



Finance (No. 2) Act 1979

1979 CHAPTER 47

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

5 Charge of income tax for 1979-80

- (1) Income tax for the year 1979-80 shall be charged at the basic rate of 30 per cent.; and—
- (a) in respect of so much of an individual's total income as does not exceed £750 at the rate of 25 per cent.;
 - (b) in respect of so much of an individual's total income as exceeds £10,000 at such higher rates as are specified in the Table below ; and
 - (c) in respect of so much of the investment income included in an individual's total income as exceeds £5,000 at the additional rate of 15 per cent.

TABLE

<i>Part of excess over £10,000</i>	<i>Higher rate</i>
The first £2,000	40 per cent.
The next £3,000	45 per cent.
The next £5,000	50 per cent.
The next £5,000	55 per cent.
The remainder	60 per cent.

- (2) This section has effect in substitution for section 1(1) of the Finance Act 1979 but does not require any change to be made in the amounts deductible or repayable under section 204 of the Taxes Act (pay as you earn) before 6th October 1979.

6 Rate of advance corporation tax for financial year 1979

The rate of advance corporation tax for the financial year 1979 shall be three-sevenths.

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7 Corporation tax: small companies

- (1) The fraction mentioned in subsection (2) of section 95 of the Finance Act 1972 (marginal relief for small companies) shall for the financial year 1978 be three-twentieths.
- (2) For the financial year 1978 and subsequent financial years subsection (3) of the said section 95 shall have effect with the substitution for any reference to £50,000 of a reference to £60,000 and with the substitution for any reference to £85,000 of a reference to £100,000.
- (3) Where by virtue of subsection (2) above the said section 95 has effect with different relevant amounts in relation to different parts of the same accounting period, those parts shall be treated for the purposes of that section as if they were separate accounting periods and the profits and income of the company for that period (as defined in that section) shall be apportioned between those parts.

8 Alteration of personal reliefs

- (1) Sections 8 and 14 of the Taxes Act shall have effect with the following amendments instead of those specified in section 1(2) of the Finance Act 1979.
- (2) In section 8 (personal reliefs)—
 - (a) in subsection (1)(a) (married) for " £1,535 " there shall be substituted " £1,815 ";
 - (b) in subsection (1)(b) (single) and (2) (wife's earned income relief) for "£985" there shall be substituted " £1,165 ";
 - (c) in subsection (1A) (age allowance) for "£2,075" and " £1,300 " there shall be substituted " £2,455 " and "£1,540 " respectively;
 - (d) in subsection (1B) (income limit for age allowance) for " £4,000 " there shall be substituted " £5,000 ".
- (3) In section 14(2) (additional relief for widows and others in respect of children) for "£550" there shall be substituted " £650 ".

9 Exemption of pensions in respect of death due to war service etc.

- (1) Payments of pensions or allowances to which this section applies shall not be treated as income for any purposes of the Income Tax Acts.
- (2) This section applies to—
 - (a) any pension or allowance payable by or on behalf of the Department of Health and Social Security under so much of any Order in Council, Royal Warrant, order or scheme as relates to death due to—
 - (i) service in the armed forces of the Crown or war-time service in the merchant navy, or
 - (ii) war injuries;
 - (b) any pension or allowance at similar rates and subject to similar conditions which is payable by the Ministry of Defence in respect of death due to peacetime service in the armed forces of the Crown before 3rd September 1939 ; and

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- (c) any pension or allowance which is payable under the law of a country other than the United Kingdom and is of a character substantially similar to a pension or allowance falling within paragraph (a) or (b) above.
- (3) Where a pension or allowance falling within subsection (2) above is withheld or abated by reason of the receipt of another pension or allowance not falling within that subsection, there shall be treated as falling within that subsection so much of the other pension or allowance as is equal to the pension or allowance that is withheld or, as the case may be, to the amount of the abatement.
- (4) This section applies for the year 1979-80 and subsequent years of assessment.

10 Relief for interest: extension of transitional provisions

In section 19(4)(b) and (c) of the Finance Act 1974 (transitional relief for interest payable before 6th April 1980) for " 1980" there shall be substituted " 1982 " ; and the same amendment shall be made in section 122(1)(c) of the Taxes Act and paragraph 2(1)(c) and (2) of Schedule 12 to that Act (transitional relief for interest payable before that date to nonresidents out of foreign income).

11 Withdrawal of child tax allowances: consequential provisions

- (1) The Taxes Act shall have effect with the amendments specified in Schedule 1 to this Act, being amendments consequential on section 1(4) of the Finance Act 1979 (withdrawal of child tax allowances).
- (2) This section has effect for the year 1979-80 and subsequent years of assessment.

12 Social Security Pensions Act: consequential provisions

- (1) The Income Tax Acts shall have effect with the amendments specified in Schedule 2 to this Act, being amendments consequential on the Social Security Pensions Act 1975 and the Social Security Pensions (Northern Ireland) Order 1975.
- (2) This section has effect for the year 1979-80 and subsequent years of assessment.

13 Relief for increase in stock values

Schedule 5 to the Finance Act 1976 (relief for increases in stock values) shall have effect with the amendments specified in Schedule 3 to this Act, being amendments which—

- (a) reduce the profit restriction for persons other than companies;
- (b) permit claims for partial relief ; and
- (c) provide for the writing-off of past relief.

14 Capital allowances: motor vehicles

- (1) Section 43 of the Finance Act 1971 (which excludes from first-year allowances road vehicles not falling within paragraph (a), (b) or (c) of that section) shall be amended in accordance with subsections (2) and (3) below.
- (2) The existing provisions of that section shall become subsection (1) and in paragraph (c) (vehicles provided for hire to, or the carriage of, members of the public in the

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ordinary course of a trade) after " (c) " there shall be inserted the words " subject to subsection (2) below, ".

- (3) For the purposes of subsection (2) above persons who are connected with each other within the meaning of section 533 of the Taxes Act shall be treated as the same person ; and that subsection does not affect vehicles provided wholly or mainly for the use of persons in receipt of a mobility allowance under the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975."

“(2) Subsection (1)(c) above applies to a vehicle only if—

(a) the following conditions are satisfied—

(i) the number of consecutive days for which it is on hire to, or used for the carriage of, the same person will normally be less than thirty ; and

(ii) the total number of days for which it is on hire to, or used for the carriage of, the same person in any period of twelve months will normally be less than ninety ; or

(b) it is provided for hire to a person who will himself use it wholly or mainly for hire to, or the carriage of, members of the public in the ordinary course of a trade and in a manner complying with the conditions specified in paragraph (a) above.

- (3) For the purposes of subsection (2) above persons who are connected with each other within the meaning of section 533 of the Taxes Act shall be treated as the same person ; and that subsection does not affect vehicles provided wholly or mainly for the use of persons in receipt of a mobility allowance under the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975.”.

- (4) In paragraph 9 of Schedule 8 to the said Act of 1971 (which defines the vehicles to which the special rules in paragraphs 10 to 12 apply as those not falling within paragraph (a), (b) or (c) of section 43) for the words " section 43 of this Act" there shall be substituted the words " section 43(1) of this Act ".

- (5) In paragraphs 10 to 12 of that Schedule (special capital allowance rules for motor vehicles) for " £5,000 " and " £1,250 " wherever they occur there shall be substituted respectively " £8,000 " and " £2,000 ".

- (6) After paragraph 12 of that Schedule there shall be inserted—

“12A The Treasury may by order increase or further increase the sums of money specified in paragraphs 10, 11 and 12 above; and any such order shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.”.

- (7) Subject to subsection (8) below, this section applies in relation to expenditure incurred after 12th June 1979, and for the purposes of this subsection expenditure is incurred on the date when the sums in question become payable.

- (8) This section does not affect the operation of the said section 43 in relation to any expenditure on the provision of a vehicle if the expenditure consists of the payment of sums payable under a contract entered into on or before the said 12th June and the vehicle is brought into use not later than 12th June 1980.

15 Deduction rate for sub-contractors in the construction industry

Section 69(4) of the Finance (No. 2) Act 1975 (which requires deductions to be made from payments to certain subcontractors in the construction industry) shall have effect in relation to payments made on or after 6th November 1979 with the substitution for the words " 33 per cent. " of the words " 30 per cent. ".

16 United States Double Taxation Convention

- (1) The arrangements to which effect may be given by virtue of an Order in Council under Section 497 of the Taxes Act (double taxation relief) shall include the arrangements contained in the Convention mentioned in subsection (2) below notwithstanding that those arrangements withdraw relief from tax for periods before the making of the Order.
- (2) The Convention referred to above is the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains which was signed on 31st December 1975.

17 Compensation for delay in national savings payments

- (1) There shall be disregarded for all purposes of income tax, corporation tax and capital gains tax any sums paid by the Department for National Savings as compensation for delay in making any such payments or repayments as are mentioned in subsection (2) below, being delay attributable to industrial action by staff of the Department between 22nd February 1979 and 4th May 1979.
- (2) The payments and repayments referred to above are—
 - (a) payments of dividends or interest on stocks and securities registered on the National Savings Stock Register ;
 - (b) repayments of national savings certificates ;
 - (c) repayments of contributions, and payments of bonuses or interest, under certified contractual saving schemes as defined by section 415(2) of the Taxes Act;
 - (d) payments of premium savings bond prizes and repayments of premium savings bonds ;
 - (e) repayments of money deposited in the National Savings Bank.
- (3) This section does not affect the tax treatment of interest to which a person is entitled under any express provision in that behalf contained in the terms of issue of any such stock, securities or certificates as are mentioned in paragraph (a) or (b) of subsection (2) above, in the conditions applying to a contract made under any such scheme as is mentioned in paragraph (c) of that subsection or in the National Savings Bank Act 1971.