



Finance Act 1981

1981 CHAPTER 35

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

GENERAL

25 Relief for interest: money borrowed for investment in partnership or co-operative

- (1) Schedule 1 to the Finance Act 1974 (conditions for interest relief) shall be amended as follows.
- (2) In paragraph 12(a) (money borrowed for investment in partnership) for the words " the individual has personally acted in the conduct of the trade, profession or vocation carried on by the partnership " there shall be substituted the words " the individual has been a member of the partnership otherwise than as a limited partner ".
- (3) After paragraph 10 there shall be inserted—

“Loan applied in acquiring interest in co-operative

- 10A (1) Subject to the following provisions of this Part of this Schedule, interest is eligible for relief under section 75 of the Finance Act 1972 if it is interest on a loan to an individual to defray money applied—
- (a) in acquiring a share or shares in a body which is a co-operative within the meaning of this paragraph ; or
 - (b) in lending money to any such body which is used wholly and exclusively for the purposes of the business of that body or of a subsidiary of that body; or

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- (c) in paying off another loan interest on which would have been eligible for relief under section 75 of the Finance Act 1972 had the loan not been paid off (on the assumption, if the loan was free of interest, that it carried interest);
 and the conditions stated in paragraph 10B below are satisfied.
- (2) In this paragraph and paragraphs 10B, 13 and 14 below " co-operative " means a common ownership enterprise or a co-operative enterprise as defined in section 2 of the Industrial Common Ownership Act 1976; and in this paragraph and paragraph 10B below "subsidiary" has the same meaning as for the purposes of that section.
- 10B The conditions referred to in paragraph 10A above are—
- (a) that, when the interest is paid, the body continues to be a co-operative ; and
- (b) that in the period from the application of the proceeds of the loan to the payment of the interest the individual has worked for the greater part of his time as an employee of the body or of a subsidiary of the body ; and
- (c) that he shows that in that period he has not recovered any capital from the body, apart from any amount taken into account under paragraph 13 below.”
- (4) In paragraphs 13 and 14 after the words " the close company ", wherever they occur, there shall be inserted the word " co-operative " and in paragraph 14(1)(a) after the words " ordinary share capital of the company " and " that ordinary share capital " there shall be inserted the words " or of his share or shares in the co-operative ".
- (5) In paragraph 15 after the words "as the case may be " there shall be inserted " 10B " and after " 9(c)" there shall be inserted " 10A(c) ".
- (6) Subsection (2) above has effect in relation to interest paid after 10th March 1981 and subsections (3) to (5) above have effect in relation to interest on a loan made after that date.