the annual value as so ascertained, the amount is to be left out of account under paragraph (b) of that subsection as expense incurred in or in connection with the provision of the benefit.
- (7) Where the benefit consists in the provision of accommodation for the employee, or members of his family or household, in premises in whose case there is an amount to be treated under section 185(1) of the Taxes Act as his emoluments, then any expense

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incurred in or in connection with the provision of the benefit is to be treated as reduced by that amount; and if the amount is greater than the total of that expense, the benefit is to be disregarded for the purposes of any charge to income tax under section 61 above.

- (8) From the cash equivalent there are deductible in each case under section 189, 192, or 194(3) of the Taxes Act (necessary expenses etc.) such amounts (if any) as would have been so deductible if the cost of the benefit had been incurred by the employee out of his emoluments.

## **64 Cars available for private use**

- (1) Where in any year in the case of a person employed in director's or higher-paid employment, a car is made available (without any transfer of the property in it) either to himself or to others being members of his family or household, and—
- (a) it is so made available by reason of his employment and it is in that year available for his or their private use; and
  - (b) the benefit of the car is not (apart from this section) chargeable to tax as the employee's income,

there is to be treated as emoluments of the employment, and accordingly chargeable to income tax under Schedule E, an amount equal to whatever is the cash equivalent of that benefit in that year.

- (2) Subject to the provisions of this section, the cash equivalent of that benefit is to be ascertained—
- (a) from Tables A and B in Part I of Schedule 7 to this Act, in the case of cars with an original market value up to £6,000 ; and
  - (b) from Table C in that Part of that Schedule in the case of cars with an original market value more than that amount,

the equivalent in each case being shown in the second or third column of the applicable Table by reference to the age of the car at the end of the relevant year of assessment.

- (3) This section has effect for the year 1977-78 and subsequent years.
- (4) The Treasury may by order taking effect from the beginning of any year beginning after it is made (but not of any year earlier than 1978-79)—
- (a) increase (or further increase) the money sum specified in subsection (2)(a) above ;
  - (b) with or without such an increase, substitute for any of the three Tables a different Table of cash equivalents.

Orders under this subsection shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons; and any such order may revoke a previous order thereunder.

- (5) Part II of Schedule 7 to this Act has effect—
- (a) with respect to the application of the Tables in Part I; and
  - (b) for reduction of the cash equivalent under this section in cases where the car has not been available for the whole of the relevant year, or the use of it has been preponderantly business use, or the employee makes any payment for the use of it.

## 65 Pooled cars

- (1) This section applies to any car in whose case the inspector is satisfied (whether on a claim under this section or otherwise) that it has for any year been included in a car pool for the use of the employees of one or more employers.
- (2) A car is to be treated as having been so included for a year if—
  - (a) in that year it was made available to, and actually used by, more than one of those employees and, in the case of each of them, it was made available to him by reason of his employment but it was not in that year ordinarily used by any one of them to the exclusion of the others ; and
  - (b) in the case of each of them any private use of the car made by him in that year was merely incidental to his other use of it in the year ; and
  - (c) it was in that year not normally kept overnight on or in the vicinity of any residential premises where any of the employees was residing, except while being kept overnight on premises occupied by the person making the car available to them.
- (3) Where this section applies to a car, then for the year in question the car is to be treated under sections 61 and 64 of this Act as not having been available for the private use of any of the employees.
- (4) A claim under this section in respect of a car for any year may be made by any one of the employees mentioned in subsection (2)(a) above (they being referred to below in this section as " the employees concerned") or by the employer on behalf of all of them.
- (5) On an appeal against the decision of the inspector on a claim under this section all the employees concerned may take part in the proceedings, and the determination of the body of Commissioners or county court appealed to shall be binding on all those employees, whether or not they have taken part in the proceedings.
- (6) Where an appeal against the decision of the inspector on a claim under this section has been determined, no appeal against the inspector's decision on any other such claim in respect of the same car and the same year shall be entertained.

## 66 Beneficial loan arrangements

- (1) Where in the case of a person employed in director's or higher-paid employment there is outstanding for the whole or part of a year a loan (whether to the employee himself or a relative of his) of which the benefit is obtained by reason of his employment and—
  - (a) no interest is paid on the loan for that year ; or
  - (b) the amount of interest paid on it for the year is less than interest at the official rate,there is to be treated as emoluments of the employment, and accordingly chargeable to income tax under Schedule E, an amount equal to whatever is the cash equivalent of the benefit of the loan for that year.
- (2) There is no charge to tax under subsection (1) if the cash equivalent does not exceed £50 or (for a year in which there are two or more loans outstanding) the total of all the cash equivalents does not exceed that amount.
- (3) Where in the case of a person employed in director's or higher-paid employment there is in any year released or written off the whole or part of a loan (whether to the employee himself or a relative of his, and whether or not such a loan as is mentioned

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- in subsection the benefit of which was obtained by reason of his employment, then, subject to subsection (5) below, there is to be treated as emoluments of the employment, and accordingly chargeable to income tax under Schedule E, an amount equal to that which is released or written off.
- (4) If the employee shows that he derived no benefit from a loan made to a relative of his, subsections (1) and (3) shall not apply to that loan.
- (5) Subsection (3) does not apply where the amount released or written off is chargeable to income tax as income of the employee apart from this section, except—
- (a) where it is chargeable only by virtue of section 187 of the Taxes Act (payments on retirement or removal from employment); or
  - (b) to the extent that the amount exceeds the sums previously falling to be treated as the employee's income under section 451 of the Taxes Act (sums paid to settlor otherwise than as income).
- (6) Where there was outstanding at any time when a person was in director's or higher-paid employment the whole or part of a loan to him (or to a relative of his) the benefit of which was obtained by reason of his employment, and that director's or higher-paid employment has terminated, whether on the employee ceasing to be employed or ceasing to be employed in director's or higher-paid employment, subsection (3) applies as if it had not terminated.
- (7) But on the employee's death—
- (a) a loan within subsection (1) ceases to be outstanding for the purposes of the operation of that subsection; and
  - (b) no charge arises under subsection (3) by reference to any release or writing-off which takes effect on or after the death.
- (8) Part I of Schedule 8 to this Act has effect as to what is meant by the benefit of a loan obtained by reason of a person's employment; the cash equivalent of the benefit is to be ascertained in accordance with Part II of that Schedule; and Part III of that Schedule has effect for excluding from the operation of subsection (1) of this section loans on which interest is eligible for relief under section 75 of the Finance Act 1972.
- (9) In this section, section 67 below and Schedule 8—
- (a) " loan " includes any form of credit;
  - (b) references to a loan include references to any other loan applied directly or indirectly towards the replacement of the first-mentioned loan ;
  - (c) references to making a loan include arranging, guaranteeing or in any way facilitating a loan (related expressions being construed accordingly); and
  - (d) references to the official rate of interest are to the rate prescribed from time to time by the Treasury by order in a statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.
- (10) For the purposes of this section, a person is a relative of another person if he or she is—
- (a) the spouse of that other ; or
  - (b) a parent or remoter forebear, child or remoter issue, or brother or sister of that other or of the spouse of that other; or
  - (c) the spouse of a person falling within paragraph (b) above.
- (11) This section applies to loans whether made before or after this Act is passed ; and—

- (a) subsection (1) has effect for the year 1978-79 and subsequent years; but for that year and 1979-80 the cash equivalent under that subsection instead of being the amount arrived at by applying Part II of Schedule 8 is that amount reduced by half ; and
- (b) subsection (3) has effect for the year 1976-77 and subsequent years, except that it does not apply to benefits received in pursuance of arrangements made at any time with a view to protecting the holder of shares acquired before 6th April 1976 from a fall in their market value.

## 67 Employee shareholdings

- (1) Subsections (2) to (6) of this section apply where after 6th April 1976—
  - (a) a person employed or about to be employed in director's or higher-paid employment (" the employee "), or a person connected with him, acquires shares in a company (whether the employing company or not); and
  - (b) the shares are acquired at an under-value in pursuance of a right or opportunity available by reason of the employment.
- (2) " At an under-value " means the shares being acquired either without payment for them at the time or being acquired for an amount then paid which is less than the market value of fully paid up shares of that class (in either case with or without obligation to make payment or further payment at some later time).
- (3) In the circumstances specified above, section 66(1) of this Act, with Schedule 8, applies as if the employee had the benefit of an interest-free loan obtained by reason of his employment; and this is " the notional loan " referred to in the following subsections.
- (4) The amount initially outstanding of the notional loan is so much of the under-value on acquisition (that is, the market value referred to in subsection (2) less any payment then made for the shares) as is not chargeable to tax as an emolument of the employee; and—
  - (a) the loan remains outstanding until terminated under subsection (5) below; and
  - (b) payments or further payments made for the shares after the initial acquisition go to reduce the amount outstanding of the notional loan.
- (5) The notional loan terminates on the occurrence of any of the following events—
  - (a) the whole amount of it outstanding is made good by means of payments or further payments made for the shares; or
  - (b) the case being one in which the shares were not at the time of acquisition fully paid up, any outstanding or contingent obligation to pay for them is released, transferred or adjusted so as no longer to bind the employee or any person connected with him ; or
  - (c) the shares are so disposed of by surrender or otherwise that neither he nor any such person any longer has a beneficial interest in the shares ; or
  - (d) the employee dies.
- (6) If the notional loan terminates as mentioned in subsection (5)(b) or (c) above, there is then for the year in which the event in question occurs the same charge to income tax on the employee, under section 66(3) of this Act, as if an amount equal to the then outstanding amount of the notional loan had been released or written off from a loan within that section.

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- (7) Where after 6th April 1976 shares are acquired, whether or not at an under-value but otherwise as mentioned in subsection (1) above, and—
- (a) the shares are subsequently disposed of by surrender or otherwise so that neither the employee nor any person connected with him any longer has a beneficial interest in them; and
  - (b) the disposal is for a consideration which exceeds the then market value of the shares,
- then for the year in which the disposal is effected the amount of the excess is treated as emoluments of the employee's employment and accordingly chargeable to income tax under Schedule E.
- (8) If at the time of the event giving rise to a charge by virtue of subsection (6) or (7) above the person who is " the employee " under this section by reference to his employment in director's or higher-paid employment mentioned in subsection (1)(a) has ceased to be employed in that employment, subsections (6) and (7) apply as if he had not so ceased.
- (9) But no charge arises under subsection (7) by reference to any disposal effected after the death of the employee, whether by his personal representatives or otherwise.
- (10) This section applies in relation to acquisition and disposal of an interest in shares less than full beneficial ownership (including an interest in the proceeds of sale of part of the shares but not including a share option) as it applies in relation to the acquisition and disposal of shares, and in those cases—
- (a) for references to the shares acquired substitute references to the interest in shares acquired ;
  - (b) for the reference to the market value of the shares acquired substitute a reference to the proportion corresponding to the size of the interest of the market value of the shares in which the interest subsists ;
  - (c) for the reference to shares of the same class as those acquired substitute references to shares of the same class as those in which the interest subsists ; and
  - (d) for the reference to the market value of fully paid up shares of that class substitute a reference to the proportion of that value corresponding to the size of the interest.
- (11) In this section—
- (a) " shares " includes stock and also includes securities as defined in section 237(5) of the Taxes Act;
  - (b) " acquisition ", in relation to shares, includes receipt by way of allotment or assignment, or otherwise howsoever;
  - (c) any reference to payment for shares includes giving any consideration in money or money's worth or making any subscription, whether in pursuance of a legal liability or not;
  - (d) " market value " has the same meaning as, for the purposes of Part III of the Finance Act 1965, it has by virtue of section 44 of that Act;
- and section 533 of the Taxes Act (connected persons) applies for the purposes of this section.
- (12) In respect of any shares or interest in shares this section only operates to include an amount in emoluments so far as any amount corresponding to it, and representing the same benefit, does not otherwise fall to be so included under the Tax Acts.



- (13) Where an amount is chargeable to tax by virtue of subsection (6) above in respect of shares or an interest in shares, then—
- (a) on a disposal of the shares or interest, where that is the event giving rise to the charge ; or
  - (b) in any other case on the first disposal of the shares or interest after the event, paragraph 4(1)(a) of Schedule 6 to the Finance Act 1965 (expenditure allowable in computation of chargeable gains) applies as if a sum equal to the amount chargeable had formed part of the consideration given by the person making the disposal for his acquisition of the shares or interest.
- (14) This section has effect for the year 1976-77 and subsequent years.

## **68 Medical insurance**

- (1) Where in the case of a person employed in any employment (whether or not director's or higher-paid)—
- (a) expense is incurred by his employer or others in or in connection with the provision for him, and for others being members of his family or household, of insurance against the cost of medical treatment; and
  - (b) that provision is made by reason of his employment and, apart from this Chapter, the expense would not be chargeable to tax as his income,
- there is to be treated as emoluments of the employment, and accordingly chargeable to tax under Schedule E, an amount equal to that of the expenditure (disregarding so much of it, if any, as is made good by him to those incurring it).
- (2) Where the provision is made for a group or class to which the employees or the others in question belong, then the amount to be taken into account under subsection (1) above in respect of him is such proportion of the total expenses for all the members of the group or class as is just and reasonable.
- (3) This section does not apply to expense incurred wholly in or in connection with the provision for the employee of insurance against the cost of medical treatment outside the United Kingdom, the need for which arises while the employee is outside the United Kingdom for the purpose of performing the duties of his employment.
- (4) For the purposes of this section, medical treatment includes all forms of treatment for, and all procedures for diagnosing, any physical or mental ailment, infirmity or defect; and the cost of medical treatment includes the cost of being an in-patient, whether or not in a private room, for the purpose of medical treatment.
- (5) This section has effect for the year 1976-77 and subsequent years.

## **69 Employments subject to ss. 60 to 67**

- (1) In this Chapter " director's or higher-paid employment " means—
- (a) employment as a director of a company (but excluding, if he does not have a material interest in the company, employment as a full-time working director); or
  - (b) employment with emoluments at the rate of £5,000 a year or more.
- (2) For this purpose emoluments are to be calculated—

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- (a) on the basis that they include all such amounts as come into charge under this Chapter in the case of those in director's or higher-paid employment or under section 68, or under section 36 or 37 of the Finance (No. 2) Act 1975 (cash or other vouchers); and
  - (b) without any deduction under section 189, 192 or 194(3) of the Taxes Act (necessary expenses of employment, etc.).
- (3) But where a person is employed in two or more employments by the same employer, and the total of the emoluments of those employments (applying this section) is at the rate of £5,000 a year or more, all the employments are to be treated as director's or higher-paid.
- (4) All employees of a partnership or body over which an individual or another partnership or body has control are to be treated for the purposes of this section (but not for any other purpose) as if the employment were an employment by the individual or by that other partnership or body, as the case may be.

## **70 Notice of nil liability under this Chapter**

- (1) If a person furnishes to the inspector a statement of the cases and circumstances in which payments of a particular character are made, or benefits or facilities of a particular kind are provided, for any employees (whether his own or those of anyone else), and the inspector is satisfied that no additional tax is payable under this Chapter by reference to the payments, benefits or facilities mentioned in the statement, the inspector shall notify the person accordingly; and then nothing in this Chapter applies to those payments, or to the provision of those benefits or facilities, or otherwise for imposing any additional charge to income tax.
- (2) The inspector may, if in his opinion there is reason to do so, by notice in writing served on the person to whom notification under subsection (1) above was given, revoke the notification, either as from the date of its making or as from such later date as may be specified in the notice under this subsection; and then all such income tax becomes chargeable, and all such returns are to be made by that person and by the employees in question, as would have been chargeable or would have had to be made in the first instance if the notification under subsection (1) had never been given or, as the case may be, it had ceased to have effect on the specified date.

## **71 Cash vouchers**

- (1) Section 37 of the Finance (No. 2) Act 1975 (taxation of cash vouchers for year 1976-77 and subsequent years of assessment) shall not have effect for the year 1976-77 and accordingly—
- (a) in subsection (6) of that section the words " and subsection (6) " shall be omitted ; and
  - (b) after that subsection there shall be inserted—
- “(7) This section has effect for the year 1977-78 and subsequent years of assessment.”
- (2) In subsection (5) of that section for the words from " income tax " onwards there shall be substituted the words " income tax in respect of all payments made in exchange for vouchers issued under the scheme to be deducted in accordance with regulations under section 204 of the Taxes Act ".

**72 Interpretation of this Chapter; supplementary**

(1) The following provisions of this section apply for the interpretation of expressions used in sections 60 to 71 above, and Schedules 7 and 8.

(2) "Employment" means an office or employment whose emoluments fall to be assessed under Schedule E; and related expressions are to be construed accordingly.

(3) For the purposes of this Chapter, all sums paid to an employee by his employer in respect of expenses, and all such provision as is mentioned in this Chapter which is made for an employee, or for members of his family or household, by his employer, are deemed to be paid to or made for him or them by reason of his employment.

But this does not apply to any such payment or provision made by the employer, being an individual, as can be shown to have been made in the normal course of his domestic, family or personal relationships.

(4) References to members of a person's family or household are to his spouse, his sons and daughters and their spouses, his parents and his servants, dependants and guests.

(5) As respects cars, the following definitions apply—

- (a) " car" means any mechanically propelled road vehicle except—
  - (i) a vehicle of a construction primarily suited for the conveyance of goods or burden of any description,
  - (ii) a vehicle of a type not commonly used as a private vehicle and unsuitable to be so used,
  - (iii) a motor cycle as defined in section 190(4) of the Road Traffic Act 1972, and
  - (iv) an invalid carriage as defined in section 190(5) of that Act;
- (b) the age of a car at any time is the interval between the date of its first registration and that time ;
- (c) " business travel" means travelling which a person is necessarily obliged to do in the performance of the duties of his employment;
- (d) the date of a car's first registration is the date on which it was first registered—
  - (i) in Great Britain, under the Vehicles (Excise) Act 1971 or corresponding earlier legislation, or
  - (ii) elsewhere, under the corresponding legislation of any country or territory ;
- (e) the original market value of a car is the inclusive price which it might reasonably have been expected to fetch if sold in the United Kingdom singly in a retail sale in the open market immediately before the date of its first registration (" inclusive price " meaning the price inclusive of customs or excise duty, of any tax chargeable as if it were a duty of customs, and of car tax); and
- (f) "private use", in relation to a car made available to any person, or to others being members of his family or household, means any use otherwise than for his business travel.

(6) For the purposes of this Chapter—

- (a) a car made available in any year to an employee, or to others being members of his family or household, by reason of his employment is deemed to be available in that year for his or their private use unless the terms on which

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the car is made available prohibits such use and no such use is made of the car in that year;

- (b) a car made available to an employee, or to others being members of his family or household, by his employer is deemed to be made available to him or them by reason of his employment (unless the employer is an individual and it can be shown that the car was made so available in the normal course of his domestic, family or personal relationships).

(7) For the purposes of section 63, the market value of an asset at any time is the price which it might reasonably have been expected to fetch on a sale in the open market at that time.

(8) " Director " means—

- (a) in relation to a company whose affairs are managed by a board of directors or similar body, a member of that board or similar body ;
- (b) in relation to a company whose affairs are managed by a single director or similar person, that director or person; and
- (c) in relation to a company whose affairs are managed by the members themselves, a member of the company,

and includes any person in accordance with whose directions or instructions the directors of the company (defined as above) are accustomed to act.

But a person is not under this subsection to be deemed a person in accordance with whose directions or instructions the directors of the company are accustomed to act by reason only that the directors act on advice given by him in a professional capacity.

(9) "Full-time working director" means a director who is required to devote substantially the whole of his time to the service of the company in a managerial or technical capacity.

(10) A person shall be treated as having a material interest in a company—

- (a) if he, either on his own or with any one or more of his associates, or if any associate of his with or without such other associates, is the beneficial owner of, or able, directly or through the medium of other companies or by any other indirect means, to control, more than 5 per cent. of the ordinary share capital of the company, or
- (b) if, in the case of a close company, on an amount equal to the whole distributable income of the company falling to be apportioned under Chapter III of Part XI of the Taxes Act for the purpose of computing total income, more than 5 per cent. of that amount could be apportioned to him together with his associates (if any), or to any associate of his, or any such associates taken together.

In this subsection "associate" has the same meaning as in section 303(3) of the Taxes Act, except that for this purpose " relative " in that subsection has the same meaning as in this Chapter.

(11) " Control ", in relation to a body corporate or partnership, has the meaning given to it by section 534 of the Taxes Act; and the definition of " control" in that section applies (with the necessary modifications) in relation to an unincorporated association as it applies in relation to a body corporate.

(12) "Year" means year of assessment (except where the expression is used with reference to the age of a car).

- (13) The enactments specified in Schedule 9 to this Act shall be amended as there specified (which are amendments consequential on the replacement by this Chapter of Chapter II of Part VIII of the Taxes Act and other provisions); Part I of that Schedule substitutes a new section for section 15 of the Taxes Management Act 1970, and contains consequential amendments ; Part II contains other amendments.