



# Income and Corporation Taxes Act 1988

## 1988 CHAPTER 1

### PART IV

#### PROVISIONS RELATING TO THE SCHEDULE D CHARGE

#### CHAPTER I

##### SUPPLEMENTARY CHARGING PROVISIONS

#### **53 Farming and other commercial occupation of land (except woodlands).**

- (1) <sup>M1</sup>All farming and market gardening in the United Kingdom shall be treated as the carrying on of a trade or, as the case may be, of a part of a trade, and the [<sup>F1</sup>profits] thereof shall be charged to tax under Case I of Schedule D accordingly.
- (2) All the farming carried on by any particular person or partnership or body of persons shall be treated as one trade.
- (3) <sup>M2</sup>Subject to subsection (4) below, the occupation of land in the United Kingdom for any purpose other than farming or market gardening shall, if the land is managed on a commercial basis and with a view to the realisation of profits, be treated as the carrying on of a trade or, as the case may be, of a part of a trade, and the [<sup>F2</sup>profits] thereof shall be charged to tax under Case I of Schedule D accordingly.

[<sup>F3</sup>(4) Subsection (3) above shall not apply in relation to the occupation of land which comprises woodlands or is being prepared for use for forestry purposes.]

#### **Textual Amendments**

**F1** Words in s. 53(1)(3) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

**F2** Words in s. 53(1)(3) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

**F3** 1988(F) Sch.6 para.6(7), into force on 6 April 1988 subject to certain provisos. Previously “(4) Subsection (3) above shall not affect the taxation of woodlands which are managed on a commercial basis and with a view to the realisation of profits”.

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#### Marginal Citations

- M1** SOURCE-1970 s. 110(1), (2)  
**M2** SOURCE-1970 s. 110(3)

#### <sup>F4</sup>54 Woodlands managed on a commercial basis.

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#### Textual Amendments

- F4** S. 54 repealed (15.3.1988) by [Finance Act 1988 \(c. 39\)](#), [Sch. 14 Pt. 5](#), Note 2

#### 55 Mines, quarries and other concerns.

- (1) [<sup>F5</sup>profits] arising out of land in the case of any concern specified in subsection (2) below shall be charged to tax under Case I of Schedule D.
- (2) The concerns are—
- (a) mines and quarries (including gravel pits, sand pits and brickfields);
  - (b) ironworks, gasworks, salt springs or works, alum mines or works (not being mines falling within the preceding paragraph) and waterworks and streams of water;
  - (c) canals, inland navigation, docks and drains or levels;
  - (d) fishings;
  - (e) rights of markets and fairs, tolls, bridges and ferries;
  - (f) railways and other ways;
  - (g) other concerns of the like nature as any of the concerns specified in paragraphs (b) to (e) above.

#### Textual Amendments

- F5** Word in [s. 55\(1\)](#) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\)](#), [s. 46\(3\)\(a\)\(b\)](#), [Sch. 7 para. 1](#)

#### 56 Transactions in deposits with and without certificates or in debts.

- (1) <sup>M3M4</sup>Subsection (2) below applies to the following rights—
- (a) the right to receive the amount, with or without interest, stated in a certificate of deposit;
  - (b) the right to receive an amount payable with interest—
    - (i) in a transaction in which no certificate of deposit or security is issued, and
    - (ii) which is payable by a bank or similar institution or a person regularly engaging in similar transactions;
 and the right to receive that interest.
- (2) <sup>M5</sup>Profits or gains arising to a person from the disposal of a right to which this subsection applies or, except so far as it is a right to receive interest, from the exercise of any such right (whether by the person to whom the certificate was issued or by

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some other person, or, as the case may be, by the person who acquired the right in the transaction referred to in subsection (1) above or by some person acquiring it directly or indirectly from that person), shall, if not falling to be taken into account as a trading receipt, be treated as annual profits or gains chargeable to tax under Case VI of Schedule D.

- (3) <sup>M6</sup>Subsection (2) above does not apply in the case of the disposal or exercise of a right to receive an amount stated in a certificate of deposit or interest on such an amount—
- (a) if the person disposing of the right acquired it before 7th March 1973;
  - (b) to any profits or gains arising to a fund or scheme in the case of which provision is made by section 592(2), 613, 614(1) to (3) or 620(6) for exempting the whole or part of its income from income tax;
  - (c) in so far as they are applied to charitable purposes only, to any profits or gains arising to a charity within the meaning of section 506.

- [<sup>F6</sup>(3A) <sup>F7</sup>.....  
(3B) <sup>F7</sup>.....  
(3C) <sup>F7</sup>.....  
(3D) <sup>F7</sup>.....]

- (4) <sup>M7</sup>For the purposes of this section, profits or gains shall not be treated as falling to be taken into account as a trading receipt by reason only that they are included in the computation required [<sup>F8</sup>for the purposes of] section 76(2).

[<sup>F9</sup>(4A) This section and section 56A shall not apply for the purposes of corporation tax except in relation to rights in existence before 1st April 1996.

(4B) For the purposes of corporation tax, where any profits or gains arising from the disposal or exercise of a right in existence before 1st April 1996 are, or (if there were any) would be, chargeable under this section, nothing in Chapter II of Part IV of the Finance Act 1996 (loan relationships) shall require any amount relating to that disposal, or to the exercise of that right, to be brought into account for the purposes of that Chapter.]

- (5) <sup>M8</sup>In this section—
- “certificate of deposit” means a document relating to money, in any currency, which has been deposited with the issuer or some other person, being a document which recognises an obligation to pay a stated amount to bearer or to order, with or without interest, and being a document by the delivery of which, with or without endorsement, the right to receive that stated amount, with or without interest, is transferable; and
- “security” has the same meaning as in section [<sup>F10</sup>132 of the 1992 Act].

#### Textual Amendments

- F6** S. 56(3A)-(3D) inserted (27.7.1993) by 1993 c. 34, s. 170, **Sch. 18 para.2**
- F7** S. 56(3A)-(3D) repealed (with effect in accordance with s. 79(3) of the repealing Act) by **Finance Act 2002 (c. 23)**, s. 141, **Sch. 40 Pt. 3(10)**, Note
- F8** Word in s. 56(4) substituted (with effect in accordance with s. 164(5)(6) of the amending act) by **Finance Act 1996 (c. 8)**, s. **164(4)**
- F9** S. 56(4A)(4B) inserted (with effect in accordance with s. 105(1) of the amending Act) by **Finance Act 1996 (c. 8)**, s. 104, **Sch. 14 para. 6** (with Sch. 15)

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**F10** Words in s. 56(5) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290, **Sch. 10 para. 14(3)** (with ss. 60, 101(1), 171, 201(3)).

**Modifications etc. (not altering text)**

**C1** See s.608—*exemption for certain superannuation funds.*

**C2** S. 56(2) modified (24.2.2003) by Proceeds of Crime Act 2002 (c. 29), s. 458, **Sch. 10 para. 6** (with Sch. 10 para. 10); S.I. 2003/120, art. 2, **Sch.** (with arts. 3-7 (as amended by S.I. 2003/333, art. 14))

**Marginal Citations**

**M3** SOURCE-1973 s. 26(1)

**M4** SOURCE-1974 s. 30(1)

**M5** SOURCE-1973 s. 26(1); 1974 s. 30(1)

**M6** SOURCE-1973 s. 26(1)(a)(b); 1975 (No. 2) s. 50(1)

**M7** SOURCE-1973 s. 26(3); 1974 s. 30(2)

**M8** SOURCE-1973 s. 26(4); 1974 s. 30(2), (1); 1968 s. 55(3); 1979(C) Sch. 7

**[<sup>F11</sup>56A Disposal or exercise of rights in pursuance of deposits.**

- (1) This section applies where there is an arrangement under which—
- (a) there is a right to receive an amount (with or without interest)
 

in pursuance of a deposit of money,
  - (b) when the right comes into existence there is no certificate of deposit in respect of the right, and
  - (c) the person for the time being entitled to the right is entitled to call for the issue of a certificate of deposit in respect of the right.
- (2) In such a case—
- (a) the right shall be treated as not falling within section 56(1)(b), and
  - (b) if there is a disposal or exercise of the right before such time (if any) as a certificate of deposit is issued in respect of it, section 56(2) shall apply to it by virtue of this paragraph.
- (3) In the application of section 56 by virtue of this section—
- (a) subsection (2) shall have effect as if the words from “(whether” to “person)” read “(whether by the person originally entitled to the right or by some other person)”, and
  - (b) subsection (3) shall have effect as if the words “stated in a certificate of deposit” read “under an arrangement”.
- (4) In this section “certificate of deposit” has the meaning given by section 56(5).]

**Textual Amendments**

**F11** S. 56A inserted (with application in relation to arrangements made after 16.7.1992) by Finance (No. 2) Act 1992 (c. 48), s. 34, Sch. 8 paras.1, 6.

**57 Deep discount securities.**

F12

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**Textual Amendments**

- F12** S. 57 repealed (with effect in accordance with s. 105(1) of the repealing Act) by [Finance Act 1996](#) (c. 8), [Sch. 41 Pt. 5\(3\)](#), Note

**58 Foreign pensions.**

**F13** .....

**Textual Amendments**

- F13** S. 58 repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by [Income Tax \(Earnings and Pensions\) Act 2003](#) (c. 1), [Sch. 6 para. 8](#), [Sch. 8 Pt. 1](#) (with [Sch. 7](#))

**59 Persons chargeable.**

- (1) <sup>M9</sup>Subject to subsections (2) and (3) below, income tax under Schedule D shall be charged on and paid by the persons receiving or entitled to the income in respect of which the tax is directed by the Income Tax Acts to be charged.
- (2) Income tax to be charged under Schedule D in respect of any of the concerns mentioned in section 55 shall be assessed and charged on the person carrying on the concern, or on the agents or other officers who have the direction or management of the concern or receive the profits thereof.
- (3) Where, in accordance with that section, income tax is charged under Schedule D on the profits of markets or fairs, or on tolls, fisheries or any other annual or casual profits not distrainable, the owner or occupier or receiver of the profits thereof shall be answerable for the tax so charged, and may retain and deduct the same out of any such profits.
- (4) Subsections (1) to (3) above shall not apply for the purposes of corporation tax.

**Marginal Citations**

- M9** SOURCE-1970 S. 114

**CHAPTER II**

**INCOME TAX: BASIS OF ASSESSMENT ETC.**

*Cases I and II*

**[<sup>F14</sup>60 Assessment on current year basis.**

- (1) Subject to subsection (2) below and section 63A, income tax shall be charged under Cases I and II of Schedule D on the full amount of the [<sup>F15</sup>profits] of the year of assessment.

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- (2) Where, in the case of a trade, profession or vocation, a basis period for the year of assessment is given by subsection (3) below or sections 61 to 63, the [<sup>F15</sup>profits] of that period shall be taken to be the [<sup>F15</sup>profits] of the year.
- (3) Subject to sections 61 to 63, the basis period for a year of assessment is as follows—
- (a) if the year is the first year of assessment in which there is an accounting date which falls not less than 12 months after the commencement date, the period of 12 months ending with that accounting date; and
  - (b) if there is a basis period for the immediately preceding year and that basis period is not given by section 61, the period of 12 months beginning immediately after the end of that basis period.
- (4) In the case of a person who, if he had not died, would under the provisions of this section and sections 61 to 63A have become chargeable to income tax for any year, the tax which would have been so chargeable—
- (a) shall be assessed and charged on his personal representatives, and
  - (b) shall be a debt due from and payable out of his estate.
- (5) In this section and sections 61 to 63—
- “accounting date”, in relation to a year of assessment, means a date in the year to which accounts are made up or, where there are two or more such dates, the latest of those dates;
- “the commencement date” and “the commencement year” mean respectively the date on which and the year of assessment in which the trade, profession or vocation is set up and commenced.]

#### Textual Amendments

- F14** S. 60 substituted (with effect in accordance with s. 218 of the amending Act) by Finance Act 1994 (c. 9), s. 200 (with Sch. 20)
- F15** Words in s. 60(1)(2) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

#### Modifications etc. (not altering text)

- C3** S. 60(2)-(5) excluded (1.12.1997 with effect in accordance with reg. 1 of the excluding S.I.) by The Lloyd's Underwriters (Scottish Limited Partnerships) (Tax) Regulations 1997 (S.I. 1997/2681), reg. 6(1)(a)

### [<sup>F16</sup>61 Basis of assessment at commencement.

- (1) Notwithstanding anything in section 60, where the year of assessment is the commencement year, the computation of the [<sup>F17</sup>profits] chargeable to income tax under Case I or II of Schedule D shall be made on the [<sup>F17</sup>profits] arising in the year.
- (2) Subject to section 63, where the year of assessment is the year next following the commencement year and—
- (a) there is an accounting date in the year and the period beginning with the commencement date and ending with the accounting date is a period of less than 12 months; or
  - (b) the basis period for the year would, apart from this subsection, be given by section 62(2) and the period beginning with the commencement date and ending with the new date in the year is a period of less than 12 months,

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the basis period for the year is the period of 12 months beginning with the commencement date.

(3) In this section “the new date” has the same meaning as in section 62.]

#### Textual Amendments

- F16** S. 61 substituted (with effect in accordance with s. 218 of the amending Act) by Finance Act 1994 (c. 9), s. 201 (with Sch. 20)
- F17** Words in s. 61(1) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

#### Modifications etc. (not altering text)

- C4** Ss. 61-63A excluded (1.12.1997 with effect in accordance with reg. 1 of the excluding S.I.) by The Lloyd's Underwriters (Scottish Limited Partnerships) (Tax) Regulations 1997 (S.I. 1997/2681), reg. 6(1)(a)

### [<sup>F18</sup>62 Change of basis period.

- (1) Subsection (2) below applies where, in the case of a trade, profession or vocation—
- an accounting change, that is, a change from one accounting date (“the old date”) to another (“the new date”), is made or treated as made in a year of assessment; and
  - either section 62A applies or the year of assessment is the year next following or next but one following the commencement year.
- (2) The basis period for the year of assessment is as follows—
- if the year is the year next following the commencement year or the relevant period is a period of less than 12 months, the period of 12 months ending with the new date in the year; and
  - if the relevant period is a period of more than 12 months, that period;
- and in this subsection “the relevant period” means the period beginning immediately after the end of the basis period for the preceding year and ending with the new date in the year.
- (3) Where subsection (2) above does not apply as respects an accounting change made or treated as made in a year of assessment (“the first year”), this section and section 62A shall have effect in relation to the next following year (“the second year”) as if the change had not been made or treated as made.
- (4) As a consequence of subsection (3) above—
- an accounting change shall be treated as made in the second year if the date or, as the case may be, the latest date in that year to which accounts are made up is a date other than the date of the end of the basis period for the first year; and
  - no such change shall be treated as made in the second year if that date is the date of the end of that period.
- (5) For the purposes of this section an accounting change is made in the first year of assessment in which accounts are not made up to the old date, or accounts are made up to the new date, or both.]

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### Textual Amendments

**F18** S. 62 substituted (with effect in accordance with s. 218 of the amending Act) by Finance Act 1994 (c. 9), s. 202 (with Sch. 20)

### Modifications etc. (not altering text)

**C5** Ss. 61-63A excluded (1.12.1997 with effect in accordance with reg. 1 of the excluding S.I.) by The Lloyd's Underwriters (Scottish Limited Partnerships) (Tax) Regulations 1997 (S.I. 1997/2681), reg. 6(1)(a)

## [<sup>F19</sup>62A Conditions for such a change.

- (1) This section applies in relation to an accounting change if the following are fulfilled, namely—
  - (a) the first and second conditions mentioned below, and
  - (b) either the third or the fourth condition so mentioned.
- (2) The first condition is that the first accounting period ending with the new date does not exceed 18 months.
- (3) The second condition is
  - [<sup>F20</sup>(a) in the case of a trade, profession or vocation carried on by an individual, that notice of the accounting change is given to an officer of the Board in a return under section 8 of the Management Act on or before the day on which that return is required to be made and delivered under that section;
  - (b) in the case of a trade, profession or vocation carried on by persons in partnership, that notice of the accounting change is given to an officer of the Board in a return under section 12AA of that Act on or before the day specified in relation to that return under subsection (2) or (3) of that section.]
- (4) The third condition is that no accounting change as respects which section 62(2) has applied has been made or treated as made in any of the five years immediately preceding the year of assessment.
- (5) The fourth condition is that—
  - (a) the notice required by the second condition sets out the reasons for which the change is made; and
  - (b) either the officer is satisfied that the change is made for bona fide commercial reasons or he does not, within 60 days of receiving the notice, give notice to the person carrying on the trade, profession or vocation that he is not so satisfied.
- (6) An appeal may be brought against the giving of a notice under subsection (5)(b) above within the period of 30 days beginning with the date on which the notice is given.
- (7) Subject to subsection (8) below, the provisions of the Management Act relating to appeals shall have effect in relation to an appeal under subsection (6) above as they have effect in relation to an appeal against an assessment to tax.
- (8) On an appeal under subsection (6) above section 50(6) to (8) of the Management Act shall not apply but the Commissioners may—



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- (a) if they are satisfied that the change is made for bona fide commercial reasons, set the notice under subsection (5)(b) above aside; or
  - (b) if they are not so satisfied, confirm that notice.
- (9) Obtaining a tax advantage shall not be regarded as a bona fide commercial reason for the purposes of subsections (5) and (8) above.
- (10) In this section—
- (a) “accounting period” means a period for which accounts are made up, and
  - (b) expressions which are also used in section 62 have the same meanings as in that section.]

#### Textual Amendments

- F19** S. 62A inserted (with effect in accordance with s. 218 of the amending Act) by [Finance Act 1994 \(c. 9\)](#), s. 203 (with [Sch. 20](#))
- F20** Words in s. 62A(3) substituted (with effect in accordance with s. 135(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), s. 135(1), [Sch. 21 para. 1](#)

#### Modifications etc. (not altering text)

- C6** Ss. 61-63A excluded (1.12.1997 with effect in accordance with reg. 1 of the excluding S.I.) by [The Lloyd's Underwriters \(Scottish Limited Partnerships\) \(Tax\) Regulations 1997 \(S.I. 1997/2681\)](#), [reg. 6\(1\)\(a\)](#)

### [<sup>F21</sup>63 Basis of assessment on discontinuance.

Where a trade, profession or vocation is permanently discontinued in a year of assessment other than the commencement year, the basis period for the year shall be the period beginning—

- (a) where the year is the year next following the commencement year, immediately after the end of the commencement year, and
- (b) in any other case, immediately after the end of the basis period for the preceding year of assessment,

and (in either case) ending with the date on which the trade, profession or vocation is permanently discontinued.]

#### Textual Amendments

- F21** S. 63 substituted (with effect in accordance with s. 218 of the amending Act) by [Finance Act 1994 \(c. 9\)](#), s. 204 (with [Sch. 20](#))

#### Modifications etc. (not altering text)

- C7** Ss. 61-63A excluded (1.12.1997 with effect in accordance with reg. 1 of the excluding S.I.) by [The Lloyd's Underwriters \(Scottish Limited Partnerships\) \(Tax\) Regulations 1997 \(S.I. 1997/2681\)](#), [reg. 6\(1\)\(a\)](#)

### [<sup>F22</sup>63A Overlap profits and overlap losses.

- (1) Where, in the case of any trade, profession or vocation, the basis period for a year of assessment is given by section 62(2)(b), a deduction shall be made in computing

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the [<sup>F23</sup>profits] of that year of an amount equal to that. given by the formula in subsection (2) below.

(2) The formula referred to in subsection (1) above is—

$$A \times \frac{B - C}{D}$$

where—

A = the aggregate of any overlap profits less the aggregate of any amounts previously deducted under subsection (1) above;

B = the number of days in the basis period;

C = the number of days in the year of assessment;

D = the aggregate of the overlap periods of any overlap profits less the aggregate number of days given by the variable “B — C” in any previous applications of this subsection.

(3) Where, in the case of any trade, profession or vocation, the basis period for a year of assessment is given by section 63, a deduction shall be made in computing the [<sup>F23</sup>profits] of that year of an amount equal to—

- (a) the aggregate of any overlap profits, less
- (b) the aggregate of any amounts deducted under subsection (1) above.

(4) Where, in the case of any trade, profession or vocation, an amount of a loss would, apart from this subsection, fall to be included in the computations for two successive years of assessment, that amount shall not be included in the computation for the second of those years.

(5) In this section—

“overlap profit” means an amount of [<sup>F23</sup>profits] which, by virtue of sections 60 to 62, is included in the computations for two successive years of assessment; and

“overlap period”, in relation to an overlap profit, means the number of days in the period in which the overlap profit arose.]

#### Textual Amendments

**F22** S. 63A inserted (with effect in accordance with s. 218 of the amending Act) by [Finance Act 1994 \(c. 9\)](#), s. 205 (with Sch. 20)

**F23** Words in s. 63A(1)(3)(5) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\)](#), s. 46(3)(a)(b), Sch. 7 para. 1

#### Modifications etc. (not altering text)

**C8** Ss. 61-63A excluded (1.12.1997 with effect in accordance with reg. 1 of the excluding S.I.) by [The Lloyd's Underwriters \(Scottish Limited Partnerships\) \(Tax\) Regulations 1997 \(S.I. 1997/2681\)](#), reg. 6(1)(a)

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### Cases III, IV and V

#### [<sup>F24</sup>64 Case III assessments.

Income tax under Case III of Schedule D shall be computed on the full amount of the income arising within the year of assessment, and shall be paid on the actual amount of that income, without any deduction.]

#### Textual Amendments

**F24** S. 64 substituted (with effect in accordance with s. 218 of the amending Act) by Finance Act 1994 (c. 9), s. 206 (with Sch. 20)

#### 65 Cases IV and V assessments: general.

- (1) <sup>M10</sup>Subject to the provisions of this section <sup>F25</sup>. . . , income tax chargeable under Case IV or Case V of Schedule D shall be computed on the full amount of the income arising in <sup>F25</sup>. . . the year of assessment, whether the income has been or will be received in the United Kingdom or not, subject in the case of income not received in the United Kingdom—
  - (a) to the same deductions and allowances as if it had been so received, and
  - (b) to a deduction on account of any annuity or other annual payment (not being interest) payable out of the income to a person not resident in the United Kingdom.
- (2) <sup>M11</sup><sup>F26</sup>. . . Income tax chargeable under Case IV or V of Schedule D on income arising from any pension shall be computed on the amount of that income subject to a deduction of one-tenth of the amount of the income.

[<sup>F27</sup>(2A) <sup>F28</sup> . . . . .

(2B) <sup>F28</sup> . . . . .]

- (3) <sup>M12</sup>Income tax chargeable under Case IV or V of Schedule D on income which is immediately derived by a person from the carrying on by him of any trade, profession or vocation either solely or in partnership shall be computed in accordance with the rules applicable to Cases I and II of Schedule D [<sup>F29</sup>(including sections 60 to 63A and 113)]; and subsection (1)(a) above shall not apply.

<sup>F30</sup> . . . . .

- (4) [<sup>F31</sup><sup>M13</sup>Subsections (1) to (3)] above [<sup>F32</sup>and section 65A below] shall not apply to any person who [<sup>F33</sup>makes a claim to the Board stating] that he is not domiciled in the United Kingdom, or that, being a Commonwealth citizen or a citizen of the Republic of Ireland, he is not ordinarily resident in the United Kingdom.
- (5) <sup>M14</sup>Where subsection (4) above applies the tax shall, <sup>F34</sup>. . . , be computed—
  - (a) in the case of tax chargeable under Case IV, on the full amount, so far as the same can be computed, of the sums received in the United Kingdom in <sup>F34</sup>. . . the year of assessment, without any deduction or abatement; and
  - (b) in the case of tax chargeable under Case V, on the full amount of the actual sums received in the United Kingdom in <sup>F34</sup>. . . the year of assessment from remittances payable in the United Kingdom, or from property imported, or

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from money or value arising from property not imported, or from money or value so received on credit or on account in respect of any such remittances, property, money or value brought or to be brought into the United Kingdom, without any deduction or abatement other than is allowed under the provisions of the Income Tax Acts in respect of [<sup>F35</sup>profits] charged under Case I of Schedule D.

- (6) For the purposes of subsection (5) above, any income arising from securities or possessions out of the United Kingdom which is applied outside the United Kingdom by a person ordinarily resident in the United Kingdom in or towards satisfaction of—
- (a) any debt for money lent to him in the United Kingdom or for interest on money so lent, or
  - (b) any debt for money lent to him outside the United Kingdom and received in or brought to the United Kingdom, or
  - (c) any debt incurred for satisfying in whole or in part a debt falling within paragraph (a) or (b) above,

shall be treated as received by him in the United Kingdom (and, for the purposes of subsection (5)(b) above, as so received from remittances payable in the United Kingdom).

- (7) Where a person ordinarily resident in the United Kingdom receives in or brings to the United Kingdom money lent to him outside the United Kingdom, but the debt for that money is wholly or partly satisfied before he does so, subsection (6) above shall apply as if the money had been received in or brought to the United Kingdom before the debt was so satisfied, except that any sums treated by virtue of that subsection as received in the United Kingdom shall be treated as so received at the time when the money so lent is actually received in or brought to the United Kingdom.

- (8) Where—
- (a) a person (“the borrower”) is indebted for money lent to him, and
  - (b) income is applied by him in such a way that the money or property representing it is held by the lender on behalf of or to the account of the borrower in such circumstances as to be available to the lender for the purpose of satisfying or reducing the debt by set-off or otherwise,

that income shall be treated as applied by the borrower in or towards satisfaction of the debt if, under any arrangement between the borrower and the lender, the amount for the time being of the borrower’s indebtedness to the lender, or the time at which the debt is to be repaid in whole or in part, depends in any respect directly or indirectly on the amount or value so held by the lender.

- (9) For the purposes of subsections (6) to (8) above—
- (a) a debt for money lent shall, to the extent to which that money is applied in or towards satisfying another debt, be deemed to be a debt incurred for satisfying that other debt, and a debt incurred for satisfying in whole or in part a debt falling within paragraph (c) of subsection (6) above shall itself be treated as falling within that paragraph; and
  - (b) “lender” includes, in relation to any money lent, any person for the time being entitled to repayment.

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### Textual Amendments

- F25** Words in s. 65(1) repealed (with effect in accordance with s. 218(1) of the repealing Act) by [Finance Act 1994 \(c. 9\)](#), ss. 207(1), 258, [Sch. 26 Pt. 5\(24\)](#), Note 7 (with Sch. 20)
- F26** Words in s. 65(2) repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), Sch. 6 para. 9, [Sch. 8 Pt. 1](#) (with Sch. 7)
- F27** S. 65(2A)(2B) inserted (with effect in accordance with s. 41(5)-(10) of the amending Act) by [Finance Act 1995 \(c. 4\)](#), s. 41(1)
- F28** S. 65(2A)(2B) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by [Finance Act 1998 \(c. 36\)](#), Sch. 5 para. 23(a), [Sch. 27 Pt. 3\(4\)](#), Note (with Sch. 5 para. 73)
- F29** Words in s. 65(3) inserted (with effect in accordance with ss. 207(6) and 218 of the amending Act) by [Finance Act 1994 \(c. 9\)](#), s. 207(2)(a) (with Sch. 20)
- F30** Words in s. 65(3) repealed (with effect in accordance with ss. 207(6) and 218(1)(b) of the repealing Act) by [Finance Act 1994 \(c. 9\)](#), ss. 207(2)(b), 258, [Sch. 26 Pt. 5\(24\)](#), Note 1 (with Sch. 20)
- F31** Words in s. 65(4) substituted (with effect in accordance with s. 41(5)-(10) of the amending Act) by [Finance Act 1995 \(c. 4\)](#), s. 41(1)
- F32** Words in s. 65(4) inserted (with effect in accordance with s. 38(2)(3) of the amending Act) by [Finance Act 1998 \(c. 36\)](#), s. 38(1), [Sch. 5 para. 23\(b\)](#) (with Sch. 5 para. 73)
- F33** Words in s. 65(4) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), s. 134(1), [Sch. 20 para. 3](#)
- F34** Words in s. 65(5) repealed (with effect in accordance with s. 218(1) of the repealing Act) by [Finance Act 1994 \(c. 9\)](#), ss. 207(3), 258, [Sch. 26 Pt. 5\(24\)](#), Note 7 (with Sch. 20)
- F35** Words in s. 65(5)(b) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\)](#), s. 46(3)(a)(b), Sch. 7 para. 1

### Modifications etc. (not altering text)

- C9** See 1990 s.56 and Sch.10 para.12(4)—*tax on income in respect of chargeable securities on income of year of assessment.*
- C10** See—1979(C) s.14(2)—*capital gains tax on gains applied outside the United Kingdom in payment of certain debts.* 1989 s.94 and Sch.11 paras.5, 13—*deep gain securities.*
- C11** See 1988(F) s.38(9)—*no deduction under s.65(1)(b) on account of a payment to which s.38 (maintenance payments) applies.*
- C12** S. 65(6)-(9) applied (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), ss. 12(2), 289 (with ss. 60, 101(1), 171, 201(3)).

### Marginal Citations

- M10** SOURCE-1970 s. 122(1)(a), (b)
- M11** SOURCE-1974 S. 22(1)
- M12** SOURCE-1974 s. 23(1), 6(b)
- M13** SOURCE-1970 s. 122(2)(a)
- M14** SOURCE-1970 s. 122(3)-(7)

## <sup>F36</sup><sup>F37</sup> **65A Case V income from land outside UK: income tax.**

- (1) This section applies where a person is chargeable to income tax under Case V of Schedule D in respect of income which—
- arises from a business carried on for the exploitation, as a source of rents or other receipts, of any estate, interest or rights in or over land outside the United Kingdom, and
  - is not income to which section 65(3) applies (income immediately derived from carrying on a trade, profession or vocation).

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- (2) The provisions of Schedule A apply to determine whether income falls within subsection (1)(a) above as they would apply to determine whether the income fell within paragraph 1(1) of that Schedule if—
- (a) the land in question were in the United Kingdom, or
  - (b) a caravan or houseboat which is to be used at a location outside the United Kingdom were to be used at a location in the United Kingdom.
- (3) Any provision of the Taxes Acts which deems there to be a Schedule A business in the case of land in the United Kingdom applies where the corresponding circumstances arise with respect to land outside the United Kingdom so as to deem there to be a business within subsection (1)(a) above.
- (4) All businesses and transactions carried on or entered into by a particular person or partnership, so far as they are businesses or transactions the income from which is chargeable to tax under Case V of Schedule D in accordance with this section, are treated for the purposes of the charge to tax under Case V as, or as entered into in the course of carrying on, a single business (an “overseas property business”).
- (5) The income from an overseas property business shall be computed for the purposes of Case V of Schedule D in accordance with the rules applicable to the computation of the profits of a Schedule A business.
- Those rules apply separately in relation to—
- (a) an overseas property business, and
  - (b) any actual Schedule A business of the person chargeable,
- as if each were the only Schedule A business carried on by that person.
- (6) Sections 80 and 81 (expenses in connection with foreign trades and travel between trades etc.) do not apply in relation to the computation of the profits of an overseas property business.
- (7) Sections 503 and 504 of this Act <sup>F38</sup> . . . do not apply to the profits or losses of an overseas property business.
- (8) Where under this section rules expressed by reference to domestic concepts of law apply in relation to land outside the United Kingdom, they shall be interpreted so as to produce the result that most closely corresponds with the result produced for Schedule A purposes in relation to land in the United Kingdom.]]

#### Textual Amendments

- F36** S. 65A substituted (with effect in accordance with s. 38(2)(3) of the amending Act) by [Finance Act 1998 \(c. 36\)](#), s. 38(1), [Sch. 5 para. 24](#) (with [Sch. 5 para. 73](#))
- F37** S. 65A inserted (with effect in accordance with s. 41(5)-(10) of the amending Act) by [Finance Act 1995 \(c. 4\)](#), s. [41\(2\)](#)
- F38** Words in s. 65A(7) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 13](#), [Sch. 4](#) (with [Sch. 3](#))

## 66 Special rules for fresh income.

F39

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**Textual Amendments**

- F39** S. 66 repealed (with effect in accordance with s. 218(1) of the repealing Act) by [Finance Act 1994](#) (c. 9), ss. 207(4), 258, [Sch. 26 Pt. 5\(24\)](#), Note 7 (with Sch. 20)

**67 Special rules where source of income disposed of or yield ceases.**

**F40** .....

**Textual Amendments**

- F40** S. 67 repealed (with effect in accordance with s. 218(1) of the repealing Act) by [Finance Act 1994](#) (c. 9), ss. 207(4), 258, [Sch. 26 Pt. 5\(24\)](#), Note 7 (with Sch. 20)

**68 Special rules where property etc. situated in Republic of Ireland.**

- (1) <sup>M15</sup>Notwithstanding anything in [<sup>F41</sup>section 65], but subject to the provisions of this section, income tax chargeable under Case IV or V of Schedule D shall, in the case of property situated and [<sup>F42</sup>profits] arising in the Republic of Ireland, be computed on the full amount of the income arising in the year of assessment, whether the income has been or will be received in the United Kingdom or not, subject in the case of income not received in the United Kingdom—
- (a) to the same deductions and allowances as if it had been so received; and
  - (b) to a deduction on account of any annuity or other annual payment (not being interest) payable out of the income to a person not resident in the United Kingdom.
- (2) Subsection (1) above shall not apply—
- (a) to any income which is immediately derived by a person from the carrying on by him of any trade, profession or vocation, either solely or in partnership; or
  - (b) to any income which arises from any pension.
- (3) The tax in respect of any such income as is mentioned in subsection (2) above arising in the Republic of Ireland shall be computed either—
- (a) on the full amount thereof arising in the year of assessment; or
  - (b) on the full amount thereof on an average of such period as the case may require and as may be directed by the inspector;

so that, according to the nature of the income, the tax may be computed on the same basis as that on which it would have been computed if the income had arisen in the United Kingdom, and subject in either case to a deduction on account of any annuity or other annual payment (not being interest) payable out of the income to a person not resident in the United Kingdom; and the person chargeable and assessable shall be entitled to the same allowances, deductions and reliefs as if the income had arisen in the United Kingdom.

The jurisdiction of the General or Special Commissioners on any appeal shall include jurisdiction to review the inspector's decision under this subsection.

- [<sup>F43</sup>(3A) The fact that the allocations of shares in the company to which persons who are not directors or employees of the company are entitled are smaller than those to which directors or employees of the company are entitled shall not be regarded for the

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purposes of subsection (2)(b) above as meaning that they are not entitled on similar terms if—

- (a) each of the first-mentioned persons is also entitled, by reason of his office or employment and in priority to members of the public, to an allocation of shares in another company or companies which are offered to the public (at a fixed rate or by tender) at the same time as the shares in the company, and
  - (b) in the case of each of those persons the aggregate value (measured by reference to the fixed price or the lowest price successfully tendered) of all the shares included in the allocations to which he is entitled is the same, or as nearly the same as is reasonably practicable, as that of the shares in the company included in the entitlement of a comparable director or employee of the company.]
- (4) In charging any income which is excluded from subsection (1) above by subsection (2) (a) above there shall be the same limitation on reliefs as under section 391(2) in the case of income computed by virtue of section 65(3) in accordance with the rules applicable to Cases I and II of Schedule D.
- (5) In charging income arising from a pension under subsection (3) above, a deduction of one-tenth shall be allowed unless it is the income of a person falling within section 65(4).

#### Textual Amendments

- F41** Words in s. 68(1) substituted (with effect in accordance with s. 218 of the amending Act) by Finance Act 1994 (c. 9), s. 207(5) (with Sch. 20)
- F42** Words in s. 68(1) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1
- F43** 1990 s.79 in relation to offers made on or after 26 July 1990.

#### Marginal Citations

- M15** SOURCE-1970 Sch. 12 Pt. III 2; 1976 s. 49(4), (6)

### [<sup>F44</sup>68A Share incentive plans: application of section 68B

- (1) Section 68B applies for income tax purposes in connection with shares awarded under an approved share incentive plan.
- (2) But that section does not apply to an individual if, at the time of the award of shares in question—
- (a) the earnings from the eligible employment are not (or would not be if there were any) general earnings to which any of the charging provisions of Chapter 4 or 5 of Part 2 of ITEPA 2003 apply, or
  - (b) in the case of an award made before 6th April 2003, he was not chargeable to tax under Schedule E in respect of the employment by reference to which he met the requirement of paragraph 14 of Schedule 8 to the Finance Act 2000 (employee share ownership plans: the employment requirement) in relation to the plan.
- (3) For the purposes of subsection (2)(a)—
- (a) “the eligible employment” means the employment which results in the individual meeting the employment requirement in relation to the plan, and



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- (b) the reference to any of the charging provisions of Chapter 4 or 5 of Part 2 of ITEPA 2003 has the same meaning as it has in the employment income Parts of that Act (see sections 14(3) and 20(3) of that Act).]

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**Textual Amendments**

**F44** Ss. 68A-68C inserted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), **Sch. 6 para. 10** (with Sch. 7)

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**Modifications etc. (not altering text)**

**C13** Ss. 68A-68C applied (6.4.2003 with effect in accordance with s. 723(1) of the affecting Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), **Sch. 2 para. 87** (with Sch. 7)

[<sup>F44</sup>**68B Share incentive plans: cash dividends and dividend shares**

- (1) Where a cash dividend is paid over to a participant under paragraph 68(4) of Schedule 2 to ITEPA 2003 (cash dividend paid over if not reinvested), the participant is chargeable to tax on the amount paid over, to the extent that it represents a foreign cash dividend, under Case V of Schedule D for the year of assessment in which the dividend is paid over to the participant.
- (2) If dividend shares cease to be subject to the plan before the end of the period of three years beginning with the date on which the shares were acquired on the participant's behalf, the participant is chargeable to tax on the amount of the relevant dividend, to the extent that it represents a foreign cash dividend, under Case V of Schedule D for the year of assessment in which the shares cease to be subject to the plan.

For this purpose “the relevant dividend” is the cash dividend applied to acquire those shares on the participant's behalf.

- (3) Where the participant is charged to tax under subsection (2) the tax due shall be reduced by the amount or aggregate amount of any tax paid on any capital receipts under section 501 of ITEPA 2003 in respect of those shares.
- (4) Subsection (2) has effect subject to section 498 of that Act (no charge on shares ceasing to be subject to plan in certain circumstances).]

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**Textual Amendments**

**F44** Ss. 68A-68C inserted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), **Sch. 6 para. 10** (with Sch. 7)

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**Modifications etc. (not altering text)**

**C14** Ss. 68A-68C applied (6.4.2003 with effect in accordance with s. 723(1) of the affecting Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), **Sch. 2 para. 87** (with Sch. 7)

[<sup>F44</sup>**68C Share incentive plans: interpretation**

- (1) Sections 68A and 68B and this section form part of the SIP code (see section 488 of ITEPA 2003 (approved share incentive plans)).

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- (2) Accordingly, expressions used in those sections and contained in the index at the end of Schedule 2 to that Act (approved share incentive plans) have the meaning indicated by that index.
- (3) In section 68B, “foreign cash dividend” means a cash dividend paid in respect of plan shares in a company not resident in the United Kingdom.]

#### Textual Amendments

**F44** Ss. 68A-68C inserted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), **Sch. 6 para. 10** (with [Sch. 7](#))

#### Modifications etc. (not altering text)

**C15** Ss. 68A-68C applied (6.4.2003 with effect in accordance with s. 723(1) of the affecting Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), **Sch. 2 para. 87** (with [Sch. 7](#))

### *Case VI*

#### [<sup>F45</sup>69] **Case VI assessments.**

Income tax under Case VI of Schedule D shall be computed on the full amount of the profits or gains arising in the year of assessment.]

#### Textual Amendments

**F45** S. 69 substituted (with effect in accordance with s. 218 of the amending Act) by [Finance Act 1994 \(c. 9\)](#), **s. 208** (with [Sch. 20](#))

## CHAPTER III

### CORPORATION TAX: BASIS OF ASSESSMENT ETC

#### **70** **Basis of assessment etc.**

- (1) <sup>M16</sup>In accordance with sections 6 to 12 and 337 to 344, for the purposes of corporation tax for any accounting period income shall be computed under Cases I to VI of Schedule D on the full amount of the profits or gains or income arising in the period (whether or not received in or transmitted to the United Kingdom), without any other deduction than is authorised by the Corporation Tax Acts.
- (2) <sup>M17</sup>Where a company is chargeable to corporation tax in respect of a trade or vocation under Case V of Schedule D, the income from the trade or vocation shall be computed in accordance with the rules applicable to Case I of Schedule D.
- (3) [<sup>F46M18</sup>Cases III and V] of Schedule D shall for the purposes of corporation tax extend to companies not resident in the United Kingdom, so far as those companies are chargeable to tax on income of descriptions which, in the case of companies resident in the United Kingdom, fall within those Cases (but without prejudice to any provision of the Tax Acts specially exempting non-residents from tax on any particular description of income).

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#### Textual Amendments

**F46** Words in s. 70(3) substituted (with effect in accordance with s. 105(1) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 14 para. 7** (with Sch. 15)

#### Modifications etc. (not altering text)

**C16** S. 70 excluded (with application in accordance with s. 65(1)(3)(4) of the excluding Act) by Finance Act 2002 (c. 23), s. 65(2)(a)

#### Marginal Citations

**M16** SOURCE-1970 s. 129(1)

**M17** SOURCE-1970 s. 129(4)

**M18** SOURCE-1970 s. 129(5)

### [<sup>F47</sup>70A Case V income from land outside UK: corporation tax.

- (1) This section applies where a company is chargeable to corporation tax under Case V of Schedule D in respect of income which—
  - (a) arises from a business carried on for the exploitation, as a source of rents or other receipts, of any estate, interest or rights in or over land outside the United Kingdom, and
  - (b) is not income to which section 70(2) applies (income from a trade or vocation).
- (2) The provisions of Schedule A apply to determine whether income falls within subsection (1)(a) above as they would apply to determine whether the income fell within paragraph 1(1) of that Schedule if—
  - (a) the land in question were in the United Kingdom, or
  - (b) a caravan or houseboat which is to be used at a location outside the United Kingdom were to be used at a location in the United Kingdom.
- (3) Any provision of the Taxes Acts which deems there to be a Schedule A business in the case of land in the United Kingdom applies where the corresponding circumstances arise with respect to land outside the United Kingdom so as to deem there to be a business within subsection (1)(a) above.
- (4) All businesses and transactions carried on or entered into by a particular company or partnership, so far as they are businesses or transactions the income from which is chargeable to tax under Case V of Schedule D in accordance with this section, are treated for the purposes of the charge to tax under Case V as, or as entered into in the course of carrying on, a single business (an “overseas property business”).
- (5) The income from an overseas property business shall be computed for the purposes of Case V of Schedule D in accordance with the rules applicable to the computation of the profits of a Schedule A business.

Those rules apply separately in relation to—

  - (a) an overseas property business, and
  - (b) any actual Schedule A business of the company chargeable,

as if each were the only Schedule A business carried on by that company.
- (6) Sections 503 and 504 of this Act <sup>F48</sup> . . . do not apply to the profits or losses of an overseas property business.

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- (7) Where under this section rules expressed by reference to domestic concepts of law apply in relation to land outside the United Kingdom, they shall be interpreted so as to produce the result that most closely corresponds with the result produced for Schedule A purposes in relation to land in the United Kingdom.]

#### Textual Amendments

- F47** S. 70A inserted (with effect in accordance with s. 38(2)(3) of the amending Act) by [Finance Act 1998 \(c. 36\)](#), s. 38(1), [Sch. 5 para. 25](#) (with [Sch. 5 para. 73](#))
- F48** Words in S. 70A(6) repealed (with effect in accordance with s. 579(1) of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\)](#), ss. 578, 580, [Sch. 2 para. 14](#), [Sch. 4](#) (with [Sch. 3](#))

## CHAPTER IV

### PROVISIONS SUPPLEMENTARY TO CHAPTERS II AND III

#### 71 Computation of income tax where no profits in year of assessment.

<sup>M19</sup>Where it is provided by the Income Tax Acts that income tax under Schedule D in respect of profits or gains or income from any source is to be computed by reference to the amount of the profits or gains or income of some period preceding the year of assessment, tax as so computed shall be charged for that year of assessment notwithstanding that no profits or gains or income arise from that source for or within that year.

#### Marginal Citations

- M19** SOURCE-1970 s. 126

#### 72 Apportionments etc. for purposes of Cases I, II and VI.

- (1) <sup>M20</sup>Where in the case of any profits or gains chargeable under Case I, II or VI of Schedule D it is necessary in order to arrive for the purposes of income tax or corporation tax at the profits or gains or losses of any year of assessment, accounting period or other period, to divide and apportion to specific periods the profits or gains or losses for any period for which the accounts have been made up, or to aggregate any such profits, gains or losses or any apportioned parts thereof, it shall be lawful to make such a division and apportionment or aggregation.
- (2) <sup>M21</sup>Any apportionment under this section shall be made in proportion to the number of [<sup>F49</sup>days] in the respective periods.

#### Textual Amendments

- F49** Word in s. 72(2) substituted (1.5.1995) by [Finance Act 1995 \(c. 4\)](#), s. 121

#### Modifications etc. (not altering text)

- C17** See S.I. 1987 No. 530 (in Part III Vol. 5) regn. 16—*payments attributable to non-resident entertainers and sportsmen.*

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**Marginal Citations**

- M20** SOURCE-1970 ss. 127(1), 129(2)  
**M21** SOURCE-1970 s. 127(2), 527(4)

**73 Single assessments for purposes of Cases III, IV and V.**

**F50** .....

**Textual Amendments**

- F50** S. 73 repealed (with effect in accordance with s. 103(7) of the repealing Act) by [Finance Act 1995](#) (c. 4), ss. 115(09), 162, [Sch. 29 Pt. 8\(14\)](#), Note 2

**CHAPTER V**

**COMPUTATIONAL PROVISIONS**

**Modifications etc. (not altering text)**

- C18** See—1979(C) s.122—*election to take capital gain or loss into account when asset appropriated to stock in trade.* 1989 ss.67-74—*employee share ownership trusts.* [Banking Act 1987](#) (c.22) s.66—*contributions to the Deposit Protection Fund.*

*Deductions*

**74 General rules as to deductions not allowable.**

[<sup>F51</sup>(1)] <sup>M22</sup>Subject to the provisions of the Tax Acts, in computing the amount of the [<sup>F52</sup>profits] to be charged under Case I or Case II of Schedule D, no sum shall be deducted in respect of—

- (a) any disbursements or expenses, not being money wholly and exclusively laid out or expended for the purposes of the trade, profession or vocation;
- (b) any disbursements or expenses of maintenance of the parties, their families or establishments, or any sums expended for any other domestic or private purposes distinct from the purposes of the trade, profession or vocation;
- (c) the rent of the whole or any part of any dwelling-house or domestic offices, except any such part as is used for the purposes of the trade, profession or vocation, and where any such part is so used, the sum so deducted shall not, unless in any particular case it appears that having regard to all the circumstances some greater sum ought to be deducted, exceed two-thirds of the rent bona fide paid for that dwelling-house or those offices;
- (d) any sum expended for repairs of premises occupied, or for the supply, repairs or alterations of any implements, utensils or articles employed, for the purposes of the trade, profession or vocation, beyond the sum actually expended for those purposes;
- (e) any loss not connected with or arising out of the trade, profession or vocation;

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- (f) any capital withdrawn from, or any sum employed or intended to be employed as capital in, the trade, profession or vocation, but so that this paragraph shall not be treated as disallowing the deduction of any interest;
- (g) any capital employed in improvements of premises occupied for the purposes of the trade, profession or vocation;
- (h) any interest which might have been made if any such sums as aforesaid had been laid out at interest;
- [<sup>F53</sup>(j) any debts except—
  - (i) a bad debt <sup>F54</sup> . . . ;
  - (ii) a debt or part of a debt released by the creditor wholly and exclusively for the purposes of his trade, profession or vocation as part of a relevant arrangement or compromise; and
  - (iii) a doubtful debt to the extent estimated to be bad, meaning, in the case of the bankruptcy or insolvency of the debtor, the debt except to the extent that any amount may reasonably be expected to be received on the debt;]
- (k) any average loss beyond the actual amount of loss after adjustment;
- (l) any sum recoverable under an insurance or contract of indemnity;
- (m) any annuity or other annual payment (other than interest) payable out of the [<sup>F55</sup>profits];
- (n) any interest paid to a person not resident in the United Kingdom if and so far as it is interest at more than a reasonable commercial rate;
- [<sup>F56</sup>(o) any interest in so far as the payment of that interest is or would be, otherwise than by virtue of section 375(2), either—
  - (i) a payment of interest to which section 369 applies, or
  - (ii) a payment of interest to which that section would apply but for section 373(5);]
- (p) <sup>M23</sup>any royalty or other sum paid in respect of the user of a patent;
- (q) <sup>F57</sup> . . . . .

[<sup>F58</sup>(2) In paragraph (j) of subsection (1) above “relevant arrangement or compromise” means—

- (a) a voluntary arrangement which has taken effect under or by virtue of the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989; or
- (b) a compromise or arrangement which has taken effect under section 425 of the Companies Act 1985 or Article 418 of the Companies (Northern Ireland) Order 1986.]

#### Textual Amendments

- F51** S. 74 renumbered as s. 74(1) (3.5.1994) by virtue of [Finance Act 1994 \(c. 9\), s. 144\(2\)](#)
- F52** Words in s. 74(1) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1
- F53** S. 74(1)(j) substituted (with effect in accordance with s. 144(6) of the amending Act) by [Finance Act 1994 \(c. 9\), s. 144\(1\)](#)
- F54** Words in s. 74(1)(j)(i) repealed (with effect in accordance with s. 134(2) of the repealing Act) by [Finance Act 1996 \(c. 8\), Sch. 20 para. 4, Sch. 41 Pt. 5\(10\)](#), Note
- F55** Words in s. 74(1)(m) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1
- F56** S. 74(1)(o) substituted (with effect in accordance with s. 81(6) of the amending Act) by [Finance Act 1994 \(c. 9\), Sch. 9 para. 1](#)

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**F57** S. 74(1)(q) repealed (with effect in accordance with Sch. 18 Pt. 6(2) Note of the repealing Act) by Finance Act 1997 (c. 16), **Sch. 18 Pt. 6(2)**

**F58** S. 74(2) inserted (3.5.1994) by Finance Act 1994 (c. 9) {s. 144(2)}

**Modifications etc. (not altering text)**

**C19** S. 74 excluded (3.5.1994) by Finance Act 1994 (c. 9), **s. 159(4)** (with Sch. 18 paras. 1(3), 2(3)(4), 3(3))

**C20** S. 74 excluded (with effect in accordance with s. 105(1) of the excluding Act) by Finance Act 1996 (c. 8), **s. 82(7)** (with ss. 98, 99, Schs. 10, 11, 15)

**C21** S. 74 excluded (with effect in accordance with s. 83(3) of the excluding Act) by Finance Act 2002 (c. 23), **Sch. 26 Para. 14(4)** (with Sch. 28)

**C22** See 1989 ss.112-113—*expenditure on security on or after 6 April 1989.*

**C23** S. 74(1)(a) extended (1.1.1999) by The European Single Currency (Taxes) Regulations 1998 (S.I. 1998/3177), **regs. 1, 5**

**C24** S. 74(1)(m)(p) restricted (with effect in accordance with Sch. 29 Pt. 14 of the affecting Act) by Finance Act 2002 (c. 23), **Sch. 29 para. 8(3)** (with Sch. 29 para. 8(4))

**Marginal Citations**

**M22** SOURCE-1970 s. 130(a)–(m); 1987 Sch. 15 para. 2(9)

**M23** SOURCE-1970 s. 130(n), (o)

**75 Expenses of management: investment companies.**

(1) <sup>M24</sup>In computing for the purposes of corporation tax the total profits for any accounting period of an investment company resident in the United Kingdom there shall be deducted any sums disbursed as expenses of management (including commissions) for that period, except any such expenses as are deductible in computing profits apart from this section.

[<sup>F59</sup>(1A) The expenses of management of a company shall not include any expenses in relation to which a debit falls to be brought into account for the purposes of Chapter II of Part IV of the Finance Act 1996 (loan relationships) in computing the amount from which sums disbursed as expenses of management are deductible.]

(2) For the purposes of subsection (1) above there shall be deducted from the amount treated as expenses of management the amount of any income derived from sources not charged to tax, other than franked investment income, <sup>F60</sup> . . . <sup>F61</sup> . . . and any regional development grant. In this subsection “regional development grant” means a payment by way of grant under Part II of the <sup>M25</sup>Industrial Development Act 1982.

(3) <sup>M26</sup>Where in any accounting period of an investment company the expenses of management deductible under subsection (1) above, together with any charges on income paid in the accounting period wholly and exclusively for purposes of the company’s business, exceed the amount of the profits from which they are deductible—

- (a) the excess shall be carried forward to the succeeding accounting period; and
- (b) the amount so carried forward to the succeeding accounting period shall be treated for the purposes of this section, including any further application of this subsection, as if it had been disbursed as expenses of management for that accounting period.

(4) For the purposes of this section there shall be added to a company’s expenses of management in any accounting period the amount of any allowances falling to be

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made to the company for that period by virtue of [<sup>F62</sup>section 15(1)(g) of the Capital Allowances Act (plant and machinery allowances) so far as effect cannot be given to them under section 253(2) of that Act].

(5) <sup>M27</sup>Where an appeal against an assessment to corporation tax <sup>F63</sup>. . . relates exclusively to the relief to be given under subsection (1) above, the appeal shall lie to the Special Commissioners, and if and so far as the question in dispute on any such appeal which does not lie to the Special Commissioners relates to that relief, that question shall, instead of being determined on the appeal, be referred to and determined by the Special Commissioners, and the Management Act shall apply as if that reference were an appeal.

(6) <sup>F64</sup> . . . . .

#### Textual Amendments

- F59** S. 75(1A) inserted (with effect in accordance with s. 105(1) of the amending Act) by Finance Act 1996 (c. 8), **Sch. 14 para. 8** (with Sch. 15)
- F60** Words in s. 75(2) repealed (with effect in accordance with Sch. 6 para. 2(4) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 2(2), **Sch. 8 Pt. 2(11)**, Note
- F61** Words in s. 75(2) repealed (with effect in accordance with Sch. 3 para. 9(3) of the repealing Act) by Finance Act 1998 (c. 36), Sch. 3 para. 9(2), **Sch. 27 Pt. 3(2)**, Note
- F62** Words in s. 75(4) substituted (with effect in accordance with s. 579(1) of the amending Act) by Capital Allowances Act 2001 (c. 2), **Sch. 2 para. 15**
- F63** Words in s. 75(5) repealed (with effect in accordance with s. 20 of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), **Sch. 8 Pt. 2(4)**, Note
- F64** S. 75(6) repealed (with effect in accordance with Sch. 6 para. 2(4) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), Sch. 6 para. 2(3), **Sch. 8 Pt. 2(11)**, Note

#### Modifications etc. (not altering text)

- C25** S. 75 modified (with effect in accordance with s. 70(1) of the modifying Act) by Finance Act 2001 (c. 9), **Sch. 22 para. 27** (with Sch. 22 para. 32)
- C26** S. 75(1) extended (1.1.1999) by The European Single Currency (Taxes) Regulations 1998 (S.I. 1998/3177), regs. 1, **6(1)**
- C27** S. 75(3) restricted (with effect in accordance with s. 105(1) of the restricting Act) by Finance Act 1996 (c. 8), **Sch. 11 para. 4(12)** (with Sch. 15)
- C28** S. 75(3)(b) modified by S.I. 1992/1655, reg. 3G (as inserted (10.8.1995) by The Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 1995 (S.I. 1995/1916), **reg. 4**)
- C29** See the following sections of this Act:—s.77—*incidental costs of obtaining loan finance*.s.78—*incidental costs in securing acceptance of bills of exchange by banks*.s.79—*contributions to approved local enterprise agencies on or after 1April 1982and before 1April 1992*.s.85—*profit sharing schemes*.s.86—*expenditure incurred in relation to employees seconded to charities; and, from 26November 1986to 31March 1997,educational establishments*.s.88—*sums paid to Export Credits Guarantee Dept. under investment insurance schemes*.s.90—*additional payments to redundant employees*.s.242(2)—*set-off of losses, etc., against franked investment income*.s.403—*group relief*.s.468—*application to authorised unit trusts*.s.573—*losses on unquoted shares in trading companies allowed before charges against income of investment companies*.s.577—*exclusion of certain entertaining expenses*.s.579—*inclusion of statutory redundancy payments*.s.586—*disallowance of deductions for war risk premiums*.s.587—*disallowance of certain payments in respect of war injuries to employees*.s.588—*relief for costs of training incurred on or after 6April 1987*.s.592—*inclusion of employer's contribution under exempt approved retirement benefits schemes*.s.779—*limitation on*



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reliefs: land sold and leased back.s.780—land sold and leased back: relief in respect of rent under new lease.s.834—definitions of “profits” and “trade” in s.6(4)to apply for purposes of s.75.

- C30** S. 75(4) restricted (with effect in accordance with s. 579(1) of the restricting Act) by **Capital Allowances Act 2001 (c. 2), s. 253(2)** (with Sch. 3 paras. 54, 55)
- C31** S. 75(4) applied (with effect in accordance with s. 579(1) of the applying Act) by **Capital Allowances Act 2001 (c. 2), s. 253(6)** (with Sch. 3 paras. 54, 55)
- C32** See—1988(F) s.73(3)—sums in connection with restrictive undertakings paid on or after 6 June 1988.1989 s.44for periods of account ending after 5 April 1989involving emoluments.1989 s.67—employee share ownership trusts.1989 s.76—non-approved retirement benefit schemes.1989 ss.86-87—changes in respect of insurance companies.

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#### Marginal Citations

- M24** SOURCE-1970 s. 304(1); 1984 s. 54(2)(b); 1987 s. 41
- M25** 1982 c. 52.
- M26** SOURCE-1970 s. 304(2), (3)
- M27** SOURCE-1970 s. 304(4)

VALID FROM 22/07/2004

#### **[<sup>F65</sup>75A Accounting period to which expenses of management are referable**

- (1) This section has effect for the purpose of determining the accounting period to which expenses of management are referable for the purposes of section 75(1).
- (2) Where—
  - (a) expenses of management are debited in accounts drawn up by a company for a period of account,
  - (b) the treatment of those expenses in those accounts is in accordance with generally accepted accounting practice, and
  - (c) the period of account coincides with an accounting period,the expenses of management are referable to that accounting period.
- (3) Where—
  - (a) expenses of management are debited in accounts drawn up by a company for a period of account, and
  - (b) the treatment of those expenses in those accounts is in accordance with generally accepted accounting practice, but
  - (c) the period of account does not coincide with an accounting period,subsection (4) below applies.
- (4) Where this subsection applies, the expenses of management—
  - (a) shall be apportioned between any accounting periods that fall within the period of account, and
  - (b) are referable to an accounting period to the extent that they are so apportioned to it.
- (5) An apportionment under subsection (4) above shall be in accordance with section 834(4) (time basis) unless it appears that that method would work unreasonably or unjustly, in which case such other method shall be used as appears just and reasonable.

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(6) Where—

- (a) expenses of management are not referable to an accounting period by virtue of subsections (2) to (5) above, but
- (b) accounts are drawn up by the company for a period of account, and
- (c) if the expenses of management had been treated in those accounts in accordance with generally accepted accounting practice, they would fall to be debited in those accounts,

the expenses of management are referable to the accounting period to which they would have been referable in accordance with subsections (2) to (5) above if they had been so debited in those accounts.

(7) Where expenses of management are not referable to an accounting period by virtue of subsections (2) to (6) above, they are referable to the accounting period to which they would be referable in accordance with subsections (2) to (5) above on the assumptions in subsection (8) below.

(8) Those assumptions are—

- (a) that for each accounting period that does not coincide with, or fall within, any period of account, there is a period of account that coincides with that accounting period, and
- (b) that so much of the expenses of management as would fall to be debited in accordance with generally accepted accounting practice in accounts drawn up by the company for any such deemed period of account are so debited.

(9) This section is without prejudice to any other provision of the Corporation Tax Acts which provides for amounts to be treated for the purposes of section 75 as expenses of management referable to an accounting period.

(10) Any reference in this section to expenses of management being debited in accounts is a reference to those expenses being brought into account, in accordance with generally accepted accounting practice, as a debit—

- (a) in the company's profit and loss account, or
- (b) in a statement of total recognised gains and losses or other statement of items brought into account in computing the company's profits and losses for accounting purposes.

For this purpose “debit” means an amount which for accounting purposes reduces a profit, or increases a loss, for a period of account.]

**Textual Amendments**

**F65** S. 75A inserted (with effect in accordance with ss. 42, 43 of the amending Act) by [Finance Act 2004](#) (c. 12), s. 39

VALID FROM 22/07/2004

**[<sup>F66</sup>75B Amounts reversing expenses of management deducted: charge to tax**

(1) This section applies in any case where the following conditions are satisfied—

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- (a) a credit is brought into account by a company in a period of account (the “reversal period”) which ends on or after the commencement date,
  - (b) the credit reverses (in whole or in part) a debit brought into account in a previous period of account of the company (whenever ending),
  - (c) the debit (in whole or in part) represents expenses of management deductible under section 75(1) for an accounting period of the company (“the period of deductibility”),
  - (d) the expenses of management were so deductible for that period otherwise than by virtue of section 75(9) (carry forward of unrelieved excess),
  - (e) the period of deductibility ends before, or at the same time as, the reversal period,
  - (f) the reversal period does not coincide with an accounting period beginning before the commencement date.
- (2) In any such case, subsection (4) or (5) below (as the case may be) shall apply in relation to the reversal amount.
- (3) In this section “the reversal amount” means so much of the credit as—
  - (a) reverses so much of the debit as represents the expenses of management, and
  - (b) does not represent sums otherwise taken into account in determining for the purposes of corporation tax the profits and losses of the company for the relevant accounting period or any earlier accounting period.

For this purpose the relevant accounting period is the latest accounting period of the company that falls wholly or partly within the reversal period.
- (4) If the reversal period coincides with an accounting period of the company beginning on or after the commencement date, the reversal amount shall be dealt with for that period in accordance with subsection (7) below.
- (5) If the reversal period does not coincide with an accounting period of the company—
  - (a) the reversal amount shall be apportioned between any accounting periods that fall within the reversal period, and
  - (b) any amount so apportioned to an accounting period beginning on or after the commencement date shall be dealt with for that period in accordance with subsection (7) below.
- (6) An apportionment under subsection (5) above shall be in accordance with section 834(4) (time basis) unless it appears that that method would work unreasonably or unjustly, in which case such other method shall be used as appears just and reasonable.
- (7) Where an amount falls to be dealt with in accordance with this subsection for an accounting period—
  - (a) it shall, so far as possible, be applied in reducing or further reducing (but not below nil) the company’s expenses of management deductible for that period otherwise than by virtue of section 75(9) (carry forward of unrelieved excess), and
  - (b) so much of the amount as cannot be so applied shall be regarded as income of the company chargeable under Case VI of Schedule D for that accounting period.

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- (8) In subsection (1) above “brought into account”, in relation to a period of account of a company, means brought into account in accordance with generally accepted accounting practice in determining, for accounting purposes, profit and loss for that period of account.
- (9) If (apart from this subsection) an accounting period does not coincide with, or fall within, any period of account, it shall be assumed for the purposes of this section that there is a period of account of the company that coincides with that accounting period.
- (10) It shall be assumed for the purposes of this section that, in determining for accounting purposes profit and loss for any period of account of any company, amounts fall to be brought into account in accordance with generally accepted accounting practice.
- (11) For the purposes of this section a credit reverses a debit in whole or in part in any case where the sum represented in whole or in part by the debit is paid and then in whole or in part repaid (as well as in a case where the sum represented by the debit is never paid).
- (12) In this section—  
     “the commencement date” means 1st April 2004;  
     “credit” means an amount which for accounting purposes increases or creates a profit, or reduces a loss, for a period of account;  
     “debit” means an amount which for accounting purposes reduces a profit, or increases or creates a loss, for a period of account.]

#### Textual Amendments

**F66** S. 75B inserted (22.7.2004) by Finance Act 2004 (c. 12), s. 45(1) (with s. 45(2)(3))

## 76 Expenses of management: insurance companies.

- (1) <sup>M28</sup>Subject to the provisions of this section and of section 432, section 75 shall apply for computing the profits of a company carrying on life assurance business, whether mutual or proprietary, (and not charged to corporation tax in respect of it under Case I of Schedule D), whether or not the company is resident in the United Kingdom, as that section applies in relation to an investment company except that—
- [<sup>F67</sup>(aa) where the whole or any part of a loss arising to the company in respect of its life assurance business in an accounting period is set off under section 393A or 403(1), there shall be deducted from the amount treated as the expenses of management for that period an amount equal to so much of the loss as, in the aggregate, is so set off, reduced by the amounts by which any losses for that period under section 436 [<sup>F68</sup>or 439B] fall to be reduced under section 434A(2)(b); and
- (ab) section 75(1) shall have effect with the substitution for “in computing profits apart from this section” of—  
     “(a) in computing income for the purposes of Schedule A, or  
     (b) by virtue of section 121(3) in computing income from the letting of rights to work minerals in the United Kingdom”; and]

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- (a) there shall be deducted from the amount treated as the expenses of management for any accounting period the amount of any fines, fees or profits arising from reversions, and
- (b) no deduction shall be made under section 75(2) <sup>F69</sup>; and
- (c) there shall be deducted from the amount treated as the expenses of management for any accounting period any repayment or refund (in whole or in part) of a sum disbursed by the company (for that or any earlier period) as acquisition expenses; and
- <sup>F70</sup>(ca) [ there shall also be deducted from the amount treated as the expenses of management for any accounting period any reinsurance commission earned in the period which is referable to <sup>F71</sup>basic life assurance and general annuity business]; and]
- (d) the amount treated as expenses of management shall not include any amount in respect of expenses referable to <sup>F72</sup> . . . <sup>F73</sup>, pension business <sup>F74</sup>, life reinsurance business] or overseas life assurance business]; and
- (e) the amount of profits from which expenses of management may be deducted for any accounting period shall not exceed the net income and gains of that accounting period referable to <sup>F71</sup>basic life assurance and general annuity business];

and for this purpose “net income and gains” means income and gains after deducting any reliefs or exemptions which fall to be applied before taking account of this section.]

<sup>F75</sup>(2) Where, in the case of any such company, the amount mentioned in paragraph (a) of subsection (2A) below exceeds for any accounting period the amount mentioned in paragraph (b) of that subsection, the amount which by virtue of this section is to be deductible by way of management expenses for that period shall be equal to the basic deduction for that period reduced by the amount of the excess.

(2A) Those amounts are—

- (a) the amount which would be the profits of the company’s life assurance business for that period if computed in accordance with the provisions applicable to Case I of Schedule D and adjusted in respect of losses; and
- (b) the amount (including any negative amount) produced by deducting the following aggregate amount from the company’s relevant income for that period from its life assurance business, that is to say, the aggregate of—
  - (i) the basic deduction,
  - (ii) any non-trading deficit on the company’s loan relationships which is produced for that period in relation to that business by a separate computation under paragraph 2 of Schedule 11 to the Finance Act 1996, <sup>F76</sup>and]
  - (iii) any amount which in pursuance of a claim under paragraph 4(3) of that Schedule is carried back to that period and (in accordance with paragraph 4(5) of that Schedule) applied in reducing profits of the company for that period, <sup>F77</sup> . . .
  - (iv) <sup>F77</sup> . . . . .

(2B) For the purposes of subsection (2A) above a company’s relevant income for any accounting period from its life assurance business is the sum of the following—

- (a) the income and gains of the company’s life assurance business for that accounting period; and

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- [<sup>F78</sup>(b) the franked investment income of, and foreign income dividends arising to, the company which are referable to its basic life assurance and general annuity business.]
- (2C) The adjustment in respect of losses that is to be made for any accounting period under paragraph (a) of subsection (2A) above is a deduction of the amount equal to the unused part of the sum which—
- (a) by reference to computations made in respect of the company’s life assurance business in accordance with the provisions applicable to Case I of Schedule D, and
  - (b) disregarding section 434A(2),
- would fall, in the case of the company, to be set off under section 393 against the company’s income for that period.
- (2D) For the purposes of subsection (2C) above, an amount is unused to the extent that it has not been taken into account for any previous accounting period in determining the amount by reference to which the following question was answered, namely, the question whether, and by how much, the amount deductible by virtue of this section by way of management expenses was less than the basic deduction.
- (5) Subject to paragraph 4(11) to (13) of Schedule 11 to the Finance Act 1996, where the basic deduction for any period exceeds the amount which for that period is to be deductible by virtue of this section by way of management expenses, the amount to be carried forward by virtue of section 75(3) (including the amount to be so carried forward for the purpose of computing the amount of the basic deduction for any period) shall be increased by the amount of the excess.]
- [<sup>F79</sup>(5A) In the preceding provisions of this section references to life assurance business and references to basic life assurance and general annuity business shall be deemed, in each case, to include references to capital redemption business.]
- (6) <sup>M29</sup>The relief under this section available to an overseas life insurance company (within the meaning of section 431) in respect of its expenses of management shall be limited to expenses attributable to the life assurance business carried on by the company at or through its branch or agency in the United Kingdom [<sup>F80</sup>or to any capital redemption business carried on by the company at or through that branch or agency.]
- (7) <sup>F81</sup>.....
- [<sup>F82</sup>(7A) <sup>F81</sup>.....]
- [<sup>F83</sup>(7B) The amounts which a company may treat as part of its expenses of management for the purposes of this section include amounts in respect of which relief is given under paragraph 22 of Schedule 22 to the Finance Act 2001 (relief in respect of expenditure on remediation of contaminated land which is management asset).]
- [<sup>F84</sup>(8) In this section—
- <sup>F85</sup>.....
- “acquisition expenses” means expenses falling within paragraphs (a) to (c) of subsection (1) of section 86 of the Finance Act 1989;
- <sup>F85</sup>.....
- [<sup>F86</sup>“basic deduction”, in relation to an accounting period of an insurance company, means the amount which, by virtue of this section, would be deductible by way of management expenses for that period but for subsection (2) above;]

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[<sup>F87cc</sup>“capital redemption business” means any capital redemption business, within the meaning of section 458, which is business to which that section applies;]

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and other expressions have the same meaning as in Chapter I of Part XII.]

### Textual Amendments

- F67** S. 76(1)(aa)(ab) inserted (with effect in accordance with [Sch. 31 para. 10\(1\)](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 31 para. 1](#)
- F68** Words in s. 76(1)(aa) substituted (with effect in accordance with [Sch. 27 para 12\(1\)](#) of the amending Act) by [Finance Act 2000 \(c. 19\)](#), [Sch. 27 para. 7](#)
- F69** 1989 s.87(2)with respect to accounting periods beginning on or after 1January 1990 (see s.87(5)re straddling periods).
- F70** 1990 s.44(3)with respect to accounting periods beginning on or after 1January 1990 (see 1989 s.87(5)re straddling periods).
- F71** Words in s. 76(1)(ca)(e) substituted (1.1.1992) by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), s. 48, [Sch. 7 paras. 1\(a\), 18](#)
- F72** Words in s. 76(1)(d) repealed (1.1.1992) by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), ss. 48, 123, [Sch. 7 paras. 1\(b\), 18, Sch. 19 Pt. V](#) Note 3
- F73** 1990 s.42and [Sch.7 para.1](#)for accounting periods beginning on or after 1January 1990 (see [para.10](#)).Previously “or pension business”.
- F74** Words in s. 76(1)(d) inserted (with effect in accordance with [Sch. 8 para. 57\(1\)](#) of the amending Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 8 para. 7](#) (with s. 55(2))
- F75** S. 76(2)-(2D)(5) substituted (with effect in accordance with s. 164(5)(6) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [s. 164\(1\)](#)
- F76** Word at the end of s. 76(2A)(b)(ii) inserted (with effect in accordance with s. 67(7) of the amending Act) by [Finance Act 1997 \(c. 16\)](#), [s. 67\(4\)\(a\)](#)
- F77** S. 76(2A)(b)(iv) and preceding word repealed (with effect in accordance with s. 67(7), [Sch. 18 Pt. 6\(6\)](#) Note of the repealing Act) by [Finance Act 1997 \(c. 16\)](#), s. 67(4)(a), [Sch. 18 Pt. 6\(6\)](#)
- F78** S. 76(2B)(b) substituted (with effect in accordance with [Sch. 3 para. 1\(4\)](#) of the amending Act) by [Finance \(No. 2\) Act 1997 \(c. 58\)](#), [Sch. 3 para. 1\(2\)](#)
- F79** S. 76(5A) inserted (with effect in accordance with [Sch. 33 para. 4](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 33 para. 1\(1\)](#)
- F80** Words in s. 76(6) inserted (with effect in accordance with [Sch. 33 para. 4](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 33 para. 1\(2\)](#)
- F81** S. 76(7)(7A) omitted (1.12.2001 with effect in accordance with art. 1(2)(a) of the amending S.I.) by virtue of [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001 \(S.I. 2001/3629\)](#), art. {16(1)}
- F82** S. 76(7A) inserted by [Finance Act 1991 \(c. 31\)](#), [s. 47\(2\)](#)
- F83** S. 76(7B) inserted (with effect in accordance with s. 70(1) of the amending Act) by [Finance Act 2001 \(c. 9\)](#), [Sch. 23 para. 2](#)
- F84** S. 76(8) substituted by [Finance Act 1991 \(c. 31, SIF 63:1\)](#), [s. 47\(3\)](#)
- F85** S. 76(8): definitions of “the 1986 Act”, “authorised person”, “investment business”, “investor”, “investor protection scheme”, “prescribed” and “recognised self-regulating organisation” repealed

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- (1.12.2001) by [Financial Services and Markets Act 2000 \(c. 8\)](#), s. 431(2), [Sch. 20 para. 4\(2\)](#), [Sch 22](#), S.I. 2001/3538, {art. 2(1)}
- F86** [S. 76\(8\)](#): definition of "basic reduction" inserted (with effect in accordance with [s. 164\(5\)\(6\)](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [s. 164\(2\)\(a\)](#)
- F87** [S. 76\(8\)](#): definition of "capital redemption business" inserted (with effect in accordance with [Sch. 33 para. 4](#) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 33 para. 1\(3\)](#)
- F88** [S. 76\(8\)](#): definition of "relevant franked investment income" repealed (with effect in accordance with [Sch. 3 para. 1\(4\)](#) of the repealing Act) by [Finance \(No. 2\) Act 1997 \(c. 58\)](#), [Sch. 3 para. 1\(3\)](#), [Sch. 8 Pt. 2\(6\)](#), Note

#### Modifications etc. (not altering text)

- C33** See 1989 s. 44 - periods of assessment ending after 5 April 1989 involving endowments. 1989 ss. 85-88 - changes in respect of insurance companies.
- C34** [S. 76](#) modified (29.4.1996) by [Finance Act 1996 \(c. 8\)](#), {[s. 164\(6\)](#)}
- C35** [S. 76](#) restricted (with effect in accordance with [s. 105\(1\)](#) of the restricting Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 11 para. 4\(2\)](#) (with [Sch. 15](#))
- C36** [S. 76](#) modified (20.3.1997 with effect in accordance with [reg. 1\(2\)](#) of the modifying S.I.) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) Regulations 1997 \(S.I. 1997/473\)](#), [reg. 5](#)
- C37** [S. 76](#) modified (1.1.1999) by [The European Single Currency \(Taxes\) Regulations 1998 \(S.I. 1998/3177\)](#), [regs. 1, 6\(3\)](#)
- C38** [S. 76](#) modified (with effect in accordance with [reg. 1](#) of the modifying S.I.) by [The Insurance Companies \(Capital Redemption Business\) \(Modification of the Corporation Tax Acts\) Regulations 1999 \(S.I. 1999/498\)](#), [regs. 1, 3, 4](#)
- C39** [S. 76](#) extended (with effect in accordance with [s. 579\(1\)](#) of the amending Act) by [Capital Allowances Act 2001 \(c. 2\)](#), [s. 256\(2\)\(a\)](#) (with [Sch. 3 paras. 54, 55](#))
- C40** [S. 76](#) modified (with effect in accordance with [s. 70\(1\)](#) of the modifying Act) by [Finance Act 2001 \(c. 9\)](#), [Sch. 22 para. 23](#) (with [Sch. 22 para. 32](#))
- C41** [S. 76\(1\)](#) modified by S.I. 1992/1655, [reg. 3H](#) (as inserted (10.8.1995) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) \(Amendment\) Regulations 1995 \(S.I. 1995/1916\)](#), [reg. 4](#)
- C42** [S. 76\(1\)](#) applied (with effect in accordance with [s. 105\(1\)](#) of the applying Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 11 para. 4\(16\)](#) (with [Sch. 15](#))
- C43** See the following sections of this Act:
- [s.85](#)—  
profit sharing schemes.
  - [s.88](#)—  
sums paid to Exports Credits Guarantee Dept. under investment insurance scheme.
  - [s.90](#)—  
additional payments to redundant employees.
  - [s.242](#)—  
set-off of losses etc., against franked investment income.
  - [s.403](#)—  
management expenses of life assurance companies excluded from group relief.
  - [s.573\(4\)](#)—  
losses on unquoted shares in trading companies allowed before charges against income of investment companies.
  - [s.579](#)—  
deduction for statutory redundancy payments.
  - [s.586](#)—  
disallowance of deductions for war risk premiums.
  - [s.587](#)—  
disallowance of certain payments in respect of war injuries to employees.
  - [s.779](#)—  
limitation on reliefs: land sold and leased back.



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s.780—

land sold and leased back: relief in respect of rent under new lease.

s.781—

assets leased to traders and others: cancellation of reliefs.

s.834—

definitions of “profits” and “trade” in

s.6(4)

to apply for purposes of

s.76

**C44** S. 76(1)(d) modified (6.4.1999) by [The Individual Savings Account \(Insurance Companies\) Regulations 1998 \(S.I. 1998/1871\)](#), regs. 1, 6

#### Marginal Citations

**M28** SOURCE-1970 s. 305(1)

**M29** SOURCE-1970 s. 317

### 76A Levies and repayments under the Financial Services and Markets Act 2000.

(1) In computing the amount of the profits to be charged under Case I of Schedule D arising from a trade carried on by an authorised person (other than an investment company)—

- (a) to the extent that it would not be deductible apart from this section, any sum expended by the authorised person in paying a levy may be deducted as an allowable expense;
- (b) any payment which is made to the authorised person as a result of a repayment provision is to be treated as a trading receipt.

[<sup>F89</sup>(2) “Levy” means—

- (a) a payment required under rules made under section 136(2) of the Financial Services and Markets Act 2000 (“the Act of 2000”);
- (b) a levy imposed under the Financial Services Compensation Scheme;
- (c) a payment required under rules made under section 234 of the Act of 2000;
- (d) a payment required under scheme rules in accordance with paragraph 15(1) of Schedule 17 to the Act of 2000;
- (e) a payment required in accordance with the standard terms fixed under paragraph 18 of Schedule 17 to the Act of 2000 other than an award which is not an award of costs under cost rules.]

[<sup>F90</sup>(3) “Repayment provision” means—

- (a) any provision made by virtue of section 136(7) or 214(1)(e) of the Act of 2000;
- (b) any provision by scheme rules for fees to be refunded in specified circumstances.]

(4) “Authorised person” has the same meaning as in the Act of 2000.

[<sup>F91</sup>(5) “Scheme rules” means the rules referred to in paragraph 14(1) of Schedule 17 to the Act of 2000.

(6) “Costs rules” means—

- (a) rules made under section 230 of the Act of 2000;
- (b) provision relating to costs contained in the standard terms fixed under paragraph 18 of Schedule 17 to the Act of 2000.]

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#### Textual Amendments

- F89** S. 76A(2) substituted (1.12.2001 in accordance with art. 1(2)(a) of the amending S.I.) by [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001 \(S.I. 2001/3629\)](#), [art. 16\(3\)](#)
- F90** S. 76A(3) substituted (1.12.2001 in accordance with art. 1(2)(a) of the amending S.I.) by [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001 \(S.I. 2001/3629\)](#), [art. 16\(4\)](#)
- F91** S. 76A(5)(6) added (1.12.2001 in accordance with art. 1(2)(a) of the amending S.I.) by [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001 \(S.I. 2001/3629\)](#), [art. 16\(5\)](#)

### **76B Levies and repayments under the Financial Services and Markets Act 2000: investment companies.**

- (1) For the purposes of section 75 any sums paid by an investment company—
  - (a) by way of a levy, or
  - (b) as a result of an award of costs under costs rules,
 shall be treated as part of its expenses of management.
- (2) If a payment is made to an investment company as a result of a repayment provision, the company shall be charged to tax under Case VI of Schedule D on the amount of that payment.
- (3) “Levy” has the meaning given in section [F9276A(2)].
- [F93(4) “Costs rules” has the meaning given in section 76A(6).]
- (5) “Repayment provision” has the meaning given in section 76A(3).

#### Textual Amendments

- F92** Words in s. 76B(3) substituted (1.12.2001 in accordance with art. 1(2)(a) of the amending S.I.) by [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001 \(S.I. 2001/3629\)](#), [art. 16\(7\)](#)
- F93** S. 76B(4) substituted (1.12.2001 in accordance with art. 1(2)(a) of the amending S.I.) by [The Financial Services and Markets Act 2000 \(Consequential Amendments\) \(Taxes\) Order 2001 \(S.I. 2001/3629\)](#), [art. 16\(8\)](#)

### **77 Incidental costs of obtaining loan finance.**

- (1) <sup>M30</sup>Subject to subsection (5) below, in computing the [F94profits] to be charged under Case I or II of Schedule D there may be deducted the incidental costs of obtaining finance by means of a qualifying loan or the issue of qualifying loan stock or a qualifying security; and the incidental costs of obtaining finance by those means shall be treated for the purposes of section 75 as expenses of management.
- (2) Subject to subsections (3) and (4) below, in this section—
  - (a) <sup>M31</sup>“a qualifying loan” and “qualifying loan stock” mean a loan or loan stock the interest on which is deductible—

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- (i) in computing for tax purposes the [<sup>F94</sup>profits] of the person by whom the incidental costs in question are incurred; <sup>F95</sup> . . .
    - (ii) <sup>F95</sup> . . . . .
  - (b) <sup>M32</sup> “qualifying security” means any deep discount security, as defined by paragraph 1 of Schedule 4, in respect of which the income elements, as defined by paragraph 4 of that Schedule, are deductible under paragraph 5(1) of that Schedule in computing the total profits of the company by which the incidental costs in question are incurred.
- (3) <sup>M33</sup> Except as provided by subsection (4) below, a loan or loan stock which carries the right of conversion into or to the acquisition of—
- (a) shares, or
  - (b) other securities not being a qualifying loan or qualifying loan stock,
- is not a qualifying loan or qualifying loan stock if that right is exercisable before the expiry of the period of three years from the date when the loan was obtained or the stock issued.
- (4) <sup>M34</sup> A loan or loan stock—
- (a) which carries such a right as is referred to in subsection (3) above, and
  - (b) which by virtue of that subsection is not a qualifying loan or qualifying loan stock,
- shall nevertheless be regarded as a qualifying loan or qualifying loan stock, as the case may be, if the right is not, or is not wholly, exercised before the expiry of the period of three years from the date when the loan was obtained or the stock was issued.
- (5) For the purposes of the application of subsection (1) above in relation to a loan or loan stock which is a qualifying loan or qualifying loan stock by virtue of subsection (4) above—
- (a) if the right referred to in subsection (4)(a) above is exercised as to part of the loan or stock within the period referred to in that subsection, only that proportion of the incidental costs of obtaining finance which corresponds to the proportion of the stock in respect of which the right is not exercised within that period shall be taken into account; and
  - (b) in so far as any of the incidental costs of obtaining finance are incurred before the expiry of the period referred to in subsection (4) above they shall be treated as incurred immediately after that period expires.
- (6) <sup>M35</sup> In this section “the incidental costs of obtaining finance” means expenditure on fees, commissions, advertising, printing and other incidental matters (but not including stamp duty), being expenditure wholly and exclusively incurred for the purpose of obtaining the finance (whether or not it is in fact obtained), or of providing security for it or of repaying it.
- (7) This section shall not be construed as affording relief—
- (a) for any sums paid in consequence of, or for obtaining protection against, losses resulting from changes in the rate of exchange between different currencies; or
  - (b) for the cost of repaying a loan or loan stock or a qualifying security so far as attributable to its being repayable at a premium or to its having been obtained or issued at a discount.

[<sup>F96</sup>(8) This section shall not apply for the purposes of corporation tax.]

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### Textual Amendments

- F94** Words in s. 77(1)(2)(a)(i) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1
- F95** S. 77(2)(a)(ii) and preceding word repealed (with effect in accordance with s. 82(2) of the repealing Act) by [Finance Act 2002 \(c. 23\), Sch. 25 para. 44, Sch. 40 Pt. 3\(12\)](#), Note
- F96** S. 77(8) inserted (with effect in accordance with s. 105(1) of the amending Act) by [Finance Act 1996 \(c. 8\), Sch. 14 para. 9](#) (with Sch. 15)

### Marginal Citations

- M30** SOURCE-1980 s. 38(1); 1984 s. 43(1), Sch. 9 para. 3(6)
- M31** SOURCE-1980 s. 38(2); 1984 s. 43(1)
- M32** SOURCE-1984 Sch. 9 para. 3(7)
- M33** SOURCE-1980 S. 38(3); 1984 S. 43(1)
- M34** SOURCE-1980 s. 38(3A), (3B); 1984 s. 43(2)
- M35** SOURCE-1980 s. 38(4), (5); 1984 Sch. 9 para. 3(6)

## 78 Discounted bills of exchange.

F97 .....

### Textual Amendments

- F97** S. 78 repealed with saving (with effect in accordance with s. 105(1) of the repealing Act) by [Finance Act 1996 \(c. 8\), Sch. 14 para. 10, Sch. 41 Pt. 5\(3\)](#), Note (with Sch. 15)

## 79 Contributions to local enterprise agencies.

- (1) <sup>M36</sup>Notwithstanding anything in section 74, but subject to the provisions of this section, where a person carrying on a trade, profession or vocation makes any contribution (whether in cash or in kind) to an approved local enterprise agency, any expenditure incurred by him in making the contribution may be deducted as an expense in computing the [<sup>F98</sup>profits] of the trade, profession or vocation for the purposes of tax if it would not otherwise be so deductible.
- (2) Where any such contribution is made by an investment company any expenditure allowable as a deduction under subsection (1) above shall for the purposes of section 75 be treated as expenses of management.
- (3) Subsection (1) above does not apply in relation to a contribution made by any person if either he or any person connected with him receives or is entitled to receive a benefit of any kind whatsoever for or in connection with the making of that contribution, whether from the agency concerned or from any other person.
- (4) In this section “approved local enterprise agency” means a body approved by the Secretary of State for the purposes of this section; but he shall not so approve a body unless he is satisfied that—
- (a) its sole objective is the promotion or encouragement of industrial and commercial activity or enterprise in a particular area in the United Kingdom with particular reference to encouraging the formation and development of small businesses; or

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- (b) one of its principal objectives is that set out in paragraph (a) above and it maintains or is about to maintain a fund separate from its other funds which is or is to be applied solely in pursuance of that objective;
- and where the Secretary of State approves a body by virtue of paragraph (b) above, the approval shall specify the fund concerned and, in relation to a body so approved, any reference in this section to a contribution is a reference to a contribution which is made wholly to or for the purposes of that fund.
- (5) <sup>M37</sup>A body may be approved under subsection (4) above whether or not it is a body corporate or a body of trustees or any other association or organisation and whether or not it is described as a local enterprise agency.
- (6) A body may not be approved under subsection (4) above unless it is precluded, by virtue of any enactment, contractual obligation, memorandum or otherwise, from making any direct or indirect payment or transfer to any of its members, or to any person charged with the control and direction of its affairs, of any of its income or profit by way of dividend, gift, division, bonus or otherwise howsoever by way of profit.
- (7) For the purposes of subsection (6) above, the payment—
- (a) of reasonable remuneration for goods, labour or power supplied or for services rendered, or
  - (b) of reasonable interest for money lent, or
  - (c) of reasonable rent for any premises,
- does not constitute a payment or transfer which is required to be so precluded.
- (8) <sup>M38</sup>Any approval given by the Secretary of State may be made conditional upon compliance with such requirements as to accounts, provision of information and other matters as he considers appropriate; and if it appears to the Secretary of State that—
- (a) an approved local enterprise agency is not complying with any such requirement, or
  - (b) one or other of the conditions for his approval contained in subsection (4) above or the precondition for his approval in subsection (6) above has ceased to be fulfilled with respect to an approved local enterprise agency,
- he shall by notice withdraw his approval from the body concerned with effect from such date as he may specify in the notice (which may be a date earlier than the date on which the notice is given).
- (9) In any case where—
- (a) a contribution has been made to an approved local enterprise agency in respect of which relief has been given under subsection (1) above, and
  - (b) any benefit received in any chargeable period by the contributor or any person connected with him is in any way attributable to that contribution,
- the contributor shall in respect of that chargeable period be charged to tax under Case I or Case II of Schedule D or, if he is not chargeable to tax under either of those Cases for that period, under Case VI of Schedule D on an amount equal to the value of that benefit.
- (10) Section 839 applies for the purposes of subsections (3) and (9) above.
- (11) This section applies to contributions made on or after 1st April 1982 <sup>F99</sup> . . . .

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### Textual Amendments

- F98** Words in s. 79(1) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1
- F99** Words in s. 79(11) repealed (28.7.2000) by [Finance Act 2000 \(c. 17\), s. 88, Sch. 40 Pt. 2\(9\)](#)

### Modifications etc. (not altering text)

- C45** S. 79: functions transferred (1.7.1999 immediately after the coming into force of [Scotland Act 1998 \(c. 46\), s. 53](#)) by [The National Assembly for Wales \(Transfer of Functions\) Order 1999 \(S.I. 1999/672\)](#), arts. 1(2), 2, **Sch. 1**
- C46** S. 79(4)(8): functions transferred (1.7.1999) by [The Scotland Act 1998 \(Transfer of Functions to the Scottish Ministers etc.\) Order 1999 \(S.I. 1999/1750\)](#), arts. 1(1), 2, **Sch. 1** (with art. 7)

### Marginal Citations

- M36** SOURCE-1982 s. 48(1)–(4)
- M37** SOURCE-1982 s. 48(5)
- M38** SOURCE-1982 s. 48(6)–(9)

## [<sup>F100</sup>79A Contributions to training and enterprise councils and local enterprise companies.

- (1) Notwithstanding anything in section 74, but subject to the provisions of this section, where a person carrying on a trade, profession or vocation makes any contribution (whether in cash or in kind) to a training and enterprise council, [<sup>F101</sup>business link organisation] or a local enterprise company, any expenditure incurred by him in making the contribution may be deducted as an expense in computing the [<sup>F102</sup>profits] of the trade, profession or vocation for the purposes of tax if it would not otherwise be so deductible.
- (2) Where any such contribution is made by an investment company any expenditure allowable as a deduction under subsection (1) above shall for the purposes of section 75 be treated as expenses of management.
- (3) Subsection (1) above does not apply in relation to a contribution made by any person if either he or any person connected with him receives or is entitled to receive a benefit of any kind whatsoever for or in connection with the making of that contribution, whether from the council, [<sup>F103</sup>organisation] or company concerned or from any other person.
- (4) In any case where—
  - (a) relief has been given under subsection (1) above in respect of a contribution, and
  - (b) any benefit received in any chargeable period by the contributor or any person connected with him is in any way attributable to that contribution,
 the contributor shall in respect of that chargeable period be charged to tax under Case I or Case II of Schedule D, or if he is not chargeable to tax under either of those Cases for that period under Case VI of Schedule D, on an amount equal to the value of that benefit.
- (5) In this section—
  - [<sup>F104</sup>(aa) “business link organisation” means any person authorised by or on behalf of the Secretary of State to use a service mark (within the meaning of the Trade Marks (Amendment) Act 1984) designated by the Secretary of State for the purposes of this paragraph]

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- (a) “training and enterprise council” means a body with which the Secretary of State has made an agreement (not being one which has terminated) under which it is agreed that the body shall carry out the functions of a training and enterprise council, and
  - (b) “local enterprise company” means a company with which an agreement (not being one which has terminated) under which it is agreed that the company shall carry out the functions of a local enterprise company has been made by <sup>F105</sup> . . . Scottish Enterprise or Highlands and Islands Enterprise.
- (6) Section 839 applies for the purposes of subsections (3) and (4) above.
- (7) This section applies to contributions made on or after 1st April 1990 [<sup>F106</sup>or, in the case of a contribution to a business link organisation, 30th November 1993]<sup>F107</sup> . . . .]

#### Textual Amendments

- F100** 1990 s.76.
- F101** Words in s. 79A(1) inserted (3.5.1994) by Finance Act 1994 (c. 9), s. 145(3)
- F102** Words in s. 79A(1) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1
- F103** Word in s. 79A(3) inserted (3.5.1994) by Finance Act 1994 (c. 9), s. 145(3)
- F104** S. 79A(5)(aa) inserted (3.5.1994) by Finance Act 1994 (c. 9), s. 145(4)
- F105** Words in s. 79A(5)(b) repealed (28.7.2000) by Finance Act 2000 (c. 17), Sch. 40 Pt. 2(9)
- F106** Words in s. 79A(7) inserted (3.5.1994) by Finance Act 1994 (c. 9), s. 145(5)
- F107** Words in s. 79A(7) repealed (28.7.2000) by Finance Act 2000 (c. 17), s. 88, Sch. 40 Pt. 2(9)

VALID FROM 10/07/2003

#### 79B Contributions to urban regeneration companies

- (1) Notwithstanding anything in section 74, but subject to the provisions of this section, where a person carrying on a trade, profession or vocation makes any contribution (whether in cash or in kind) to a designated urban regeneration company, any expenditure incurred by him in making the contribution may be deducted as an expense in computing the profits of the trade, profession or vocation if it would not otherwise be so deductible.
- (2) Where any such contribution is made by an investment company, any expenditure allowable as a deduction under subsection (1) above shall for the purposes of section 75 be treated as expenses of management.
- (3) Subsection (1) above does not apply in relation to a contribution made by any person if either he or any person connected with him receives or is entitled to receive a benefit of any kind whatsoever for or in connection with the making of that contribution, whether from the urban regeneration company concerned or from any other person.
- (4) In any case where—
  - (a) relief has been given under subsection (1) above in respect of a contribution, and
  - (b) any benefit received in any chargeable period by the contributor or any person connected with him is in any way attributable to that contribution,

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the contributor shall in respect of that chargeable period be charged to tax under Case I or Case II of Schedule D or, if he is not chargeable to tax under either of those Cases for that period, under Case VI of Schedule D on an amount equal to the value of that benefit.

- (5) In this section “urban regeneration company” means any body of persons (whether corporate or unincorporate) which the Treasury by order designates as an urban regeneration company for the purposes of this section.
- (6) The Treasury may only make an order under subsection (5) above designating a body as an urban regeneration company for the purposes of this section if they consider that each of the criteria in subsection (7) below is satisfied in the case of the body.
- (7) The criteria are that—
  - (a) the sole or main function of the body is to co-ordinate the regeneration of a specific urban area in the United Kingdom;
  - (b) the body is expected to seek to perform that function by creating a plan for the development of that area and endeavouring to secure that the plan is carried into effect;
  - (c) in co-ordinating the regeneration of that area, the body is expected to work together with some or all of the public or local authorities which exercise functions in relation to the whole or part of that area.
- (8) An order under subsection (5) above may be framed so as to take effect on a date earlier than the making of the order, but not earlier than—
  - (a) 1st April 2003, in the case of the first order under that subsection, or
  - (b) three months before the date on which the order is made, in the case of any subsequent order.
- (9) Section 839 (connected persons) applies for the purposes of this section.
- (10) This section applies to contributions made on or after 1st April 2003.

## 80 Expenses connected with foreign trades etc.

- (1) <sup>M39</sup>This section applies in the case of a trade, profession or vocation carried on wholly outside the United Kingdom by an individual (“the taxpayer”) who does not satisfy the Board as mentioned in section 65(4); and it is immaterial in the case of a trade or profession whether the taxpayer carries it on solely or in partnership.
- (2) Expenses of the taxpayer—
  - (a) in travelling from any place in the United Kingdom to any place where the trade, profession or vocation is carried on;
  - (b) in travelling to any place in the United Kingdom from any place where the trade, profession or vocation is carried on; or
  - (c) on board and lodging for the taxpayer at any place where the trade, profession or vocation is carried on;
 shall, subject to subsections (3) and (4) below, be treated for the purposes of section 74(a) as having been wholly and exclusively expended for the purposes of the trade, profession or vocation.
- (3) Subsection (2) above does not apply unless the taxpayer’s absence from the United Kingdom is occasioned wholly and exclusively for the purpose of performing the



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functions of the trade, profession or vocation or of performing those functions and the functions of any other trade, profession or vocation (whether or not one in the case of which this section applies).

- (4) Where subsection (2) above applies and more than one trade, profession or vocation in the case of which this section applies is carried on at the place in question, the expenses shall be apportioned on such basis as is reasonable between those trades, professions or vocations; and the expenses so apportioned to a particular trade, profession or vocation shall be treated for the purposes of section 74(a) as having been wholly and exclusively expended for the purposes of that trade, profession or vocation.
- (5) Where the taxpayer is absent from the United Kingdom for a continuous period of 60 days or more wholly and exclusively for the purpose of performing the functions of one or more trades, professions or vocations in the case of which this section applies, expenses to which subsection (6) below applies shall be treated in accordance with subsection (7) or (8) below (as the case may be).
- (6) This subsection applies to the expenses of any journey by the taxpayer's spouse, or any child of his, between any place in the United Kingdom and the place of performance of any of those functions outside the United Kingdom, if the journey—
  - (a) is made in order to accompany him at the beginning of the period of absence or to visit him during that period; or
  - (b) is a return journey following a journey falling within paragraph (a) above;but this subsection does not apply to more than two outward and two return journeys by the same person in any year of assessment.
- (7) The expenses shall be treated for the purposes of section 74(a) as having been wholly and exclusively expended for the purposes of the trade, profession or vocation concerned (if there is only one).
- (8) The expenses shall be apportioned on such basis as is reasonable between the trades, professions or vocations concerned (if there is more than one) and the expenses so apportioned to a particular trade, profession or vocation shall be treated for the purposes of section 74(a) as having been wholly and exclusively expended for the purposes of that trade, profession or vocation.
- (9) In subsection (6) above “child” includes a stepchild and an illegitimate child but does not include a person who is aged 18 or over at the beginning of the outward journey.
- (10) Nothing in this section shall permit the same sum to be deducted for more than one trade, profession or vocation in respect of expenses in computing [<sup>F108</sup>profits].

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**Textual Amendments**

**F108** Words in s. 80(10) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

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**Marginal Citations**

**M39** SOURCE-1986 s. 35

## 81 Travel between trades etc.

- (1) <sup>M40</sup>Where a taxpayer (within the meaning of section 80) travels between a place where he carries on a trade, profession or vocation in the case of which section 80 applies

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and a place outside the United Kingdom where he carries on another trade, profession or vocation (whether or not one in the case of which that section applies) expenses of the taxpayer on such travel shall, subject to subsections (3) to (5) below, be treated for the purposes of section 74(a) as having been wholly and exclusively expended for the purposes of the trade, profession or vocation mentioned in subsection (2) below.

- (2) The trade, profession or vocation is—
  - (a) the one carried on at the place of the taxpayer's destination; or
  - (b) if that trade, profession or vocation is not one in the case of which section 80 applies, the one carried on at the place of his departure.
- (3) This section does not apply unless the journey was made—
  - (a) after performing functions of the trade, profession or vocation carried on at the place of departure; and
  - (b) for the purpose of performing functions of the trade, profession or vocation carried on at the place of destination.
- (4) This section does not apply unless the taxpayer's absence from the United Kingdom is occasioned wholly and exclusively for the purpose of performing the functions of both the trades, professions or vocations concerned or of performing those functions and the functions of any other trade, profession or vocation.
- (5) Where this section applies and more than one trade, profession or vocation in the case of which section 80 applies is carried on at the place of the taxpayer's destination or (in a case falling within subsection (2)(b) above) at the place of his departure, the expenses shall be apportioned on such basis as is reasonable between those trades, professions or vocations; and the expenses so apportioned to a particular trade, profession or vocation shall be treated for the purposes of section 74(a) as having been wholly and exclusively expended for the purposes of that trade, profession or vocation.
- (6) Nothing in this section shall permit the same sum to be deducted for more than one trade, profession or vocation in respect of expenses in computing profits or gains.

#### **Marginal Citations**

**M40** SOURCE-1986 s. 36

## **82 Interest paid to non-residents.**

- (1) <sup>M41</sup>In computing the [<sup>F109</sup>profits] arising from a trade, profession or vocation, no sum shall be deducted in respect of any annual interest paid to a person not resident in the United Kingdom unless—
  - (a) the person making the payment has deducted income tax from the payment in accordance with section 349(2) and accounts for the tax so deducted, or
  - (b) the conditions set out in subsection (2) below are satisfied.
- (2) The conditions referred to in subsection (1)(b) above are as follows—
  - (a) that the trade, profession or vocation is carried on by a person residing in the United Kingdom, and
  - (b) that the liability to pay the interest was incurred exclusively for the purposes of the trade, profession or vocation, and
  - (c) that either—

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- (i) the liability to pay the interest was incurred wholly or mainly for the purposes of activities of the trade, profession or vocation carried on outside the United Kingdom, or
    - (ii) the interest is payable in a currency other than sterling, and
  - (d) that, under the terms of the contract under which the interest is payable, the interest is to be paid, or may be required to be paid, outside the United Kingdom, and
  - (e) that the interest is in fact paid outside the United Kingdom.
- (3) Where the trade, profession or vocation is carried on by a partnership, subsection (1)(b) above shall not apply to any interest which is payable to any of the partners, or is payable in respect of the share of any partner in the partnership capital.
- (4) Subsection (1)(b) above shall not apply where—
- (a) the trade, profession or vocation is carried on by a body of persons over whom the person entitled to the interest has control; or
  - (b) the person entitled to the interest is a body of persons over whom the person carrying on the trade, profession or vocation has control; or
  - (c) the person carrying on the trade, profession or vocation and the person entitled to the interest are both bodies of persons and some other person has control over both of them.
- In this subsection, the references to a body of persons include references to a partnership, and “control” has the meaning given by section 840.
- (5) If interest paid under deduction of tax in accordance with section 349(2) is deductible in computing the [<sup>F109</sup>profits] of a trade, profession or vocation the amount so deductible shall be the gross amount.
- (6) This section does not apply for the purposes of corporation tax <sup>F110</sup>. . . .

#### Textual Amendments

**F109** Words in s. 82(1)(5) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

**F110** Words in s. 82(6) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by [Finance Act 1998 \(c. 36\), Sch. 27 Pt. 3\(4\)](#), Note

#### Marginal Citations

**M41** SOURCE-1970 s. 131(1)–(5), (7); 1982 s. 64(1)

## 82A Expenditure on research and development.

- (1) Notwithstanding anything in section 74, where a person carrying on a trade incurs expenditure not of a capital nature on research and development—
- (a) related to that trade, and
  - (b) directly undertaken by him or on his behalf,
- the expenditure incurred may be deducted as an expense in computing the profits of the trade for the purposes of tax.
- (2) For this purpose expenditure on research and development does not include expenditure incurred in the acquisition of rights in, or arising out of, research and development.

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Subject to that, it includes all expenditure incurred in carrying out, or providing facilities for carrying out, research and development.

- (3) The reference in subsection (1) above to research and development related to a trade includes—
- (a) research and development which may lead to or facilitate an extension of that trade;
  - (b) research and development of a medical nature which has a special relation to the welfare of workers employed in that trade.
- (4) The same expenditure may not be taken into account under this section in relation to more than one trade.
- (5) In this section “research and development” has the meaning given by section 837A and includes oil and gas exploration and appraisal.

**Modifications etc. (not altering text)**

**C47** S. 82A modified (1.1.2005 with effect in accordance with art. 2 of the commencing S.I.) by [Finance Act 2004 \(c. 12\)](#), s. 53(2); S.I. 2004/3268, art. 2

**82B Payments to research associations, universities etc.**

- (1) Notwithstanding anything in section 74, where a person carrying on a trade—
- (a) pays any sum to a scientific research association that—
    - (i) has as its object the undertaking of scientific research related to the class of trade to which the trade he is carrying on belongs, and
    - (ii) is for the time being approved for the purposes of this section by the Secretary of State, or
  - (b) pays any sum to be used for such scientific research as is mentioned in paragraph (a) above to any such university, college research institute or other similar institution as is for the time being approved for the purposes of this section by the Secretary of State,
- the sum paid may be deducted as an expense in computing the profits of the trade for the purposes of tax.
- (2) In this section “scientific research” means any activities in the fields of natural or applied science for the extension of knowledge.
- (3) The reference in this section to scientific research related to a class of trade includes—
- (a) scientific research which may lead to or facilitate an extension of trades of that class;
  - (b) scientific research of a medical nature which has a special relation to the welfare of workers employed in trades of that class.
- (4) If a question arises under this section whether, or to what extent, any activities constitute or constituted scientific research, the Board shall refer the question for decision to the Secretary of State.

The decision of the Secretary of State is final.

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- (5) The same expenditure may not be taken into account under this section in relation to more than one trade.

### 83 Patent fees etc. and expenses.

<sup>M42</sup>Notwithstanding anything in section 74, in computing the [<sup>F111</sup>profits] of a trade there may be deducted as expenses any fees paid or expenses incurred—

- (a) in obtaining for the purposes of the trade the grant of a patent, an extension of the term of a patent, the registration of a design or trade mark, [<sup>F112</sup>an extension of the period for which the right in a registered design subsists] or the renewal of registration of a trade mark, or
- (b) in connection with a rejected or abandoned application for a patent made for the purposes of the trade.

<sup>F113</sup> .....

#### Textual Amendments

**F111** Words in s. 83 substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

**F112** Sch.7 para.36(2)Copyright, Designs and Patents Act 1988 (c.48)—in force on 1August 1989.

(Commencement order—S.I. 1989 No.816—not reproduced.)Previously  
“the extension of the period of copyright in a design”.

**F113** Words in s. 83 repealed (31.10.1994) by Trade Marks Act 1994 (c. 26), s. 109(1), Sch. 5; S.I. 1994/2550, art. 2

#### Modifications etc. (not altering text)

**C48** S. 83(a) modified (31.10.1994) by Trade Marks Act 1994 (c. 26), s. 109(1), Sch. 4 para. 1(1)(2); S.I. 1994/2550, art. 2

#### Marginal Citations

**M42** SOURCE-1970 s. 132

### 83A Gifts in kind to charities etc.

- (1) This section applies where a person carrying on a trade, profession or vocation gives an article falling within subsection (2) below to—
- (a) a charity within the meaning of section 506, or
- (b) a body listed in section 507(1).
- (2) An article falls within this subsection if—
- (a) it is an article manufactured, or of a class or description sold, by the donor in the course of his trade;<sup>F114</sup> . . .
- (b) <sup>F114</sup> .....
- (3) Subject to subsection (4) below, where this section applies in the case of the gift of an article—
- (a) no amount shall be required, in consequence of the donor’s disposal of that article from trading stock, to be brought into account for the purposes of the Tax Acts as a trading receipt of the donor;<sup>F114</sup> . . .
- (b) <sup>F114</sup> .....

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(4) In any case where—

- (a) relief is given under subsection (3) above [<sup>F115</sup>or section 63(2) of the Capital Allowances Act] in respect of the gift of an article, and
- (b) any benefit received in any chargeable period by the donor or any person connected with him is in any way attributable to the making of that gift,

the donor shall in respect of that chargeable period be charged to tax under Case I or Case II of Schedule D or, if he is not chargeable to tax under either of those Cases for that period, under Case VI of Schedule D on an amount equal to the value of that benefit.

(5) Section 839 applies for the purposes of this section.

#### Textual Amendments

**F114** S. 83A(2)(b)(3)(b) and preceding words repealed (with effect in accordance with s. 579 of the repealing Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 16(1)(2), Sch. 4

**F115** Words in s. 83A(4)(a) inserted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 16(3)

#### Modifications etc. (not altering text)

**C49** S. 83A modified (with effect in accordance with s. 58(4) of the modifying Act) by Finance Act 2002 (c. 23), Sch. 18 para. 9(3)(a)

### [84] <sup>F116</sup>Gifts to educational establishments.

(1) This section applies where a person carrying on a trade, profession or vocation (“the donor”) makes a gift for the purposes of a designated educational establishment of—

- (a) an article manufactured, or of a class or description sold, by the donor in the course of his trade which qualifies as [<sup>F117</sup>plant or machinery] in the hands of the educational establishment; <sup>F118</sup> . . .
- (b) <sup>F118</sup> . . . . .

(2) For the purposes of this section, an article “[<sup>F119</sup>qualifies as plant or machinery] in the hands of an educational establishment” if, and only if, it is an article such that—

- (a) were the activities carried on by the educational establishment regarded as a trade carried on by a body of persons, and
- (b) had that body, at the time of the gift, incurred capital expenditure wholly and exclusively on the provision of an identical article for the purposes of those activities, and
- (c) had the identical article belonged to that body in consequence of the incurring of that expenditure,

the identical article would be regarded for the purposes of [<sup>F120</sup>Part 2 of the Capital Allowances Act as plant or machinery] provided by the body for the purposes of that trade.

(3) Where this section applies—

- (a) if the gift is of an article falling within paragraph (a) of subsection (1) above, then, for the purposes of the Tax Acts, no amount shall be required to be brought into account as a trading receipt of the donor in consequence of his disposal of that article from trading stock; <sup>F118</sup> . . .

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(b) <sup>F118</sup> .....

but this subsection shall not apply unless, within [<sup>F121</sup>the period specified in subsection (3A) below], the donor makes a claim for relief under this subsection, specifying the article given and the name of the educational establishment in question.

[ The period mentioned in subsection (3) above is—

- <sup>F122</sup>(3A) (a) in the case of a claim with respect to income tax, the period ending with the first anniversary of the 31st January next following the year of assessment in whose basis period the gift is made;
- (b) in the case of a claim with respect to corporation tax, the period of two years beginning at the end of the accounting period in which the gift is made.

(3B) In paragraph (a) of subsection (3A) above “basis period” means—

- (a) in relation to a year of assessment for which a basis period is given by sections 60 to 63, that basis period,
- (b) in relation to a year of assessment for which no basis period is given by those sections, the year of assessment.]

(4) In any case where—

- (a) relief is given under subsection (3) above [<sup>F123</sup>or section 63(2) of the Capital Allowances Act] in respect of the gift of an article, and
- (b) any benefit received in any chargeable period by the donor or any person connected with him is in any way attributable to the making of that gift,

the donor shall in respect of that chargeable period be charged to tax under Case I or Case II of Schedule D or, if he is not chargeable to tax under either of those Cases for that period, under Case VI of Schedule D on an amount equal to the value of that benefit.

(5) In this section “designated educational establishment” means any educational establishment designated, or of a category designated,—

- (a) as respects Great Britain, in regulations made by the Secretary of State; or
- (b) as respects Northern Ireland, in regulations made by the Department of Education for Northern Ireland;

and any such regulations may make different provision for different areas.

(6) If any question arises as to whether a particular establishment falls within a category designated in regulations under subsection (5) above, the Board shall refer the question for decision—

- (a) in the case of an establishment in Great Britain, to the Secretary of State, or
- (b) in the case of an establishment in Northern Ireland, to the Department of Education for Northern Ireland.

(7) The power of the Secretary of State to make regulations under subsection (5) above shall be exercisable by statutory instrument; and a statutory instrument containing any such regulations shall be subject to annulment in pursuance of a resolution of the House of Commons.

(8) Regulations made under subsection (5) above for Northern Ireland—

- (a) shall be a statutory rule for the purposes of the Statutory Rules (Northern Ireland) Order 1979; and
- (b) shall be subject to negative resolution within the meaning of section 41(6) of the Interpretation Act (Northern Ireland) 1954.

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(9) Section 839 applies for the purposes of subsection (4) above.]

#### Textual Amendments

- F116** S. 84 substituted by Finance Act 1991 (c. 31, SIF 63:1), s. 68(1)(2)
- F117** Words in s. 84(1)(a) substituted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 17(1)(a)
- F118** S. 84(1)(b)(3)(b) and preceding words repealed (with effect in accordance with s. 579 of the repealing Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 17(1)(b)(3), {Sch. 4}
- F119** Words in s. 84(2) substituted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 17(2)(a)
- F120** Words in s. 84(2) substituted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 17(2)(b)
- F121** Words in s. 84(3) substituted (with effect in accordance with s. 135(2) of the amending Act) by Finance Act 1996 (c. 8), Sch. 21 para. 2(2)
- F122** S. 84(3A)(3B) inserted (with effect in accordance with s. 135(2) of the amending Act) by Finance Act 1996 (c. 8), Sch. 21 para. 2(3)
- F123** Words in s. 84(4)(a) inserted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 17(4)

#### Modifications etc. (not altering text)

- C50** S. 84: functions transferred (1.7.1999 immediately after the coming into force of Scotland Act 1998 (c. 46), s. 53) by The National Assembly for Wales (Transfer of Functions) Order 1999 (S.I. 1999/672), arts. 1(2), 2, Sch. 1

#### [84A <sup>F124</sup>Costs of establishing share option or profit sharing schemes: relief.

- (1) Subsection (2) below applies where—
- (a) a company incurs expenditure on establishing a share option scheme which the Board approve and under which no employee or director obtains rights before such approval is given, or
  - (b) a company incurs expenditure on establishing a profit sharing scheme which the Board approve and under which the trustees acquire no shares before such approval is given.
- (2) In such a case the expenditure—
- (a) shall be deducted in computing for the purposes of Schedule D the [<sup>F125</sup>profits] of a trade carried on by the company, or
  - (b) if the company is an investment company or a company in the case of which section 75 applies by virtue of section 76, shall be treated as expenses of management.
- (3) In a case where—
- (a) subsection (2) above applies, and
  - (b) the approval is given after the end of the period of nine months beginning with the day following the end of the period of account in which the expenditure is incurred,

for the purpose of applying subsection (2) above the expenditure shall be treated as incurred in the period of account in which the approval is given (and not the period of account mentioned in paragraph (b) above).



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- [ In this section, “share option scheme” means—
- <sup>F126</sup>(3A) (a) an SAYE option scheme within the meaning of the SAYE code (see section 516(4) of ITEPA 2003 (approved SAYE option schemes)), or
- (b) a CSOP scheme within the meaning of the CSOP code (see section 521(4) of that Act (approved CSOP schemes)).]
- (4) References in this section to approving are to approving under Schedule 9 [<sup>F127</sup>to this Act or under Schedule 3 or 4 to ITEPA 2003 (approved SAYE option schemes and approved CSOP schemes)].
- (5) This section applies where the expenditure is incurred on or after 1st April 1991.]

#### Textual Amendments

**F124** S. 84A inserted by Finance Act 1991 (c. 31, SIF 63:1), s. 42

**F125** Words in s. 84A(2)(a) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

**F126** S. 84A(3A) inserted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), Sch. 6 para. 11(2) (with Sch. 7)

**F127** Words in s. 84A(4) inserted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), Sch. 6 para. 11(3) (with Sch. 7)

## 85 Payments to trustees of approved profit sharing schemes.

- (1) <sup>M43</sup>Any sum expended in making a payment to the trustees of an approved profit sharing scheme by a company which is in relation to that scheme the grantor or a participating company—
- (a) shall be deducted in computing for the purposes of Schedule D the [<sup>F128</sup>profits] of a trade carried on by that company; or
- (b) if that company is an investment company or a company in the case of which section 75 applies by virtue of section 76, shall be treated as expenses of management,
- if, and only if, one of the conditions in subsection (2) below is fulfilled.
- (2) The conditions referred to in subsection (1) above are—
- (a) that before the expiry of the relevant period the sum in question is applied by the trustees in the acquisition of shares for appropriation to individuals who are eligible to participate in the scheme by virtue of their being or having been employees or directors of the company making the payment; and
- (b) that the sum is necessary to meet the reasonable expenses of the trustees in administering the scheme.
- (3) For the purposes of subsection (2)(a) above “the relevant period” means the period of nine months beginning on the day following the end of the period of account in which the sum in question is charged as an expense of the company incurring the expenditure or such longer period as the Board may allow by notice given to that company.
- (4) For the purposes of this section, the trustees of an approved profit sharing scheme shall be taken to apply sums paid to them in the order in which the sums are received by them.
- (5) In this section—

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“approved profit sharing scheme” means a profit sharing scheme approved under Schedule 9; and

“the grantor” and “participating company” have the meaning given by paragraph 1(3) and (4) of that Schedule.

#### Textual Amendments

**F128** Words in s. 85(1)(a) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

#### Modifications etc. (not altering text)

**C51** S. 85 amended (28.7.2000) by Finance Act 2000 (c. 17), s. 50

#### Marginal Citations

**M43** SOURCE-1978 s. 60

### **[85A** <sup>F129</sup>**Costs of establishing employee share ownership trusts: relief.**

- (1) Subsection (2) below applies where a company incurs expenditure on establishing a qualifying employee share ownership trust.
- (2) In such a case the expenditure—
  - (a) shall be deducted in computing for the purposes of Schedule D the [<sup>F130</sup>profits] of a trade carried on by the company, or
  - (b) if the company is an investment company or a company in the case of which section 75 applies by virtue of section 76, shall be treated as expenses of management.
- (3) In a case where—
  - (a) subsection (2) above applies, and
  - (b) the trust is established after the end of the period of nine months beginning with the day following the end of the period of account in which the expenditure is incurred,

for the purpose of applying subsection (2) above the expenditure shall be treated as incurred in the period of account in which the trust is established (and not the period of account mentioned in paragraph (b) above).
- (4) In this section “qualifying employee share ownership trust” shall be construed in accordance with Schedule 5 to the Finance Act 1989.
- (5) For the purposes of this section the trust is established when the deed under which it is established is executed.
- (6) This section applies where the expenditure is incurred on or after 1st April 1991.]

#### Textual Amendments

**F129** S. 85A inserted by Finance Act 1991 (c. 31, SIF 63:1), s. 43

**F130** Words in s. 85A(2)(a) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para.

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## **85B Approved share incentive plans**

Schedule 4AA (which provides for deductions relating to approved share incentive plans) shall have effect.

## **86 Employees seconded to charities and educational establishments.**

- (1) <sup>M44</sup>If a person (“the employer”) carrying on a trade, profession, vocation or business for the purposes of which he employs a person (“the employee”) makes available to a charity, on a basis which is expressed and intended to be of a temporary nature, the services of the employee then, notwithstanding anything in section 74 or 75, any expenditure incurred (or disbursed) by the employer which is attributable to the employment of that employee shall continue to be deductible in the manner and to the like extent as if, during the time that his services are so made available to the charity, they continued to be available for the purposes of the employer’s trade, business, profession or vocation.
- (2) In subsection (1) above—
  - “charity” has the same meaning as in section 506;
  - “deductible” means deductible as an expense in computing the [<sup>F131</sup>profits] of the employer to be charged under Case I or II of Schedule D or, as the case may be, deductible as expenses of management for the purposes of section 75.
- (3) With respect to expenditure attributable to the employment of a person on or after 26th November 1986 <sup>F132</sup>. . . , this section shall have effect as if the references to a charity included references to any of the following bodies, that is to say—
  - <sup>F133</sup>(a) in England and Wales, any body falling within subsection (4) below;
  - (b) in Scotland, any body falling within subsection (5) below;
  - (c) in Northern Ireland, any body falling within subsection (6) below; and
  - (d) any other educational body which is for the time being approved for the purposes of this section by the Secretary of State or, in Northern Ireland, the Department of Education for Northern Ireland.
- <sup>F134</sup>(4) A body falls within this subsection if it is—
  - (a) a local education authority;
  - (b) an educational institution maintained or otherwise supported by such an authority (including a grant-maintained school or a grant-maintained special school within the meaning of the Education Act 1996);
  - (c) an independent school, within the meaning of the Education Act 1996, whose registration under section 465 of that Act is final; or
  - (d) an institution within the further education sector, or the higher education sector, within the meaning of the Further and Higher Education Act 1992.
- (5) A body falls within this subsection if it is—
  - (a) an education authority;
  - (b) an educational establishment managed by such an authority within the meaning of the Education (Scotland) Act 1980 (“the 1980 Act”);
  - (c) a public or grant-aided school within the meaning of the 1980 Act;
  - (d) a self-governing school within the meaning of the Self-Governing Schools etc. (Scotland) Act 1989;
  - (e) an independent school within the meaning of the 1980 Act;
  - (f) a central institution within the meaning of the 1980 Act;

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- (g) an institution within the higher education sector within the meaning of section 56(2) of the Further and Higher Education (Scotland) Act 1992; or
  - (h) a college of further education within the meaning of section 36(1) of that Act.
- (6) A body falls within this subsection if it is—
- (a) an education or library board within the meaning of the Education and Libraries (Northern Ireland) Order 1986;
  - (b) a college of education or a controlled, maintained, grant-maintained integrated, controlled integrated, voluntary or independent school within the meaning of that Order; or
  - (c) an institution of further education within the meaning of the Further Education (Northern Ireland) Order 1997.]

#### Textual Amendments

**F131** Words in s. 86(2) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

**F132** Words in s. 86(3) repealed (retrospectively) by [Finance Act 1999 \(c. 16\), s. 58\(2\)\(5\), Sch. 20 Pt. 3\(14\)](#), Note

**F133** [S. 86\(3\)\(a\)-\(c\)](#) substituted (with effect in accordance with [s. 58\(6\)](#) of the amending Act) by [Finance Act 1999 \(c. 16\), s. 58\(3\)](#)

**F134** [S. 86\(4\)-\(6\)](#) inserted (with effect in accordance with [s. 58\(6\)](#) of the amending Act) by [Finance Act 1999 \(c. 16\), s. 58\(4\)](#)

#### Marginal Citations

**M44** SOURCE-1983 s. 28; 1984 s. 33; 1987 s. 34

### [<sup>F135</sup>86A Charitable donations: contributions to agent’s expenses.

- (1) This section applies where—
- (a) a person (the employer) is liable to make to any individual payments from which income tax falls to be deducted [<sup>F136</sup>under PAYE regulations], and
  - (b) the employer withholds sums from those payments in accordance with [<sup>F137</sup>an approved scheme and pays the sums to an approved agent].

[ In subsection (1)(b) “approved scheme” and “approved agent” have the same meaning <sup>F138</sup>(1A) as in section 714 of ITEPA 2003.]

- (2) Any relevant expenditure incurred by the employer on or after 16th March 1993—
- (a) shall be deducted in computing for the purposes of Schedule D the [<sup>F139</sup>profits] of a trade, profession or vocation carried on by the employer, or
  - (b) if the employer is an investment company or a company in the case of which section 75 applies by virtue of section 76, shall be treated as expenses of management.
- (3) Relevant expenditure is expenditure incurred in making to the agent any payment in respect of expenses which have been or are to be incurred by the agent in connection with his functions under the scheme.]

#### Textual Amendments

**F135** [S. 86A](#) inserted (27.7.1993) by [1993 c. 34, s.69](#)

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- F136** Words in s. 86A(1)(a) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 13\(2\)](#) (with Sch. 7)
- F137** Words in s. 86A(1)(b) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 13\(3\)](#) (with Sch. 7)
- F138** S. 86A(1A) inserted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), Sch. 6 para. 13\(4\)](#) (with Sch. 7)
- F139** Words in s. 86A(2)(a) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

## 87 Taxable premiums etc.

- (1) <sup>M45</sup>This section applies where in relation to any land used in connection with a trade, profession or vocation—
- [<sup>F140</sup>(a) any amount falls to be treated as a receipt of a Schedule A business by virtue of section 34 or 35, or
- (b) any amount would fall to be so treated but for the operation of section 37(2) or (3);]
- and that amount is referred to below as “the amount chargeable”.
- (2) <sup>M46</sup>Subject to subsections (3) to (8) below, where—
- (a) during any part of the relevant period the land in relation to which the amount chargeable arose is occupied by the person for the time being entitled to the lease as respects which it arose, and
- (b) that occupation is for the purposes of a trade, profession or vocation carried on by him,
- he shall be treated, in computing the [<sup>F141</sup>profits] of the trade, profession or vocation chargeable to tax under Case I or II of Schedule D, as paying in respect of that land rent for the period (in addition to any actual rent), becoming due from day to day, of an amount which bears to the amount chargeable the same proportion as that part of the relevant period bears to the whole.
- (3) As respects any period during which a part only of the land in relation to which the amount chargeable arose is occupied as mentioned in subsection (2) above, that subsection shall apply as if the whole were so occupied, but the amount chargeable shall be treated as reduced by so much thereof as, on a just apportionment, is attributable to the remainder of the land.
- (4) <sup>M47</sup>Where a person, although not in occupation of the land or any part of the land, deals with his interest in the land or that part as property employed for the purposes of a trade, profession or vocation carried on by him, subsections (2) and (3) above shall apply as if the land or part were occupied by him for those purposes.
- (5) <sup>M48</sup>Where section 37(2) and (3) has effect in relation to a lease granted out of the interest referred to in subsection (4) above, subsections (5) and (6) of that section shall apply for modifying the operation of subsections (2) and (3) above as they apply for modifying the operation of subsection (4) of that section.
- (6) <sup>M49</sup>In computing [<sup>F141</sup>profits] chargeable under Case I or II of Schedule D for any chargeable period, rent shall not by virtue of subsection (4) above be treated as paid by a person for any period in respect of land in so far as rent treated under section 37(4) as paid by him for that period in respect of the land has in any previous chargeable period been deducted, or falls in that chargeable period to be deducted under Part II.

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- (7) <sup>M50</sup>Where, in respect of expenditure on the acquisition of his interest in the land in relation to which the amount chargeable arose, a person has become entitled to an allowance under [<sup>F142</sup>Part 5 of the Capital Allowances Act in respect of expenditure falling within section 403 (mineral asset expenditure)] for any chargeable period, then—
- (a) if the allowance is in respect of the whole of the expenditure, no deduction shall be allowed him under this section for that or any subsequent chargeable period; or
  - (b) if the allowance is in respect of part only of the expenditure (“the allowable part”), a deduction allowed him under this section for that or any subsequent chargeable period shall be the fraction—

$$\frac{A - B}{A}$$

of the amount which apart from this subsection would fall to be deducted, where—

A is the whole of the expenditure, and

B is the allowable part of the expenditure;

<sup>F143</sup>

- (8) Where the amount chargeable arose under section 34(2) by reason of an obligation which included the carrying out of work in respect of which any capital allowance has fallen or will fall to be made, this section shall apply as if the obligation had not included the carrying out of that work and the amount chargeable had been calculated accordingly.
- (9) <sup>M51</sup>In this section “the relevant period” means—
- (a) where the amount chargeable arose under section 34, the period treated in computing that amount as the duration of the lease;
  - (b) where the amount chargeable arose under section 35, the period treated in computing that amount as the duration of the lease remaining at the date of the assignment.

- (10) <sup>F144</sup> .....

#### Textual Amendments

**F140** S. 87(1)(a)(b) substituted (with effect in accordance with s. 38(2)(3) of the amending Act) by Finance Act 1998 (c. 36), **Sch. 5 para. 34** (with Sch. 5 para. 73)

**F141** Words in s. 87(2)(6) substituted (31.7.1998) by Finance Act 1998 (c. 36), **s. 46(3)(a)(b)**, Sch. 7 para. 1

**F142** Words in s. 87(7) substituted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), **Sch. 2 para. 18**

**F143** Words repealed by 1990(C) s.164(4) and Sch.2. See 1989 edition for these provisions.

**F144** S. 87(10) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by Finance Act 1998 (c. 36), **Sch. 27 Pt. 3(4)**, Note

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#### Modifications etc. (not altering text)

- C52** See—1976(D) Sch.6 para.4(4)—no account to be taken of any deduction of realised development value. 1976(D)repealed by 1985 ss.93, 98(6)and Sch.27 Part Xfrom 19March 1985.1990(C) s.111—reduction of qualifying expenditure for premium relief.
- C53** S. 87 excluded (19.9.1994) by **Coal Industry Act 1994 (c. 21)**, s. 68(4), **Sch. 4 para. 15(2)** (with s. 40(7)); S. I. 1994/2189, **art. 2**, Sch.
- C54** S. 87 excluded (8.11.1995) by **Atomic Energy Authority Act 1995 (c. 37)**, **Sch. 3 para. 9(2)**
- C55** S. 87 excluded (24.7.1996) by **Broadcasting Act 1996 (c. 55)**, s. 149(1)(f), **Sch 7 para. 21(2)** (with s. 43(6))
- C56** S. 87(1) modified (with effect in accordance with s. 39(4)(5) of the modifying act) by **Finance Act 1995 (c. 4)**, **Sch. 6 para. 14(1)**

#### Marginal Citations

- M45** SOURCE-1970 s. 134(1); 1978 s. 32
- M46** SOURCE-1970 s. 134(2), (3); 1978 s. 32
- M47** SOURCE-1970 s. 134(4)
- M48** SOURCE-1970 s. 134(4)(a)
- M49** SOURCE-1970 s. 134(4)(b)
- M50** SOURCE-1970 s. 134(5), (6); 1986 Sch. 13 para. 26
- M51** SOURCE-1970 s. 134(1)(i), (ii)

VALID FROM 06/04/2005

#### 87A Section 87(2) and (3) and reductions in receipts under ITTOIA 2005

- (1) This section applies if—
- a lease has been granted out of the interest referred to in section 87(4),
  - in calculating the amount that falls to be treated as a receipt of a UK property business under Chapter 4 of Part 3 of ITTOIA 2005 in respect of the lease, there is a reduction under section 288 of that Act by reference to a taxed receipt, and
  - the taxed receipt is the amount chargeable for the purposes of section 87.
- (2) Section 37A (section 37(4) and reductions in receipts under ITTOIA 2005) shall apply for modifying the operation of section 87(2) and (3) as it applies for modifying the operation of section 37(4).
- (3) In this section the following expressions have the same meaning as in Chapter 4 of Part 3 of ITTOIA 2005—
- “reduction under section 288 by reference to a taxed receipt” (see section 290(6) of that Act), and
- “taxed receipt” (see section 287(4) of that Act).

#### 88 Payments to Export Credit Guarantee Department.

<sup>M52</sup> Any sums paid by a person to the Export Credits Guarantee Department under an agreement entered into under arrangements made by the Secretary of State in pursuance of section 11 of the <sup>M53</sup>Export Guarantees and Overseas Investment Act 1978, or with a view to entering into such an agreement, shall be included—

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- (a) in the sums to be deducted in computing for the purposes of Case I or Case II of Schedule D the [<sup>F145</sup>profits] of any trade, profession or vocation carried on by that person; or
- (b) if that person is an investment company or a company in the case of which section 75 applies by virtue of section 76, in the sums to be deducted as expenses of management in computing the company’s profits for the purposes of corporation tax;

whether or not they would fall to be so included apart from this section.

**Textual Amendments**

**F145** Words in s. 88(a) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

**Marginal Citations**

**M52** SOURCE-1972 s. 124(1)

**M53** 1978 c. 18.

**[<sup>F146</sup>88A Debts of overseas governments etc.**

<sup>F147</sup> .....

**Textual Amendments**

**F146** Ss. 88A-88C inserted by [Finance Act 1990 \(c. 29\), s. 74](#)

**F147** Ss. 88A-88C repealed (with effect in accordance with s. 105(1) of the repealing Act) by [Finance Act 1996 \(c. 8\), Sch. 41 Pt. 5\(3\)](#), Note (with Sch. 15)

**[<sup>F148</sup>88B Section 88A debts: restriction on deductions under section 74(j).**

<sup>F149</sup> .....

**Textual Amendments**

**F148** Ss. 88A-88C inserted by [Finance Act 1990 \(c. 29\), s. 74](#)

**F149** Ss. 88A-88C repealed (with effect in accordance with s. 105(1) of the repealing Act) by [Finance Act 1996 \(c. 8\), Sch. 41 Pt. 5\(3\)](#), Note (with Sch. 15)

**[<sup>F150</sup>88C Section 88A debts: restriction on other deductions.**

<sup>F151</sup> .....

**Textual Amendments**

**F150** Ss. 88A-88C inserted by [Finance Act 1990 \(c. 29\), s. 74](#)

**F151** Ss. 88A-88C repealed (with effect in accordance with s. 105(1) of the repealing Act) by [Finance Act 1996 \(c. 8\), Sch. 41 Pt. 5\(3\)](#), Note (with Sch. 15)



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### 88D Restriction of deductions in respect of certain debts

- (1) This section applies to debts to which the following provisions do not apply—
  - (a) Chapter 2 of Part 4 of the Finance Act 1996 (loan relationships, etc);
  - (b) Schedule 26 to the Finance Act 2002 (derivative contracts);
  - (c) Schedule 29 to that Act (intangible fixed assets).
- (2) In calculating the profits of a company's trade for the purposes of corporation tax, no deduction is allowed in respect of a debt owed to the company, except—
  - (a) by way of impairment loss, or
  - (b) to the extent that the debt is released wholly and exclusively for the purposes of that trade as part of a statutory insolvency arrangement.
- (3) In this section “debt” includes an obligation or liability that falls to be discharged otherwise than by the payment of money.
- (4) In this section “trade” has the meaning given by section 6(4).

### 89 Debts proving irrecoverable after event treated as discontinuance.

<sup>M54</sup>Where section 113 or 337(1) applies to treat a trade, profession or vocation as discontinued by reason of any event, then, in computing for tax purposes the [<sup>F152</sup>profits] of the trade, profession or vocation in any period after the event, there may be deducted a sum equal to any amount proved during that period to be irrecoverable in respect of any debts credited in computing for tax purposes the [<sup>F152</sup>profits] for any period before the event (being debts the benefit of which was assigned to the persons carrying on the trade, profession or vocation after the event) in so far as the total amount proved to be irrecoverable in respect of those debts exceeds any deduction allowed in respect of them under section 74(j) in a computation for any period before the event.

#### Textual Amendments

**F152** Words in s. 89 substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

#### Marginal Citations

**M54** SOURCE-1970 s. 135

### 90 Additional payments to redundant employees.

- (1) <sup>M55</sup>Where a payment is made by way of addition to a redundancy payment or to the corresponding amount of any other employer's payment and the additional payment would be—
  - (a) allowable as a deduction in computing for the purposes of Schedule D the [<sup>F153</sup>profits] or losses of a trade, profession or vocation; or
  - (b) eligible for relief under section 75 or 76 as expenses of management of a business,

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but for the permanent discontinuance of the trade, profession, vocation or business, the additional payment shall, subject to subsection (2) below, be so allowable or so eligible notwithstanding that discontinuance and, if made after the discontinuance, shall be treated as made on the last day on which the trade, profession, vocation or business was carried on.

- (2) Subsection (1) above applies to an additional payment only so far as it does not exceed three times the amount of the redundancy payment or of the corresponding amount of the other employer's payment.
- (3) In this section references to the permanent discontinuance of a trade, profession, vocation or business include references to any occasion on which it is treated as permanently discontinued by virtue of section 113(1) or 337(1).
- (4) In this section references to a redundancy payment or to the corresponding amount of an employer's payment shall be construed as in sections 579 and 580.

#### **Textual Amendments**

**F153** Words in s. 90(1)(a) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

#### **Marginal Citations**

**M55** SOURCE-1980 s. 41

## **91 Cemeteries.**

- (1) <sup>M56</sup>In computing the [<sup>F154</sup>profits] or losses for any period of a trade which consists of or includes the carrying on of a cemetery, there shall be allowed as a deduction—
  - (a) any capital expenditure incurred by the person engaged in carrying on the trade in providing any land in the cemetery sold during that period for the purpose of interments, and
  - (b) the appropriate fraction of the residue at the end of that period of the relevant capital expenditure.
- (2) <sup>M57</sup>Subject to subsection (3) below, the relevant capital expenditure is capital expenditure incurred for the purposes of the trade in question by the person engaged in carrying it on, being—
  - (a) expenditure on any building or structure other than a dwelling-house, being a building or structure in the cemetery likely to have little or no value when the cemetery is full; and
  - (b) expenditure incurred in providing land taken up by any such building or structure, and any other land in the cemetery not suitable or adaptable for use for interments and likely to have little or no value when the cemetery is full.
- (3) Relevant capital expenditure—
  - (a) does not include expenditure incurred on buildings or structures which have been destroyed before the beginning of the first period to which subsection (1) above applies in the case of the trade in question; and
  - (b) of other expenditure incurred before that time, includes only the fraction—

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$$\frac{A}{A + B}$$

where—

A is the number of grave-spaces which at that time were or could have been made available in the cemetery for sale, and

B is the number already sold.

- (4) <sup>M58</sup>For the purposes of this section—
- (a) the residue of any expenditure at the end of a period is the amount incurred before that time which remains after deducting—
    - (i) any amount allowed in respect of that expenditure under subsection (1)(b) above in computing the [<sup>F154</sup>profits] or losses of the trade for any previous period, and
    - (ii) if, after the beginning of the first period to which subsection (1) above applies in the case of a trade and before the end of the period mentioned at the beginning of this subsection, any asset representing that expenditure is sold or destroyed, the net proceeds of sale or, as the case may be, any insurance money or other compensation of any description received by the person carrying on the trade in respect of the destruction and any money received by him for the remains of the asset; and
  - (b) the appropriate fraction of the residue of any expenditure at the end of any period is—

$$\frac{A}{A + B}$$

where—

A is the number of grave-spaces in the cemetery sold in the period, and

B is the number of grave-spaces which at the end of the period are or could be made available in the cemetery for sale.

- (5) Where in any chargeable period there is a change in the persons engaged in carrying on a trade which consists of or includes the carrying on of a cemetery, any allowance to be made under this section to the persons carrying on the trade after the change shall, whether or not it is to be assumed for other purposes that the trade was discontinued and a new trade set up and commenced, be computed—
- (a) as if they had at all times been engaged in carrying on the trade;
  - (b) as if everything done to or by any of their predecessors in carrying on the trade had been done to or by them; and
  - (c) without regard to the price paid on any sale on the occasion of any such change.
- (6) No expenditure shall be taken into account under both paragraph (a) and paragraph (b) of subsection (1) above, whether for the same or different periods.

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- (7) This section shall apply in relation to a trade which consists of or includes the carrying on of a crematorium and, in connection therewith, the maintenance of memorial garden plots, as it applies in relation to a trade which consists of or includes the carrying on of a cemetery, but subject to the modifications that—
- (a) references to the cemetery or land in the cemetery shall be taken as references to the land which is devoted wholly to memorial garden plots, and
  - (b) references to grave-spaces shall be taken as references to memorial garden plots, and
  - (c) references to the sale or use of land for interments shall be taken as references to its sale or use for memorial garden plots.
- (8) In this section—
- (a) references to the sale of land include references to the sale of a right of interment in land, and to the appropriation of part of a memorial garden in return for a dedication fee or similar payment;
  - (b) references to capital expenditure incurred in providing land shall be taken as references to the cost of purchase and to any capital expenditure incurred in levelling or draining it or otherwise rendering it suitable for the purposes of a cemetery or a memorial garden; and
  - (c) the reference in subsection (4)(a)(ii) to subsection (1) above includes a reference to section 141 of the 1970 Act and section 22 of the <sup>M59</sup>Finance Act 1952 (which made similar provision to that made by this section).

[<sup>F155</sup>(9) Section 532 of the Capital Allowances Act (general rule excluding contributions) shall apply for the purposes of this section as it applies for the purposes of that Act.]

#### Textual Amendments

**F154** Words in s. 91(1)(4)(a)(i) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

**F155** S. 91(9) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 19](#)

#### Marginal Citations

**M56** SOURCE-1970 s. 141(1)

**M57** SOURCE-1970 s. 141(2)

**M58** SOURCE-1970 s. 141(3)–(8)

**M59** 1952 c. 33.

#### [<sup>F156</sup>91A Waste disposal: restoration payments.

- (1) This section applies where on or after 6th April 1989 a person makes a site restoration payment in the course of carrying on a trade.
- (2) Subject to subsection (3) below, for the purposes of income tax or corporation tax the payment shall be allowed as a deduction in computing the [<sup>F157</sup>profits] of the trade for the period of account in which the payment is made.
- (3) Subsection (2) above shall not apply to so much of the payment as—

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- (a) represents expenditure which has been allowed as a deduction in computing the [<sup>F157</sup>profits] of the trade for any period of account preceding the period of account in which the payment is made, or
  - (b) represents capital expenditure in respect of which an allowance has been, or may be, made under the enactments relating to capital allowances.
- (4) For the purposes of this section a site restoration payment is a payment made—
- (a) in connection with the restoration of a site or part of a site, and
  - (b) in order to comply with any condition of a relevant licence, or any condition imposed on the grant of planning permission to use the site for the carrying out of waste disposal activities, or [<sup>F158</sup>any relevant obligation].
- (5) For the purposes of this section waste disposal activities are the collection, treatment, conversion and final depositing of waste materials, or any of those activities.
- (6) For the purposes of this section a relevant licence is—
- (a) a disposal licence under Part I of the <sup>M60</sup>Control of Pollution Act 1974 or Part II of the <sup>M61</sup>Pollution Control and Local Government (Northern Ireland) Order 1978, or
  - (b) a waste management licence under Part II of the Environmental Protection Act 1990 or any corresponding provision for the time being in force in Northern Ireland, [<sup>F159</sup> or
  - <sup>F160</sup>(ba) [ a permit under regulations under section 2 of the Pollution Prevention and Control Act 1999, [<sup>F161</sup> or a permit under regulations under Article 4 of the Environment (Northern Ireland) Order 2002,] or]
  - <sup>F162</sup>(ba) [ a permit granted under regulations under section 2 of the Pollution Prevention and Control Act 1999, [<sup>F161</sup> or a permit under regulations under Article 4 of the Environment (Northern Ireland) Order 2002,] or]
  - (c) any authorisation under the <sup>M62</sup>Radioactive Substances Act 1960 or the <sup>M63</sup>Radioactive Substances Act 1993 for the disposal of radioactive waste or any nuclear site licence under the <sup>M64</sup>Nuclear Installations Act 1965.]
- [ For the purposes of this section a relevant obligation is—
- <sup>F163</sup>(7) (a) an obligation arising under an agreement made under—
- (i) section 106 of the <sup>M65</sup>Town and Country Planning Act 1990, as originally enacted;
  - (ii) [<sup>F164</sup>section 75 of the Town and Country Planning (Scotland) Act 1997];
- (b) a planning obligation entered into under section 106 of the Act of 1990, as substituted by section 12 of the <sup>M66</sup>Planning and Compensation Act 1991, or under section 299A of the Act of 1990;
- (c) an obligation arising under or under an agreement made under any provision—
- (i) corresponding to section 106 of the <sup>M65</sup>Town and Country Planning Act 1990, as originally enacted or as substituted by the Act of 1991 or to section 299A of the Act of 1990; and
  - (ii) for the time being in force in Northern Ireland.]
- (8) <sup>F165</sup> .....]

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### Textual Amendments

- F156** Ss. 91A, 91B inserted by Finance Act 1990 (c. 29), s. 78.
- F157** Words in s. 91A(2)(3)(a) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1
- F158** Words in s. 91A(4)(b) substituted (25.10.1991) by Planning and Compensation Act 1991 (c. 34, SIF 123:1, 2), s. 83(a); S.I. 1991/2272, art. 3(2)
- F159** S. 91A(6)(c) and the word “or” immediately preceding it inserted (27.7.1993 with effect in relation to any case where the trade in question is begun after 31.3.1993) by 1993 c. 34, s. 110(1)(3)
- F160** S. 91A(6)(ba) inserted (E.W.) (1.8.2000) by The Pollution Prevention and Control (England and Wales) Regulations 2000 (S.I. 2000/1973), Sch. 10 para. 1 (with reg. 5)
- F161** Words in s. 91A(6)(ba) inserted (31.3.2003) by The Pollution Prevention and Control Regulations (Northern Ireland) 2003 (S.R. 2003/46), reg. 1, Sch. 11 para. 3
- F162** S. 91A(6)(ba) inserted (S.) (28.9.2000) by The Pollution Prevention and Control (Scotland) Regulations 2000 (S.S.I. 2000/323), Sch. 10 para. 2 (with reg. 34)
- F163** S. 91A(7) substituted (25.10.1991) by Planning and Compensation Act 1991 (c. 34, SIF 123:1, 2), s. 83(b); S.I. 1991/2272, art. 3(2)
- F164** Words in s. 91A(7) substituted (S.) (27.5.1997) by Planning (Consequential Provisions) (Scotland) Act 1997 (c. 11), s. 6(2), Sch. 2 para. 41
- F165** S. 91A(8) repealed (24.7.2002) by Finance Act 2002 (c. 23), Sch. 40 Pt. 3(16)

### Marginal Citations

- M60** 1974 c. 40.
- M61** S.I. 1978/1049 (N.I.19).
- M62** 1960 c. 34.
- M63** 1993 c. 12.
- M64** 1965 c. 57.
- M65** 1990 c. 8.
- M66** 1991 c. 34.

## 91B Waste disposal: preparation expenditure.

- (1) This section applies where a person—
  - (a) incurs, in the course of carrying on a trade, site preparation expenditure in relation to a waste disposal site (the site in question),
  - (b) holds, at the time the person first deposits waste materials on the site in question, a relevant licence which is then in force,
  - (c) makes a claim for relief under this section in such form as the Board may direct, and
  - (d) submits such plans and other documents (if any) as the Board may require; and it is immaterial whether the expenditure is incurred before or after the coming into force of this section.
- (2) In computing the [<sup>F166</sup>profits] of the trade for a period of account ending after 5th April 1989, the allowable amount shall be allowed as a deduction for the purposes of income tax or corporation tax.
- (3) In relation to a period of account (the period in question) the allowable amount shall be determined in accordance with the formula—

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$$(A-B) \times \frac{C}{C+D}$$

- (4) A is the site preparation expenditure incurred by the person at any time before the beginning of, or during, the period in question—
- in relation to the site in question, and
  - in the course of carrying on the trade;
- but this subsection is subject to subsections (5) and (9) below.
- (5) A does not include any expenditure—
- which has been allowed as a deduction in computing the [<sup>F166</sup>profits] of the trade for any period of account preceding the period in question, or
  - which constitutes capital expenditure in respect of which an allowance has been, or may be, made under the enactments relating to capital allowances.
- (6) B is an amount equal to any amount allowed as a deduction under this section, if allowed—
- in computing the [<sup>F166</sup>profits] of the trade for any period of account preceding the period in question, and
  - as regards expenditure incurred in relation to the site in question;
- and if different amounts have been so allowed as regards different periods, B is the aggregate of them.
- (7) C is the volume of waste materials deposited on the site in question during the period in question; but if the period is one beginning before 6th April 1989 C shall be reduced by the volume of any waste materials deposited on the site during the period but before that date.
- (8) D is the capacity of the site in question not used up for the deposit of waste materials, looking at the state of affairs at the end of the period in question.
- (9) Where any of the expenditure which would be included in A (apart from this subsection) was incurred before 6th April 1989, A shall be reduced by an amount determined in accordance with the formula—

$$E \times \frac{F}{F+G}$$

- (10) For the purposes of subsection (9) above—
- E is so much of the initial expenditure (that is, the expenditure which would be included in A apart from subsection (9) above) as was incurred before 6th April 1989,
  - F is the volume of waste materials deposited on the site in question before 6th April 1989, and
  - G is the capacity of the site in question not used up for the deposit of waste materials, looking at the state of affairs immediately before 6th April 1989.

[<sup>F167</sup>(10A) For the purposes of this section any expenditure incurred for the purposes of a trade by a person about to carry it on shall be treated as if it had been incurred by that person on the first day on which he does carry it on and in the course of doing so.]

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- (11) For the purposes of this section—
- (a) a waste disposal site is a site used (or to be used) for the disposal of waste materials by their deposit on the site,
  - (b) in relation to such a site, site preparation expenditure is expenditure on preparing the site for the deposit of waste materials (and may include expenditure on earthworks),
  - (c) in relation to such a site, “capacity” means capacity expressed in volume,
  - (d) “relevant licence” has the same meaning as in section 91A, <sup>F168</sup> . . .
  - (e) <sup>F168</sup> . . . . .

#### Textual Amendments

**F166** Words in s. 91B(2)(5)(a)(6)(a) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

**F167** S. 91B(10A) inserted (27.7.1993 with effect in relation to any case where the trade in question is begun after 31.3.1993) by 1993 c. 34, s. 110(2)(3)

**F168** S. 91B(11)(e) and preceding word repealed (24.7.2002) by Finance Act 2002 (c. 23), Sch. 40 Pt. 3(16)

#### **91BA Waste disposal: entitlement of successor to allowances.**

- (1) This section applies where—
- (a) site preparation expenditure has been incurred in relation to a waste disposal site,
  - (b) that expenditure was incurred by a person in the course of carrying on a trade, and
  - (c) on or after 21st March 2000—
    - (i) that person (“the predecessor”) ceases to carry on that trade, or ceases to carry it on so far as it relates to that site, and
    - (ii) another person (“the successor”) begins to carry on that trade, or to carry on in the course of a trade the activities formerly carried on by the predecessor in relation to that site.
- (2) If the conditions specified in the following provisions of this section are met, then, for the purposes of section 91B above—
- (a) the trade carried on by the successor shall be treated as the same trade as that carried on by the predecessor, and
  - (b) allowances shall be made to the successor (and not to the predecessor) as if everything done to or by the predecessor had been done to or by the successor.
- (3) The first condition is that the whole of the site in question is transferred to the successor.
- Provided the successor holds an estate or interest in the whole of the site, it need not be the same as that held by the predecessor.
- (4) The second condition is that the successor, at the time he first deposits waste material at the site, holds a relevant licence in respect of the site which is then in force.
- (5) Expressions used in this section have the same meaning as in section 91B.



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## 91C Mineral exploration and access.

Where—

- (a) a person carrying on a trade incurs expenditure on mineral exploration and access as defined in [<sup>F169</sup>section 396(1) of the Capital Allowances Act] in an area or group of sands in which the presence of mineral deposits in commercial quantities has already been established, and
- (b) if the presence in that area or group of sands of mineral deposits in commercial quantities had not already been established, that expenditure would not have been allowed to be deducted in computing the [<sup>F170</sup>profits] of the trade for the purposes of tax,

that expenditure shall not be so deducted.

### Textual Amendments

**F169** Words in s. 91C(a) substituted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 20

**F170** Word in s. 91C(b) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

VALID FROM 01/04/2009

### *[<sup>F171</sup>Payments for restrictive undertakings*

### Textual Amendments

**F171** S. 76ZA and cross-heading inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 31 (with Sch. 2 Pts. 1, 2)

## 76ZA Payments for restrictive undertakings

- (1) This section applies if a payment—
  - (a) is treated as earnings of an employee by virtue of section 225 of ITEPA 2003 (payments for restrictive undertakings), and
  - (b) is made, or treated as made for the purposes of section 226 of that Act (valuable consideration given for restrictive undertakings), by a company in relation to which section 76 applies.
- (2) The payment is treated as expenses payable which fall to be brought into account at Step 1 in section 76(7), so far as it otherwise would not be.]

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VALID FROM 01/04/2009

### *f<sup>F172</sup>Seconded employees*

#### **Textual Amendments**

**F172** S. 76ZB and cross-heading inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 32** (with Sch. 2 Pts. 1, 2)

#### **76ZB Employees seconded to charities and educational establishments**

- (1) This section applies if a company to which section 76 applies makes the services of a person employed for the purposes of the company's life assurance business available to—
  - (a) a charity, or
  - (b) an educational establishment,
 on a basis that is stated and intended to be temporary.
- (2) Expenses of the employer that are attributable to the employee's employment during the period of the secondment are treated as expenses payable which fall to be brought into account at Step 1 in section 76(7).
- (3) In this section—
 

“educational establishment” has the same meaning as in section 70 of CTA 2009, and

“the period of the secondment” means the period for which the employee's services are made available to the charity or educational establishment.]

VALID FROM 01/04/2009

### *f<sup>F173</sup>Counselling and retraining expenses*

#### **Textual Amendments**

**F173** S. 76ZC and cross-heading inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 33** (with Sch. 2 Pts. 1, 2)

#### **76ZC Counselling and other outplacement services**

- (1) This section applies if—
  - (a) a company carrying on life assurance business (“the employer”) incurs counselling expenses,
  - (b) the expenses are incurred in relation to a person (“the employee”) who holds or has held an office or employment under the employer, and
  - (c) the relevant conditions are met.

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- (2) The expenses are brought into account under section 76 as expenses payable (so far as they otherwise would not be).
- (3) In this section “counselling expenses” means expenses incurred—
  - (a) in the provision of services to the employee in connection with the cessation of the office or employment,
  - (b) in the payment or reimbursement of fees for such provision, or
  - (c) in the payment or reimbursement of travelling expenses in connection with such provision.
- (4) In this section “the relevant conditions” means—
  - (a) conditions A to D for the purposes of section 310 of ITEPA 2003 (employment income exemptions: counselling and other outplacement services), and
  - (b) in the case of travel expenses, condition E for those purposes.

#### [<sup>F174</sup>76ZD] Retraining courses

- (1) This section applies if—
  - (a) a company carrying on life assurance business (“the employer”) incurs training course expenses,
  - (b) they are incurred in relation to a person (“the employee”) who holds or has held an office or employment under the employer, and
  - (c) the relevant conditions are met.
- (2) The expenses are brought into account under section 76 as expenses payable (so far as they otherwise would not be).
- (3) In this section—

“retraining course expenses” means expenses incurred in the payment or reimbursement of retraining course expenses within the meaning given by section 311(2) of ITEPA 2003, and

“the relevant conditions” means—

  - (a) the conditions in subsections (3) and (4) of section 311 of ITEPA 2003 (employment income exemptions: retraining courses), and
  - (b) in the case of travel expenses, the conditions in subsection (5) of that section.]

#### Textual Amendments

**F174** S. 76ZD inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 34 (with Sch. 2 Pts. 1, 2)

#### [<sup>F175</sup>76ZE] Retraining courses: recovery of tax

- (1) This section applies if—
  - (a) an employer's liability to corporation tax for an accounting period is determined on the assumption that it is entitled by virtue of section 76ZD to bring an amount into account in determining the amount of a deduction to be made under section 76, and

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- (b) without section 76ZD the employer would not have been so entitled.
- (2) If, subsequently—
- (a) the condition in section 311(4)(a) of ITEPA 2003 is not met because of the employee's failure to begin the course within the period of one year after ceasing to be employed, or
  - (b) the condition in section 311(4)(b) of ITEPA 2003 is not met because of the employee's continued employment or re-employment,
- an assessment of an amount or further amount of corporation tax due as a result of the condition not being met may be made under paragraph 41 of Schedule 18 to FA 1998.
- (3) Such an assessment must be made before the end of the period of 6 years immediately following the end of the accounting period in which the failure to meet the condition occurred.
- (4) If subsection (2) applies, the employer must give an officer of Revenue and Customs a notice containing particulars of—
- (a) the employee's failure to begin the course,
  - (b) the employee's continued employment, or
  - (c) the employee's re-employment,
- within 60 days of coming to know of it.
- (5) If an officer of Revenue and Customs has reason to believe that the employer has failed to give such a notice, the officer may by notice require the employer to provide such information as the officer may reasonably require for the purposes of this section about—
- (a) the failure to begin the course,
  - (b) the continued employment, or
  - (c) the re-employment.
- (6) A notice under subsection (5) may specify a time (not less than 60 days) within which the required information must be provided.]

#### **Textual Amendments**

**F175** *S. 76ZE* inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by *Corporation Tax Act 2009 (c. 4)*, **Sch. 1 para. 35** (with *Sch. 2 Pts. 1, 2*)

#### **Modifications etc. (not altering text)**

**C57** *S. 76ZE* applied (with modifications) (1.4.2009 with effect in accordance with s. 1329(1) of the affecting Act) by *Corporation Tax Act 2009 (c. 4)*, **Sch. 2 para. 139(3)(4)** (with *Sch. 2 Pts. 1, 2*)

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*Changes to legislation:* There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income and Corporation Taxes Act 1988. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)

VALID FROM 01/04/2009

## <sup>F176</sup>Redundancy payments etc

### Textual Amendments

**F176** S. 76ZF and cross-heading inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 36 (with Sch. 2 Pts. 1, 2)

### **76ZF Redundancy payments and approved contractual payments**

- (1) Sections 76ZG to 76ZI apply if—
  - (a) a company to which section 76 applies (“the employer”) makes a redundancy payment or an approved contractual payment to another person (“the employee”), and
  - (b) the payment is in respect of the employee's employment wholly in the employer's life assurance business or partly in the employer's life assurance business and partly in one or more other capacities.
- (2) For the purposes of this section and sections 76ZG to 76ZH “redundancy payment” means a redundancy payment payable under—
  - (a) Part 11 of the Employment Rights Act 1996, or
  - (b) Part 12 of the Employment Rights (Northern Ireland) Order 1996.
- (3) For the purposes of this section and those sections—

“contractual payment” means a payment which, under an agreement, an employer is liable to make to an employee on the termination of the employee's contract of employment, and

a contractual payment is “approved” if, in respect of that agreement, an order is in force under—

  - (a) section 157 of the Employment Rights Act 1996, or
  - (b) Article 192 of the Employment Rights (Northern Ireland) Order 1996.

### <sup>F177</sup>**76ZG Payments in respect of employment wholly in employer's business**

- (1) This section applies if the payment is in respect of the employee's employment wholly in the employer's life assurance business.
- (2) The payment is treated as expenses payable which fall to be brought into account at Step 1 in section 76(7), so far as it otherwise would not be.
- (3) The amount brought into account by virtue of this section for an approved contractual payment must not exceed the amount which would have been due to the employee if a redundancy payment had been payable.
- (4) If the payment is referable to an accounting period beginning after the business has permanently ceased to be carried on, it is treated as referable to the last accounting period in which the business was carried on.]

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### Textual Amendments

**F177** S. 76ZG inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 37** (with Sch. 2 Pts. 1, 2)

### [<sup>F178</sup>76ZH] Payments in respect of employment in more than one capacity

- (1) This section applies if the payment is in respect of the employee's employment with the employer—
  - (a) partly in the employer's life assurance business, and
  - (b) partly in one or more other capacities.
- (2) The amount of the redundancy payment, or the amount which would have been due if a redundancy payment had been payable, is to be apportioned on a just and reasonable basis between—
  - (a) the employment in the life assurance business, and
  - (b) the employment in the other capacities.
- (3) The part of the payment apportioned to the employment in the life assurance business is treated as a payment in respect of the employee's employment wholly in the life assurance business for the purposes of section 76ZG.]

### Textual Amendments

**F178** S. 76ZH inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 38** (with Sch. 2 Pts. 1, 2)

### [<sup>F179</sup>76ZI] Additional payments

- (1) This section applies if the employer's business, or part of it, ceases (permanently) to be carried on and the employer makes a payment to the employee in addition to—
  - (a) the redundancy payment, or
  - (b) if an approved contractual payment is made, the amount that would have been due if a redundancy payment had been payable.
- (2) If—
  - (a) the additional payment would not otherwise be regarded as expenses payable for the purposes of section 76, but
  - (b) that is only because the business, or the part of the business, has ceased to be carried on,
 the additional payment is regarded as expenses payable for the purposes of section 76.
- (3) So far as the additional payment would, apart from this subsection, be regarded as expenses payable for the purposes of Step 5 in subsection (7) of section 76, it is not to be so regarded for the purposes of that subsection (or of subsection (2) above so far as relating to section 76).
- (4) The amount treated under this section as expenses payable for the purposes of section 76 is limited to 3 times the amount of—
  - (a) the redundancy payment, or

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- (b) if an approved contractual payment is made, the amount that would have been due if a redundancy payment had been payable.
- (5) If the payment is referable to an accounting period beginning after the business or the part of the business has ceased to be carried on, it is treated as referable to the last accounting period in which the business, or the part concerned, was carried on.]

#### Textual Amendments

**F179** S. 76ZI inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 39** (with Sch. 2 Pts. 1, 2)

#### [<sup>F180</sup>76Z. Payments by the Government]

- (1) This section applies if—
- (a) a redundancy payment or an approved contractual payment is payable by a company to which section 76 applies (“the employer”), and
  - (b) a payment to which subsection (2) applies is made in respect of the payment.
- (2) This subsection applies to—
- (a) payments made by the Secretary of State under section 167 of the Employment Rights Act 1996, and
  - (b) payments made by the Department for Employment and Learning under Article 202 of the Employment Rights (Northern Ireland) Order 1996.
- (3) So far as the employer reimburses the Secretary of State or Department for the payment, sections 76ZG to 76ZI apply as if the payment were—
- (a) a redundancy payment, or
  - (b) an approved contractual payment,
- made by the employer.]

#### Textual Amendments

**F180** S. 76ZJ inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 40** (with Sch. 2 Pts. 1, 2)

VALID FROM 01/04/2009

#### [<sup>F181</sup>Contributions to local enterprise organisations or urban regeneration companies

#### Textual Amendments

**F181** S. 76ZK and cross-heading inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 41** (with Sch. 2 Pts. 1, 2)

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## **76ZK Contributions to local enterprise organisations or urban regeneration companies**

- (1) This section applies if a company to which section 76 applies (“the contributor”) incurs expenses in making a contribution (whether in cash or in kind)—
  - (a) to a local enterprise organisation, or
  - (b) to an urban regeneration company.
- (2) The expenses are treated for the purposes of section 76 as expenses payable which fall to be brought into account at Step 1 in section 76(7).
- (3) But if, in connection with the making of the contribution, the contributor or a connected person—
  - (a) receives a disqualifying benefit of any kind, or
  - (b) is entitled to receive such a benefit,
 the amount treated in accordance with subsection (2) is restricted to the amount of the expenses less the value of the benefit.
- (4) For this purpose it does not matter whether a person receives, or is entitled to receive, the benefit—
  - (a) from the local enterprise organisation or urban regeneration company concerned, or
  - (b) from anyone else.
- (5) Subsection (6) applies if—
  - (a) an amount has been brought into account in accordance with subsection (2), and
  - (b) the contributor or a connected person receives a disqualifying benefit that is in any way attributable to the contribution.
- (6) The contributor is to be treated as receiving, when the benefit is received, an amount—
  - (a) which is equal to the value of the benefit (so far as not brought into account in determining the amount of the deduction), and
  - (b) to which the charge to corporation tax on income applies.
- (7) In this section—
 

“disqualifying benefit” means a benefit the expenses of obtaining which, if incurred by the contributor directly in a transaction at arm's length, would not be expenses payable for the purposes of section 76,

“local enterprise organisation” has the meaning given by section 83 of CTA 2009,

“urban regeneration company” has the meaning given by section 86 of CTA 2009.
- (8) Section 839 (“connected person”) applies for the purposes of subsections (3) and (5).]



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VALID FROM 01/04/2009

## <sup>F182</sup>Unpaid remuneration

### Textual Amendments

**F182** S. 76ZL and cross-heading inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), Sch. 1 para. 42 (with Sch. 2 Pts. 1, 2)

### **76ZL Unpaid remuneration**

- (1) This section applies if—
  - (a) an amount is charged in respect of employees' remuneration in the accounts for a period of a company to which section 76 applies,
  - (b) the amount would apart from this section be brought into account under section 76 as expenses payable, and
  - (c) the remuneration is not paid before the end of the period of 9 months immediately following the end of the period of account.
- (2) If the remuneration is paid after the end of that period of 9 months, the amount is brought into account for the period of account in which it is paid.
- (3) But—
  - (a) subsection (2) is subject to section 86 of FA 1989 (spreading of relief for acquisition expenses), and
  - (b) in interpreting that section the remuneration is treated as expenses payable which fall to be included at Step 1 in section 76(7) for the period of account in which the remuneration is paid.
- (4) The amount is not brought into account under section 76 as expenses payable if it is not paid.

### <sup>F183</sup>~~76ZL~~Unpaid remuneration: supplementary

- (1) For the purposes of section 76ZL an amount charged in the accounts in respect of employees' remuneration includes an amount for which provision is made in the accounts with a view to its becoming employees' remuneration.
- (2) For the purposes of section 76ZL it does not matter whether an amount is charged for—
  - (a) particular employments, or
  - (b) employments generally.
- (3) If the profits of the company are calculated before the end of the 9 month period mentioned in section 76ZL(1)(c)—
  - (a) it must be assumed, in making the calculation, that any remuneration which is unpaid when the calculation is made will not be paid before the end of that period, but

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- (b) if the remuneration is subsequently paid before the end of that period, nothing in this subsection prevents the calculation being revised and any tax return being amended accordingly.
- (4) For the purposes of this section and section 76ZL remuneration is paid when it—
- (a) is treated as received by an employee for the purposes of ITEPA 2003 by section 18 or 19 of that Act (receipt of money and non-money earnings), or
- (b) would be so treated if it were not exempt income.
- (5) In this section and section 76ZL—
- “employee” includes an office-holder and “employment” therefore includes an office, and
- “remuneration” means an amount which is or is treated as earnings for the purposes of Parts 2 to 7 of ITEPA 2003.]

#### Textual Amendments

**F183** S. 76ZM inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 43** (with Sch. 2 Pts. 1, 2)

VALID FROM 01/04/2009

#### *[<sup>F184</sup>Car or motor cycle hire]*

#### Textual Amendments

**F184** S. 76ZN and cross-heading inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 44** (with Sch. 2 Pts. 1, 2)

#### <sup>F185</sup>76ZN Car or motor cycle hire

- (1) Subsection (2) applies if—
- (a) in calculating the corporation tax to which a company is liable for an accounting period, an amount representing expenses incurred on the hiring of a car or motor cycle can be brought into account under section 76 as expenses payable,
- (b) the car or motor cycle is not a qualifying hire car or motor cycle, and
- (c) the retail price of the car or motor cycle when new exceeds £12,000.
- (2) The amount that would otherwise be capable of being brought into account as expenses payable is reduced by multiplying the amount by the fraction—

$$\frac{\pounds 12,000 + RP}{2 \times RP}$$

where RP is the retail price of the car or motor cycle when new.

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- (3) Subsection (4) applies if an amount is reduced as a result of subsection (2), or a corresponding provision, and—
  - (a) subsequently—
    - (i) there is a rebate (however described) of the hire charges, or
    - (ii) a debt in respect of any of the hire charges is released otherwise than as part of a statutory insolvency agreement, and
  - (b) an amount is brought into account in respect of the rebate or release.
- (4) For the purposes of subsection (3)(b) an amount is brought into account in respect of a rebate of hire charges or the release of a debt if—
  - (a) the amount of a reversal representing the rebate or release falls to be deducted under Step 4 in section 76(7), or
  - (b) (in the case of a rebate of hire charges) an amount representing the rebate is chargeable under section 85(1) of the Finance Act 1989 (c. 26).
- (5) The amount that would otherwise be deductible as mentioned in subsection (4)(a) or chargeable as mentioned in subsection (4)(b) is reduced by multiplying it by the fraction set out in subsection (2).
- (6) In this section “corresponding provision” means—
  - (a) section 56(2) of CTA 2009 (car or motor cycle hire: trade profits and property income),
  - (b) section 1251(2) of CTA 2009 (car or motor cycle hire: companies with investment business), and
  - (c) section 48(2) of ITTOIA 2005 (car or motor cycle hire: trade profits and property income).
- (7) The power under section 74(4) of CAA 2001 to increase or further increase the sums of money specified in Chapter 8 of Part 2 of CAA 2001 includes the power to increase or further increase the sum of money specified in subsection (1)(c) or (2).
- (8) In this section “car or motor cycle” and “qualifying hire car or motor cycle” have the meanings given by section 57 of CTA 2009.]

#### Textual Amendments

**F185** S. 76ZN and cross-heading inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [Sch. 1 para. 44](#) (with [Sch. 2 Pts. 1, 2](#))

#### **[<sup>F186</sup>76ZO] Hiring cars (but not motor cycles) with low CO<sub>2</sub> emissions before 1 April 2013**

- (1) Section 76ZN does not apply to expenses incurred on the hiring of a car with low CO<sub>2</sub> emissions, or an electrically-propelled car, if—
  - (a) the car was first registered on or after 17 April 2002, and
  - (b) the period of hire begins before 1 April 2013 under a contract entered into before that date.
- (2) For this purpose—

“car with low CO<sub>2</sub> emissions” has the meaning given by section 45D of CAA 2001, and

“electrically-propelled car” has the meaning given by that section.]

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### Textual Amendments

**F186** S. 76ZO inserted (1.4.2009 with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), **Sch. 1 para. 45** (with Sch. 2 Pts. 1, 2)

*Treatment of regional development and other grants and debts released etc.*

## 92 Regional development grants.

- (1) <sup>M67</sup>A regional development grant which, apart from this subsection, would be taken into account as a receipt in computing the profits of a trade, profession or vocation which are chargeable under Case I or II of Schedule D, shall not be taken into account as a receipt in computing those profits.
- (2) <sup>M68</sup>A regional development grant which is made to an investment company—
  - (a) shall not be taken into account as a receipt in computing its profits under Case VI of Schedule D; and
  - (b) shall not be deducted, by virtue of section 75(2), from the amount treated as expenses of management.
- (3) In this section “regional development grant” means a payment by way of grant under Part II of the <sup>M69</sup>Industrial Development Act 1982.

### Marginal Citations

**M67** SOURCE-1984 s. 54(1), (4)  
**M68** SOURCE-1984 s. 54(2), (3)  
**M69** 1982 c. 52.

## 93 Other grants under Industrial Development Act 1982 etc.

- (1) <sup>M70</sup>A payment to which this section applies which is made to a person carrying on a trade the profits of which are chargeable under Case I of Schedule D shall be taken into account as a receipt in computing those profits; and any such payment which is made to an investment company shall be taken into account as a receipt in computing its profits under Case VI of Schedule D.
- (2) <sup>M71</sup>This section applies to any payment which would not, apart from this section, be taken into account as mentioned in subsection (1) above, being a payment by way of a grant under—
  - (a) section 7 or 8 of the Industrial Development Act 1982 or section 7 or 8 of the <sup>M72</sup>Industry Act 1972; or
  - (b) section 1 of the <sup>M73</sup>Industries Development Act (Northern Ireland) 1966 or section 4 of the <sup>M74</sup>Industries Development Act (Northern Ireland) 1971; or
  - (c) <sup>M75</sup>any of Articles 7, 9 and 30 of the <sup>M76</sup>Industrial Development (Northern Ireland) Order 1982;

other than a grant designated as made towards the cost of specified capital expenditure or as made by way of compensation for the loss of capital assets and other than a grant falling within subsection (3) below.

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- (3)<sup>M77</sup> A payment by way of grant which is made—
- (a) under Article 7 of the Order referred to in subsection (2)(c) above, and
  - (b) in respect of a liability for corporation tax (including a liability which has already been met),
- shall not be taken into account as mentioned in subsection (1) above, whether by virtue of this section or otherwise.

#### Marginal Citations

- M70** SOURCE-1980 s. 42(1)  
**M71** SOURCE-1980 s. 42(2)  
**M72** 1972 c. 63.  
**M73** 1966 c. 36 (N.I.).  
**M74** 1971 c. 22 (N.I.).  
**M75** SOURCE-1980 s. 42(2); 1984 s. 55(1)  
**M76** S.I. 1982/1083 (N.I. 15).  
**M77** SOURCE-1980 s. 42(3); 1984 s. 55(2)

## 94 Debts deducted and subsequently released.

[<sup>F187</sup>(1)] <sup>M78</sup>Where, in computing for tax purposes the [<sup>F188</sup>profits] of a trade, profession or vocation, a deduction has been allowed for any debt incurred for the purposes of the trade, profession or vocation, then, if the whole or any part of the debt is thereafter released [<sup>F189</sup>otherwise than as part of a relevant arrangement or compromise], the amount released shall be treated as a receipt of the trade, profession or vocation arising in the period in which the release is effected.

[<sup>F190</sup>(2) In subsection (1) above “relevant arrangement or compromise” has the same meaning as in section 74.]

#### Textual Amendments

- F187** S. 94 renumbered as s. 94(1) (3.5.1994) by virtue of Finance Act 1994 (c. 9), s. 144(4)  
**F188** Words in s. 94(1) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1  
**F189** Words in s. 94(1) inserted (with effect in accordance with s. 144(7) of the amending Act) by Finance Act 1994 (c. 9), s. 144(3)(a)  
**F190** S. 94(2) inserted (3.5.1994) by Finance Act 1994 (c. 9), s. 144(4)

#### Marginal Citations

- M78** SOURCE-1970 s. 136

## 95 [<sup>F191</sup>Taxation of dealers in respect of distributions etc.]

- [<sup>F192</sup>[<sup>F193</sup>(1) Where a dealer—
- (a) receives a relevant distribution, that is to say—
    - (i) any distribution which is made by a company resident in the United Kingdom (“a UK distribution”), or
    - (ii) any payment which is representative of a UK distribution, or
  - (b) makes any payment which is representative of a UK distribution,

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the distribution or, as the case may be, the payment shall be taken into account in computing the profits of the dealer which are chargeable to tax in accordance with the provisions of this Act applicable to Case I or II of Schedule D.]

- (1A) Accordingly, where a dealer receives a [<sup>F194</sup>relevant distribution]—
- (a) tax shall not be charged under Schedule F in respect of that distribution;
  - (b) <sup>F195</sup> .....
  - (c) [<sup>F196</sup>section 208] shall not apply to that distribution; and
  - (d) <sup>F197</sup> .....
  - (e) <sup>F198</sup> section 11(2)(a) shall have effect in relation to that distribution with the omission of the words “(but so that this paragraph shall not include distributions received from companies resident in the United Kingdom)”.]

(1B) <sup>F199</sup> .....

- (2) For the purposes of this section a person is a dealer in relation to any <sup>F200</sup> . . . distribution if—
- (a) were there a sale by that person of the shares [<sup>F201</sup>or stock] in respect of which the distribution is made, and
  - (b) the circumstances of that sale were such that the price would not fall to be treated as a <sup>F200</sup> . . . distribution,

the price would be taken into account in computing the profits of that person which are chargeable to tax in accordance with the provisions of this Act applicable to Case I or II of Schedule D.]

<sup>F202</sup>(2A) The reference in subsection (2) above to the profits of a person does not include the profits of that person in respect of insurance business or any category of insurance business.]

(4) <sup>F203</sup> .....

(5) <sup>F203</sup> .....

#### Textual Amendments

- F191** S. 95 sidenote substituted (with effect in accordance with s. 24(15) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 24(9)
- F192** S. 95(1)(1A)(1B)(2) substituted for s. 95(1)-(3) (with effect in accordance with Sch. 7 para. 8(3) of the amending Act) by Finance Act 1997 (c. 16), Sch. 7 para. 8(1)
- F193** S. 95(1) substituted (with effect in accordance with s. 24(15) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 24(2)
- F194** Words in s. 95(1A) substituted (with effect in accordance with s. 24(15) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 24(3)(a)
- F195** S. 95(1A)(b) repealed (with effect in accordance with s. 24(15) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), s. 24(3)(b), Sch. 8 Pt. 2(8), Note 1
- F196** Words in s. 95(1A)(c) substituted (with effect in accordance with s. 24(15) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 24(3)(c)
- F197** S. 95(1A)(d) repealed (with effect in accordance with s. 24(15) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), s. 24(3)(d), Sch. 8 Pt. 2(8), Note 1
- F198** S. 95(1A)(e) inserted (with effect in accordance with s. 24(15) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), s. 24(3)(e)
- F199** S. 95(1B) repealed (with effect in accordance with s. 24(15) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), s. 24(4), Sch. 8 Pt. 2(8), Note 1

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- F200** Words in s. 95(2) repealed (with effect in accordance with s. 24(15) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), s. 24(5)(a), **Sch. 8 Pt. 2(8)**, Note 1
- F201** Words in s. 95(2)(a) inserted (with effect in accordance with s. 24(15) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), **s. 24(5)(b)**
- F202** S. 95(2A) inserted (with effect in accordance with s. 24(15) of the amending Act) by Finance (No. 2) Act 1997 (c. 58), **s. 24(6)**
- F203** S. 95(4)(5) repealed (with effect in accordance with s. 24(15) of the repealing Act) by Finance (No. 2) Act 1997 (c. 58), **s. 24(7)(8)**. {Sch. 8 Pt. 2(8)}

VALID FROM 21/07/2008

### <sup>F204</sup>**95ZA Taxation of UK distributions received by insurance companies**

- (1) If the total amount of relevant distributions received by a company in an accounting period exceeds £50,000, those distributions are to be taken into account in calculating for corporation tax purposes the profits of the company in that period (and accordingly section 208 does not apply in relation to those distributions).
- (2) A company (“company A”) receives a “relevant distribution” if—
  - (a) it receives a distribution made by a company resident in the United Kingdom (“company B”),
  - (b) the value of the shares or stock in respect of which the distribution is made (“the holding”) is materially reduced by reason of the distribution,
  - (c) a profit on the sale of the holding (to anyone other than company B) would be taken into account in calculating company A's profits in respect of relevant insurance business, and
  - (d) either—
    - (i) the holding amounts to, or is an ingredient in a holding amounting to, 10% of all holdings of the same class in company B, or
    - (ii) the period between the acquisition by company A of the holding and that company first taking steps to dispose of the holding does not exceed 30 days.
- (3) In this section “relevant insurance business” means any kind of insurance business other than life assurance business.
- (4) Section 177(7) of TCGA 1992 (provision supplementing provision corresponding to subsection (2)(d)(i) above) applies for the purposes of subsection (2)(d)(i).
- (5) Section 731(4) below (interpretation of “taking steps to dispose of securities”) applies for the purposes of subsection (2)(d)(ii) as if the reference to the securities were to the holding.]

#### **Textual Amendments**

- F204** S. 95ZA inserted (with effect in accordance with Sch. 17 para. 16(2) of the amending Act) by Finance Act 2008 (c. 9), **Sch. 17 para. 16(1)**

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### *Special provisions*

#### **[<sup>F205</sup>95A Creative artists: relief for fluctuating profits**

Schedule 4A (which enables individuals to make an averaging claim in respect of profits derived wholly or mainly from creative works) shall have effect.

The provisions of that Schedule apply for the year 2000-01 and subsequent years of assessment (so that the first years which may be the subject of an averaging claim are 2000-01 and 2001-02).]

#### **Textual Amendments**

**F205** S. 95A inserted (11.5.2001) by [Finance Act 2001 \(c. 9\)](#), s. 71(1)

#### **96 Farming and market gardening: relief for fluctuating profits.**

- (1) <sup>M79</sup>Subject to the provisions of this section, a person who is or has been carrying on a trade of farming or market gardening in the United Kingdom may claim that subsection (2) or (3) below shall have effect in relation to his profits from that trade for any two consecutive years of assessment if his profits for either year do not exceed such part of his profits for the other year as is there specified.
- (2) If the claimant's profits for either year do not exceed seven-tenths of his profits for the other year or are nil, his profits for each year shall be adjusted so as to be equal to one-half of his profits for the two years taken together or, as the case may be, for the year for which there are profits.
- (3) If the claimant's profits for either year exceed seven-tenths but are less than three-quarters of his profits for the other year, his profits for each year shall be adjusted by adding to the profits that are lower and deducting from those that are higher an amount equal to three times the difference between them less three-quarters of those that are higher.
- (4) No claim shall be made under this section—
  - (a) in respect of any year of assessment before a year in respect of which a claim has already been made under this section; or
  - (b) in respect of a year of assessment in which the trade is (or by virtue of section 113(1) is treated as) set up and commenced or permanently discontinued.
- (5) Any adjustment under this section shall have effect for all the purposes of the Income Tax Acts (including any further application of this section where the second of any two years of assessment is the first of a subsequent pair) except that—
  - (a) subsection (2) above shall not prevent a person obtaining relief under those Acts for a loss sustained by him in any year of assessment;
  - (b) any adjustment under this section shall be disregarded for the purposes of section 63(1)(b); and
  - (c) where, after a claim has been made under this section in respect of the profits for any two years of assessment, the profits for both or either of those years are adjusted for any other reason, this section shall have effect as if the claim



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had not been made but without prejudice to the making of a further claim in respect of those profits as so adjusted.

- (6) This section applies to the profits of a trade carried on by a person in partnership as it applies to the profits of a sole trader <sup>F206</sup> . . . .
- (7) In this section references to profits from a trade for a year of assessment are references to the [<sup>F207</sup>profits] from that trade which are chargeable to income tax for that year before—
- (a) any deduction for losses sustained in any year of assessment;
  - (b) <sup>F208</sup> . . . . .
  - (c) any deduction for relief under Schedule 9 to the Finance Act 1981 (stock relief).
- (8) Any claim under this section shall be made by notice given to the inspector not later than [<sup>F209</sup>twelve months from the 31st January next following] the second of the years of assessment to which the claim relates but any such further claim as is mentioned in subsection (5)(c) above shall not be out of time if made [<sup>F210</sup>before the 31st January next following] the year of assessment following that in which the adjustment is made.
- [<sup>F211</sup>(9) Where a person makes a claim under this section, any claim by him for relief under any other provision of the Income Tax Acts for either of the two years of assessment—
- (a) shall not be out of time if made before the end of the period during which the claim under this section is capable of being revoked; and
  - (b) if already made, may be amended or revoked before the end of that period;
- and, in relation to a claim made by being included in a return, any reference in this subsection to amending or revoking the claim is a reference to amending the return by amending or, as the case may be, omitting the claim.]
- (10) There shall be made all such alterations of assessments or repayments of tax (whether in respect of such profits as are mentioned in subsection (1) above or of other income of the person concerned) as may be required in consequence of any adjustment under this section.
- (11) Nothing in this section shall be construed as applying to profits chargeable to corporation tax <sup>F212</sup> . . . .
- (12) This section applies where the first of the two years mentioned in subsection (1) above is the year 1987-88 or a subsequent year of assessment.

#### Textual Amendments

- F206** Words in s. 96(6) repealed (with effect in accordance with ss. 215(4)(5), 216(5) of the repealing Act) by Finance Act 1994 (c. 9), s. 216(3)(a), Sch. 26 Pt. 5(24), Note 2 (with Sch. 20) (as s. 215(5) of that Act is modified (1.5.1995) by 1995 c. 4, s. 125(1))
- F207** Words in s. 96(7) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1
- F208** S. 96(7)(b) repealed (with effect in accordance with s. 214(7) of the repealing Act) by Finance Act 1994 (c. 9), s. 214(1)(a), Sch. 26 Pt. 5(24), Note 3 (with Sch. 20)
- F209** Words in s. 96(8) substituted (with effect in accordance with s. 199(2), Sch. 19 para. 37(2) of the amending Act) by Finance Act 1994 (c. 9), Sch. 19 para. 37(1)(a)
- F210** Words in s. 96(8) substituted (with effect in accordance with s. 199(2), Sch. 19 para. 37(2) of the amending Act) by Finance Act 1994 (c. 9), Sch. 19 para. 37(1)(b)
- F211** S. 96(9) substituted (with effect in accordance with s. 128(11) of the amending Act) by Finance Act 1996 (c. 8), s. 128(3)

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**F212** Words in s. 96(11) repealed (with effect in accordance with s. 38(2)(3) of the repealing Act) by Finance Act 1998 (c. 36), **Sch. 27 Pt. 3(4)**, Note

**Modifications etc. (not altering text)**

- C58** S. 96(8) modified for the year of assessment 1988-89 by S.I. 1991/851, regs. 1(1), 9, **Sch.2**.  
 S. 96(8) modified for the year of assessment 1989-90 by S.I. 1992/511, regs. 1(1), 9, **Sch.2**.  
 S. 96(8) applied (with modifications) for the year of assessment 1990-91 by S.I. 1993/415, regs. 1(1), 9, **Sch.2**
- C59** S. 96(8) modified (5.4.1994 with effect in accordance with reg. 1 of the modifying S.I.) by *The Lloyd's Underwriters (Tax) (1991-92) Regulations 1994 (S.I. 1994/728)* {reg. 9}, Sch. 2
- C60** S. 96(8) modified (9.3.1995 with effect in accordance with regs. 14(2), 15(2) of the modifying S.I.) by *The Lloyd's Underwriters (Tax) (1992-93 to 1996-97) Regulations 1995 (S.I. 1995/352)*, regs. 14(1), 15(1), **Sch.**

**Marginal Citations**

**M79** SOURCE-1978 s. 28; 1981 s. 35(4)

**97 Treatment of farm animals etc.**

<sup>M80</sup>Schedule 5 shall have effect with respect to the treatment, in computing [<sup>F213</sup>profits] for the purposes of Case I of Schedule D, of animals and other living creatures kept for the purposes of farming or any other trade.

**Textual Amendments**

**F213** Words in s. 97 substituted (31.7.1998) by Finance Act 1998 (c. 36), **s. 46(3)(a)(b)**, Sch. 7 para. 1

**Marginal Citations**

**M80** SOURCE-1970 s. 139

**[<sup>F214</sup>98 Tied premises: receipts and expenses treated as those of trade.**

- (1) This section applies where a person ("the trader")—
  - (a) carries on a trade,
  - (b) in the course of the trade supplies, or is concerned in the supply of, goods sold or used on premises occupied by another person,
  - (c) has an estate or interest in those premises, and
  - (d) deals with that estate or interest as property employed for the purposes of the trade.
- (2) Where this section applies the receipts and expenses in connection with the premises that would otherwise fall to be brought into account in computing the profits of a Schedule A business carried on by the trader shall instead be brought into account in computing the profits of the trade.
- (3) Any necessary apportionment shall be made on a just and reasonable basis of receipts or expenses—
  - (a) which do not relate only to the premises concerned, or
  - (b) where the conditions in subsection (1) are met only in relation to part of the premises.

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- (4) This section applies to premises outside the United Kingdom as if the premises were in the United Kingdom.]

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**Textual Amendments**

**F214** S. 98 substituted (17.3.1998) by Finance Act 1998 (c. 36), s. 41(1)(3) (with s. 41(4)-(7))

**99 Dealers in land.**

- (1) <sup>M81</sup>In computing for tax purposes the [<sup>F215</sup>profits] of a trade of dealing in land, there shall be disregarded—
- (a) so much of the cost of woodlands in the United Kingdom purchased in the course of the trade as is attributable to trees or saleable underwood growing on the land; and
  - (b) where any amount has been disregarded under paragraph (a) above and, on a subsequent sale of the woodlands in the course of the trade, all or any of the trees or underwood to which the amount disregarded was attributable are still growing on the land, so much of the price for the land as is equal to the amount so disregarded in respect of those trees or underwood.
- (2) <sup>M82</sup>In computing the [<sup>F215</sup>profits] of a trade of dealing in land, any trading receipt falling within subsection (1), (4) or (5) of section 34 or section 35 or 36 shall be treated as reduced by the amount on which tax is chargeable by virtue of that section.
- (3) Where, on a claim being made under subsection (2)(b) of section 36, the amount on which tax was chargeable by virtue of that section is treated as reduced, subsection (2) above shall be deemed to have applied to the amount as reduced, and any such adjustment of liability to tax shall be made (for all relevant chargeable periods) whether by means of an assessment or otherwise, as may be necessary, and may be so made at any time at which it could be made if it related only to tax for the chargeable period in which that claim is made.
- (4) <sup>M83</sup>Subsection (1) above shall not apply where the purchase mentioned in paragraph (a) of that subsection was made under a contract entered into before 1st May 1963.

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**Textual Amendments**

**F215** Words in s. 99(1)(2) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

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**Marginal Citations**

- M81** SOURCE-1970 s. 142(1)  
**M82** SOURCE-1970 s. 142(2), (4)  
**M83** SOURCE-1970 s. 142(2), (4)

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## CHAPTER VI

### DISCONTINUANCE <sup>F216</sup> . . .

#### Textual Amendments

**F216** Words in Pt. 4 Ch. 6 heading repealed (with application in accordance with Sch. 27 Pt. 3(6) Note of the repealing Act) by Finance Act 1998 (c. 36), Sch. 27 Pt. 3(6)

#### *Valuation of trading stock etc.*

#### 100 Valuation of trading stock at discontinuance of trade.

- (1) <sup>M84</sup>In computing for any tax purpose the [<sup>F217</sup>profits] of a trade which has been discontinued, any trading stock belonging to the trade at the discontinuance shall be valued as follows—
- (a) if—
    - (i) the stock is sold or transferred for valuable consideration to a person who carries on, or intends to carry on, a trade in the United Kingdom, and
    - (ii) the cost of the stock may be deducted by the purchaser as an expense in computing for any tax purpose the [<sup>F217</sup>profits] of that trade,
 the value of the stock shall be taken to be the amount [<sup>F218</sup>determined in accordance with subsections (1A) to (1C) below; and]
  - (b) if the stock does not fall to be valued under paragraph (a) above, its value shall be taken to be the amount which it would have realised if it had been sold in the open market at the discontinuance of the trade.
- <sup>F219</sup>(1A) Subject to subsections (1B) and (1C) below and to paragraph 2 of Schedule 12 to the <sup>M85</sup>Finance Act 1988 (gilt-edged securities and other financial trading stock), the value of any trading stock falling to be valued under paragraph (a) of subsection (1) above shall be taken—
- (a) except where the person to whom it is sold or transferred is connected with the person who makes the sale or transfer, to be the amount (“the price actually received for it”) which is in fact realised on the sale or, as the case may be, which is in fact the value of the consideration given for the transfer; and
  - (b) if those persons are connected with each other, to be what would have been the price actually received for it had the sale or transfer been a transaction between independent persons dealing at arm’s length.
- (1B) In a case falling within subsection (1)(a) above—
- (a) <sup>F220</sup> . . . . .
  - (b) stock sold in circumstances in which the amount realised on the sale would be taken to be an amount determined in accordance with paragraph 5 of Schedule 5 shall be taken to have the value so determined, instead of the value for which subsection (1A)(a) or (b) above provides.
- (1C) If—
- (a) trading stock is sold or transferred to a person in circumstances where paragraph (b) of subsection (1A) above would apply (apart from this subsection) for determining the value of the stock so sold or transferred,

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- (b) the amount which would be taken in accordance with that paragraph to be the value of all of the stock sold or transferred to that person is more than the acquisition value of that stock and also more than the price actually received for it, and
- (c) both parties to the sale or transfer, by notice signed by them and sent to the inspector no later than two years after the end of the chargeable period in which the trade is discontinued, elect that this subsection shall apply,

then the stock sold or transferred to that person shall be taken to have a value equal to whichever is the greater (taking all the stock so sold or transferred together) of its acquisition value and the price actually received for it or, in a case where they are the same, to either of them.

(1D) In subsection (1C) above “acquisition value”, in relation to any trading stock, means the amount which, in computing for any tax purposes the [<sup>F217</sup>profits] of the discontinued trade, would have been deductible as representing the acquisition value of that stock if—

- (a) the stock had, immediately before the discontinuance, been sold in the course of the trade for a price equal to whatever would be its value in accordance with subsection (1A)(b) above; and
- (b) the period for which those [<sup>F217</sup>profits] were to be computed began immediately before the sale.

(1E) Where any trading stock falls to be valued under subsection (1)(a) above, the amount determined in accordance with subsections (1A) to (1C) above to be the amount to be brought into account as the value of that stock in computing [<sup>F217</sup>profits] of the discontinued trade shall also be taken, for the purpose of making any deduction in computing the [<sup>F217</sup>profits] of any trade carried on by the purchaser, to be the cost of that stock to the purchaser.

(1F) For the purposes of this section two persons are connected with each other if—

- (a) they are connected with each other within the meaning of section 839;
- (b) one of them is a partnership and the other has a right to a share in the partnership;
- (c) one of them is a body corporate and the other has control over that body;
- (d) both of them are partnerships and some other person has a right to a share in each of them; or
- (e) both of them are bodies corporate or one of them is a partnership and the other is a body corporate and, in either case, some other person has control over both of them;

and in this subsection the references to a right to a share in a partnership are references to a right to a share of the assets or income of the partnership and “control” has the meaning given by section 840.

(1G) In this section “purchaser”, in relation to a transfer otherwise than by sale, means the person to whom the transfer is made.]

(2) <sup>M86</sup>For the purposes of this section “trading stock”, in relation to any trade—

- (a) means property of any description, whether real or personal, being either—
  - (i) property such as is sold in the ordinary course of the trade, or would be so sold if it were mature or if its manufacture, preparation or construction were complete; or

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- (ii) materials such as are used in the manufacture, preparation or construction of any such property as is referred to in sub-paragraph (i) above; and
- (b) includes also any services, article or material which would, if the trade were a profession or vocation, be treated, for the purposes of section 101, as work in progress of the profession or vocation, and references to the sale or transfer of trading stock shall be construed accordingly.
- [<sup>F221</sup>(3) Where trading stock falling to be valued under paragraph (a) of subsection (1) above is sold or transferred together with other assets, so much of the amount realised on the sale or, as the case may be, of the value of the consideration given for the transfer as on a just and reasonable apportionment is properly attributable to each asset shall be treated for the purposes of this section as the amount realised on the sale or, as the case may be, the value of the consideration given for the transfer, of that asset.]

#### Textual Amendments

- F217** Words in s. 100(1)(1D)(1E) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1
- F218** Words in s. 100(1)(a) substituted (with application in accordance with s. 140(2) of the amending Act) by Finance Act 1995 (c. 4), s. 140(1)
- F219** S. 100(1A)-(1G) inserted (with application in accordance with s. 140(2) of the amending Act) by Finance Act 1995 (c. 4), by {s. 140(1)}
- F220** S. 100(1B)(a) repealed (24.7.2002) by Finance Act 2002 (c. 23), s. 105(1), Sch. 40 Pt. 3(17)
- F221** S. 100(3) inserted (with application in accordance with s. 106(2) of the amending Act) by Finance Act 2002 (c. 23), s. 106(1)

#### Modifications etc. (not altering text)

- C61** S. 100 excluded (24.2.2003) by Proceeds of Crime Act 2002 (c. 29), s. 458(1), Sch. 10 para. 11(3); S.I. 2003/120, art. 2, Sch. (with arts. 3-7 (as amended by S.I. 2003/333, art. 14))
- C62** See—1988(F) Sch. 12 para. 2—*building societies converting to companies*. Trustee Savings Bank Act 1985 (c. 58) s. 5 and Sch. 2 para. 6(1)—*this provision not to apply to the discontinuance of an existing bank under the TSB Act 1985.*

#### Marginal Citations

- M84** Source—1970 s. 137(1)
- M85** 1988 c. 39.
- M86** Source—1970 s. 137(4)

### 101 Valuation of work in progress at discontinuance of profession or vocation.

- (1) <sup>M87</sup>Where, in computing for any tax purpose the [<sup>F222</sup>profits] of a profession or vocation which has been discontinued, a valuation is taken of the work of the profession or vocation in progress at the discontinuance, that work shall be valued as follows—
- (a) if—
- (i) the work is transferred for money or any other valuable consideration to a person who carries on, or intends to carry on, a profession or vocation in the United Kingdom, and
- (ii) the cost of the work may be deducted by that person as an expense in computing for any tax purpose the [<sup>F222</sup>profits] of that profession or vocation,

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the value of the work shall be taken to be the amount paid or other consideration given for the transfer; and

- (b) if the work does not fall to be valued under paragraph (a) above, its value shall be taken to be the amount which would have been paid for a transfer of the work on the date of the discontinuance as between parties at arm's length.

- (2) <sup>M88</sup>Where a profession or vocation is discontinued, and the person by whom it was carried on immediately before the discontinuance so elects by notice sent to the inspector at any time within [<sup>F223</sup>the period specified in subsection (2A) below]—

- (a) the amount (if any) by which the value of the work in progress at the discontinuance (as ascertained under subsection (1) above) exceeds the actual cost of the work shall not be brought into account in computing the [<sup>F222</sup>profits] of the period immediately before the discontinuance; but
- (b) the amount by which any sums received for the transfer of the work exceed the actual cost of the work shall be included in the sums chargeable to tax by virtue of section 103 as if it were a sum to which that section applies received after the discontinuance.

[<sup>F224</sup>(2A) The period mentioned in subsection (2) above is—

- (a) in the case of an election for the purposes of income tax, the period ending with the first anniversary of the 31st January next following the year of assessment in which the profession or vocation is discontinued;
- (b) in the case of an election for the purposes of corporation tax, the period of two years beginning at the end of the accounting period in which the profession or vocation is discontinued.]

- (3) <sup>M89</sup>References in this section to work in progress at the discontinuance of a profession or vocation shall be construed as references to—

- (a) any services performed in the ordinary course of the profession or vocation, the performance of which was wholly or partly completed at the time of the discontinuance and for which it would be reasonable to expect that a charge would have been made on their completion if the profession or vocation had not been discontinued; and
- (b) any article produced, and any such material as is used, in the performance of any such services,

and references in this section to the transfer of work in progress shall include references to the transfer of any benefits and rights which accrue, or might reasonably be expected to accrue, from the carrying out of the work.

#### Textual Amendments

**F222** Words in s. 101(1)(2)(a) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

**F223** Words in s. 101(2) substituted (with effect in accordance with s. 135(2) of the amending Act) by [Finance Act 1996 \(c. 8\), Sch. 21 para. 3\(2\)](#)

**F224** S. 101(2A) inserted (with effect in accordance with s. 135(2) of the amending Act) by [Finance Act 1996 \(c. 8\), Sch. 21 para. 3\(3\)](#)

#### Marginal Citations

**M87** Source—1970 s.138(1)

**M88** Source—1970 s.138(3)

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**M89** Source—1970 s.138(5)

## 102 Provisions supplementary to sections 100 and 101.

- (1) <sup>M90</sup> Any question arising under section 100(1)(a) or 101(1)(a) shall be determined as follows, for the purpose of computing for any tax purpose the [<sup>F225</sup>profits] of both the trades or, as the case may be, the professions or vocations concerned—
- (a) in a case where the same body of General Commissioners have jurisdiction with respect to [<sup>F226</sup>each of the persons whose trade, profession or vocation is one of those] concerned, the question shall be determined by those Commissioners unless all parties concerned agree that it shall be determined by the Special Commissioners;
  - (b) in any other case, the question shall be determined by the Special Commissioners; and
  - (c) the General or Special Commissioners shall determine the question in like manner as an appeal.
- (2) <sup>M91</sup> Where, by virtue of section 113 or 337(1), a trade, profession or vocation is treated as having been permanently discontinued for the purpose of computing tax, it shall also be so treated for the purposes of sections 100 and 101; but those sections shall not apply in a case where a trade, profession or vocation carried on by a single individual is discontinued by reason of his death.

### Textual Amendments

**F225** Words in s. 102(1) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

**F226** Words in s. 102(1)(a) substituted (with effect in accordance with [Sch. 22 para. 12](#) of the amending Act) by [Finance Act 1996 \(c. 8\), Sch. 22 para. 11](#)

### Marginal Citations

**M90** Source—1970 s.137(2), 138(2)

**M91** Source—1970 s.137(3), 138(4)

## *Case VI charges on receipts*

## 103 Receipts after discontinuance: earnings basis charge and related charge affecting conventional basis.

- <sup>M92</sup>(1) Where any trade, profession or vocation the [<sup>F227</sup>profits] of which are chargeable to tax under Case I or II of Schedule D has been permanently discontinued, tax shall be charged under Case VI of that Schedule in respect of any sums to which this section applies which are received after the discontinuance.
- (2) Subject to subsection (3) below, this section applies to the following sums arising from the carrying on of the trade, profession or vocation during any period before the discontinuance (not being sums otherwise chargeable to tax)—
- (a) where the [<sup>F227</sup>profits] for that period were computed by reference to earnings, all such sums in so far as their value was not brought into account in computing the [<sup>F227</sup>profits] for any period before the discontinuance, and



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- (b) where those [<sup>F227</sup>profits] were computed on a conventional basis (that is to say, were computed otherwise than by reference to earnings), any sums which, if those [<sup>F227</sup>profits] had been computed by reference to earnings, would not have been brought into the computation for any period before the discontinuance because the date on which they became due, or the date on which the amount due in respect thereof was ascertained, fell after the discontinuance.
- (3) This section does not apply to any of the following sums—
- (a) sums received by a person beneficially entitled thereto who is not resident in the United Kingdom, or by a person acting on his behalf, which represent income arising directly or indirectly from a country or territory outside the United Kingdom, or
  - (b) a lump sum paid to the personal representatives of the author of a literary, dramatic, musical or artistic work as consideration for the assignment by them, wholly or partially, of the copyright in the work, or
  - [<sup>F228</sup>(b)] a lump sum paid to the personal representatives of the designer of a design which design right subsists as consideration for the assignment by them, wholly or partially, of that right,
  - (c) sums realised by the transfer of trading stock belonging to a trade at the discontinuance of the trade, or by the transfer of the work of a profession or vocation in progress at its discontinuance.

Paragraph (b) above shall have effect in relation to public lending right as it has effect in relation to copyright.

- (4) Where—
- (a) in computing for tax purposes the [<sup>F227</sup>profits] of a trade, profession or vocation a deduction has been allowed for any debt incurred for the purposes of the trade, profession or vocation, and
  - (b) the whole or any part of that debt is thereafter released [<sup>F229</sup>otherwise than as part of a relevant arrangement or compromise], and
  - (c) the trade, profession or vocation has been permanently discontinued at or after the end of the period for which the deduction was allowed and before the release was effected,

subsections (1) to (3) above shall apply as if the amount released were a sum received after the discontinuance.

[<sup>F230</sup>(4A)] In subsection (4)(b) above “relevant arrangement or compromise” has the same meaning as in section 74.]

- (5) For the purposes of this section the value of any sum received in payment of a debt shall be treated as not brought into account in the computation of the [<sup>F227</sup>profits] of a trade, profession or vocation to the extent that a deduction has been allowed in respect of that sum under section 74(j).

#### Textual Amendments

**F227** Words in s. 103(1)(2)(a)(b)(4)(a)(5) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

**F228** Sch.7 para.36(3) Copyright Designs and Patents Act 1988 (c.48) in force on 1 August 1989. (Commencement order—S.I. 1989 No.816—not reproduced).

**F229** Words in s. 103(4)(b) inserted (with effect in accordance with s. 144(7) of the amending Act) by Finance Act 1994 (c. 9), s. 144(3)(b)

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**F230** S. 103(4A) inserted (3.5.1994) by Finance Act 1994 (c. 9), s. 144(5)

**Modifications etc. (not altering text)**

**C63** S. 103(5) (as it had effect before 2005 c. 5) amended (with effect in accordance with s. 80(3)(4) of the amending Act) by Finance Act 2005 (c. 7), Sch. 4 para. 5(4)

**Marginal Citations**

**M92** Source—1970 s.143; 1983 s.27(b)

**104 Conventional basis: general charge on receipts after discontinuance**<sup>F231</sup> . . . .

- (1)<sup>M93</sup> Where any trade, profession or vocation the [<sup>F232</sup>profits] of which are chargeable to tax under Case I or II of Schedule D has been permanently discontinued, and the [<sup>F232</sup>profits] for any period before the discontinuance were computed on a conventional basis, tax shall be charged under Case VI of that Schedule in respect of any sums to which this subsection applies which are received on or after the discontinuance.
- (2) Subject to subsection (3) below, subsection (1) above applies to all sums arising from the carrying on of the trade, profession or vocation during any period before the discontinuance, not being sums otherwise chargeable to tax, in so far as the amount or value of the sums was not brought into account in computing the [<sup>F232</sup>profits] for any period before the discontinuance.
- (3) In subsection (2) above the reference to sums otherwise chargeable to tax includes any sums which (disregarding this section) are chargeable to tax under section 103 or to which that section would have applied but for subsection (3)(a) and (b) of that section.
- (4)<sup>F233</sup> . . . . .
- (5)<sup>F233</sup> . . . . .
- (6)<sup>M94</sup> It is hereby declared that where work in progress at the discontinuance of a profession or vocation, or the responsibility for its completion, is transferred, the sums to which subsection (1) above applies include any sums received by way of consideration for the transfer, and any sums received by way of realisation by the transferee, on behalf of the transferor, of the work in progress transferred.
- (7)<sup>F233</sup> . . . . .

**Textual Amendments**

**F231** Words in s. 104 sidenote repealed (with effect in accordance with Sch. 27 Pt. 3(6) Note of the repealing act) by Finance Act 1998 (c. 36), Sch. 27 Pt. 3(6)

**F232** Words in s. 104(1)(2) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

**F233** S. 104(4)(5)(7) repealed (with application in accordance with Sch. 27 Pt. 3(6) Note of the repealing Act) by Finance Act 1998 (c. 36), Sch. 27 Pt. 3(6)

**Marginal Citations**

**M93** Source—1970 s.144(1)

**M94** Source—1970 s.144(3), (4)

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## 105 Allowable deductions.

<sup>M95</sup>(1) In computing the charge to tax in respect of sums received by any person which are chargeable to tax by virtue of section 103 or 104(1) (including amounts treated as sums received by him by virtue of section 103(4)), there shall be deducted from the amount which, apart from this subsection, would be chargeable to tax—

- (a) any loss, expense or debit (not being a loss, expense or debit arising directly or indirectly from the discontinuance itself) which, if the trade, profession or vocation had not been discontinued, would have been deducted in computing for tax purposes the [<sup>F234</sup>profits] of the person by whom it was carried on before the discontinuance, or would have been deducted from or set off against those [<sup>F234</sup>profits] as so computed, and
- (b) any capital allowance to which the person who carried on the trade, profession or vocation was entitled immediately before the discontinuance and to which effect has not been given by way of relief before the discontinuance.

(2) No amount shall be deducted under subsection (1) above if that amount has been allowed under any other provision of the Tax Acts [<sup>F235</sup>or by virtue of section 90(4) of the Finance Act 1995].

(3) No amount shall be deducted more than once under subsection (1) above; and—

- (a) any expense or debit shall be apportioned between a sum chargeable under section 103 and a sum chargeable under section 104(1) in such manner as may be just;
- (b) as between sums chargeable, whether under section 103 or 104(1), for one chargeable period and sums so charged for a subsequent chargeable period, any deduction in respect of a loss or capital allowance shall be made against sums chargeable for the earlier chargeable period;
- (c) subject to paragraph (b) above, as between sums chargeable for any chargeable period under section 103 and sums so chargeable under section 104(1), any deduction in respect of a loss or capital allowance shall be made against the last-mentioned sums rather than the first-mentioned;

but, in the case of a loss which is to be allowed after the discontinuance, not so as to authorise its deduction from any sum chargeable for a chargeable period preceding that in which the loss is incurred.

(4) <sup>F236</sup> .....

### Textual Amendments

**F234** Words in s. 105(1)(a)(4) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

**F235** Words in s. 105(2) inserted (with effect in accordance with s. 90(7) of the amending Act) by Finance Act 1995 (c. 4), s. 90(6)

**F236** S. 105(4) repealed (with application in accordance with Sch. 27 Pt. 3(6) Note of the repealing Act) by Finance Act 1998 (c. 36), Sch. 27 Pt. 3(6)

### Modifications etc. (not altering text)

**C64** S. 105 modified by Capital Allowances Act 1990 (c. 1), s. 15A (as inserted (29.4.1996) by Finance Act 1996 (c. 8), s. 201, Sch. 39 para. 1(2))

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### Marginal Citations

**M95** Source—1970 s.145

## 106 Application of charges where rights to payments transferred.

<sup>M96</sup>(1) Subject to subsection (2) below, in the case of a transfer for value of the right to receive any sum to which section 103, 104(1) or 104(4) applies, any tax chargeable by virtue of either of those sections shall be charged in respect of the amount or value of the consideration (or, in the case of a transfer otherwise than at arm's length, in respect of the value of the right transferred as between parties at arm's length), and references in this Chapter, except section 101(2), to sums received shall be construed accordingly.

(2) Where a trade, profession or vocation is treated as permanently discontinued by reason of a change in the persons carrying it on, and the right to receive any sum to which section 103 or 104(1) applies is or was transferred at the time of the change to the persons carrying on the trade, profession or vocation after the change, tax shall not be charged by virtue of either of those sections, but any sum received by those persons by virtue of the transfer shall be treated for all purposes as a receipt to be brought into the computation of the [<sup>F237</sup>profits] of the trade, profession or vocation in the period in which it is received.

### Textual Amendments

**F237** Word in s. 106(2) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

### Marginal Citations

**M96** Source—1970 s.147

## *Reliefs*

## 107 Treatment of receipts as earned income.

<sup>M97</sup>Where an individual is chargeable to tax by virtue of section 103 or 104, and the [<sup>F238</sup>profits] of the trade, profession or vocation to which he was entitled before the discontinuance or, as the case may be, change of basis fell to be treated as earned income for the purposes of income tax, the sums in respect of which he is so chargeable shall also be treated as earned income for those purposes (but, in the case of sums chargeable by virtue of section 104, after any reduction in those sums under section 109).

### Textual Amendments

**F238** Words in s. 107 substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

### Marginal Citations

**M97** Source—1970 s.148

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## 108 Election for carry-back.

<sup>M98</sup>Where any sum is—

- (a) chargeable to tax by virtue of section 103 or 104, and
- (b) received in any year of assessment beginning not later than six years after the discontinuance or, as the case may be, change of basis by the person by whom the trade, profession or vocation was carried on before the discontinuance or change, or by his personal representatives,

that person or (in either case) his personal representatives may, by notice sent to [<sup>F239</sup>an officer of the Board within one year from the 31st January next following] that year of assessment, elect that the tax so chargeable shall be charged as if the sum in question were received on the date on which the discontinuance took place or, as the case may be, on the last day of the period at the end of which the change of basis took place

<sup>F240</sup>  
. . . .

### Textual Amendments

**F239** Words in s. 108 substituted (with effect in accordance with s. 128(11) of the amending Act) by Finance Act 1996 (c. 8), s. 128(4)(a)

**F240** Words in s. 108 repealed (with effect in accordance with s. 128(11) of the repealing Act) by Finance Act 1996 (c. 8), s. 128(4)(b), Sch. 41 Pt. 5(6), Note 1

### Marginal Citations

**M98** Source—1970 s.149

## 109 Charge under section 104: relief for individuals born before 6th April 1917.

<sup>M99</sup>(1) If an individual born before 6th April 1917, or the personal representatives of such an individual, is chargeable to tax under section 104 and—

- (a) the individual was engaged in carrying on a trade, profession or vocation on 18th March 1968, and
- (b) the [<sup>F241</sup>profits] of the trade, profession or vocation were not computed by reference to earnings in the period in which that 18th March fell, or in any subsequent period ending before or with the relevant date,

the net amount with which he is so chargeable to tax shall be reduced by multiplying that net amount by the fraction given below.

(2) Where section 104(4) applies in relation to a change of basis taking place on a date before 19th March 1968, then, in relation to tax chargeable by reference to that change of basis, that earlier date shall be substituted for the date in subsection (1)(a) above and subsection (1)(b) above shall be omitted.

(3) The fraction referred to in subsection (1) above is—

- (a) where on 5th April 1968 the individual had not attained the age of 52—

$$\frac{19}{20}$$

- (b) where on that date he had attained the age of 52, but had not attained the age of 53—

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$$\frac{18}{20}$$

and so on, reducing the fraction by—

$$\frac{1}{20}$$

for each year he had attained up to the age of 64;

(c) where on that date he had attained the age of 65, or any greater age—

$$\frac{5}{20}$$

(4) In this section—

“the net amount” with which a person is chargeable to tax under section 104 means the amount with which he is so chargeable after making any deduction authorised by section 105 but before giving any relief under this section; and “relevant date”—

- (a) in relation to tax under section 104(1), means the date of the permanent discontinuance, and
- (b) in relation to tax under section 104(4), means the date of the change of basis.

(5) Subsections (1) to (4) above shall apply as follows as respects the net amount of any sum chargeable under section 104 which is assessed by reference to a sum accruing to a partnership—

- (a) the part of that net amount which is apportioned to any partner (who is an individual), or the personal representative of such an individual, shall be a net amount with which that person is chargeable under that section, and
- (b) if the part of that net amount which is so apportioned is a greater proportion of that amount than is the individual’s share (that is to say, the part to be included in his total income) of the total amount of the partnership profits assessed to income tax for the three years of assessment ending with the year in which the discontinuance or change of basis took place, the amount of the reduction to be given by way of relief shall not exceed the amount of relief which would have been so given if the apportionment had been made by reference to his share of that total amount.

(6) For the purposes of this section the trade, profession or vocation carried on before a permanent discontinuance shall not be treated as the same as any carried after the discontinuance.

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#### Textual Amendments

**F241** Words in s. 109(1)(b) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para.

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### Marginal Citations

**M99** Source—1970 s.150

## <sup>F242</sup> Relief for post-cessation expenditure

### Textual Amendments

**F242** S. 109A and preceding cross-heading inserted (with effect in accordance with s. 90(7) of the amending Act) by Finance Act 1995 (c. 4), s. 90(1)

## **109A Relief for post-cessation expenditure.**

- (1) Where in connection with a trade, profession or vocation formerly carried on by him which has been permanently discontinued a person makes, within seven years of the discontinuance, a payment to which this section applies, he may, by notice given within twelve months from the 31st January next following the year of assessment in which the payment is made, claim relief from income tax on an amount of his income for that year equal to the amount of the payment.
- (2) This section applies to payments made wholly and exclusively—
  - (a) in remedying defective work done, goods supplied or services rendered in the course of the former trade, profession or vocation or by way of damages (whether awarded or agreed) in respect of any such defective work, goods or services; or
  - (b) in defraying the expenses of legal or other professional services in connection with any claim that work done, goods supplied or services rendered in the course of the former trade, profession or vocation was or were defective;
  - (c) in insuring against any liabilities arising out of any such claim or against the incurring of such expenses; or
  - (d) for the purpose of collecting a debt taken into account in computing the <sup>F243</sup>profits] of the former trade, profession or vocation.
- (3) Where a payment of any of the above descriptions is made in circumstances such that relief under this section is available, the following shall be treated as sums to which section 103 applies (whether or not they would be so treated apart from this subsection)—
  - (a) in the case of a payment within paragraph (a) or (b) of subsection (2) above, any sum received, by way of the proceeds of insurance or otherwise, for the purpose of enabling the payment to be made or by means of which it is reimbursed,
  - (b) in the case of a payment within paragraph (c) of that subsection, any sum (not falling within paragraph (a) above) received by way of refund of premium or otherwise in connection with the insurance, and
  - (c) in the case of a payment within paragraph (d) of that subsection, any sum received to meet the costs of collecting the debt;

and no deduction shall be made under section 105 in respect of any such sums.

Where such a sum is received in a year of assessment earlier than that in which the related payment is made, it shall be treated as having been received in that later year and not in the earlier year; and any such adjustment shall be made, by way of

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modification of any assessment or discharge or repayment of tax, as is required to give effect to this subsection.

- (4) Where a trade, profession or vocation carried on by a person has been permanently discontinued and subsequently an unpaid debt which was taken into account in computing the [<sup>F243</sup>profits] of that trade, profession or vocation and to the benefit of which he is entitled [<sup>F244</sup> is released in whole or in part as part of a relevant arrangement or compromise (within the meaning of section 74), he shall be treated as making a payment to which this section applies of—
- (a) an amount equal to the amount released, or
  - (b) if he was entitled to only part of the benefit of the debt, an amount equal to an appropriate proportion of that amount.]

If any sum is subsequently received by him in payment of a debt for which relief has been given by virtue of this subsection, the sum shall be treated as one to which section 103 applies; and no deduction shall be made under section 105 in respect of any such sum.

- [<sup>F245</sup>(4A) Where a trade, profession or vocation carried on by a person has been permanently discontinued and subsequently an unpaid debt which was taken into account in computing the [<sup>F243</sup>profits] of that trade, profession or vocation and to the benefit of which he is entitled, proves to be bad, then if—
- (a) in making a claim for a year of assessment under subsection (1) above he gives notice that the debt was bad in any part of that year, and
  - (b) he has not given such a notice in respect of that debt in the making of any other such claim,

he shall be treated as making in that year a payment to which this section applies of an amount equal to the amount of the debt or, if he was entitled to only part of the benefit of the debt, to an appropriate proportion of that amount.

If any sum is subsequently received by him in payment of a debt for which relief has been given by virtue of this subsection, the sum shall be treated as one to which section 103 applies; and no deduction shall be made under section 105 in respect of any sum.]

- (5) Where in the case of a trade, profession or vocation which has subsequently been permanently discontinued a deduction was made in computing the profits or losses of the trade, profession or vocation in respect of an expense not actually paid (an “unpaid expense”), then—
- (a) if relief under this section in connection with that trade, profession or vocation is claimed in respect of any year of assessment, the amount of the relief shall be reduced by the amount of any unpaid expenses at the end of that year;
  - (b) for the purposes of the application of paragraph (a) above in relation to a subsequent year of assessment, any amount by which relief under this section has been reduced by virtue of that paragraph shall be treated as having been paid in respect of the expense in question; and
  - (c) if subsequently any amount is in fact paid in respect of an expense in respect of which a reduction has been made under paragraph (a), that amount (or, if less, the amount of the reduction) shall be treated as a payment to which this section applies.

- (6) Relief shall not be given under this section in respect of an amount for which relief has been given or is available under any other provision of the Income Tax Acts.



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In applying this subsection relief available under section 105 shall be treated as given in respect of other amounts before any amount in respect of which relief is available under this section.

(7) This section does not apply for the purposes of corporation tax.

#### Textual Amendments

**F243** Words in s. 109A(2)(d)(4)(4A) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

**F244** Words in s. 109A(4) substituted (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), Sch. 20 para. 5(1)

**F245** S. 109A(4A) inserted (with effect in accordance with s. 134(2) of the amending Act) by Finance Act 1996 (c. 8), Sch. 20 para. 5(2)

#### Modifications etc. (not altering text)

**C65** S. 109A(1) modified (with application as stated in s. 90(7) of the modifying Act) by Finance Act 1995 (c. 4), s. 90(2)

### Supplemental

#### 110 Interpretation etc.

- (1) <sup>M100</sup>The following provisions have effect for the purposes of [<sup>F246</sup>sections 103 to 109A].
- (2) <sup>M101</sup>For the purposes of those sections, any reference to the permanent discontinuance of a trade, profession or vocation includes a reference to the occurring of [<sup>F247</sup>—
  - (a) any event which, under section 113 or 337(1), is to be treated as equivalent to the permanent discontinuance of a trade, profession or vocation; or
  - (b) in relation to a trade or profession carried on by a person in partnership with other persons, any event which, under subsection (4) of section 111, is to be treated as equivalent to the permanent discontinuance of his deemed trade or profession (within the meaning of that subsection)].
- (3) <sup>M102</sup>The [<sup>F248</sup>profits] of a trade, profession or vocation in any period shall be treated as computed by reference to earnings where all credits and liabilities accruing during that period as a consequence of its being carried on are brought into account in computing those [<sup>F248</sup>profits] for tax purposes, and not otherwise, and “earnings basis” shall be construed accordingly.
- (4) “Conventional basis” has the meaning given by section 103(2), so that [<sup>F248</sup>profits] are computed on a conventional basis if computed otherwise than by reference to earnings.
- (5) There is a change from a conventional basis to the earnings basis at the end of a period the [<sup>F248</sup>profits] of which were computed on a conventional basis if the [<sup>F248</sup>profits] of the next succeeding period are computed by reference to earnings; and, if the [<sup>F248</sup>profits] of two successive periods are computed on different conventional bases, a change of conventional basis occurs at the end of the earlier period.
- (6) In sections 103 and 104—
  - (a) “trading stock” has the meaning given by section 100(2);

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- (b) references to work in progress at the discontinuance of a profession or vocation, and to the transfer of work in progress, are to be construed in accordance with section 101(3); and
- (c) the reference to work in progress at the time of a change of basis is also to be construed in accordance with section 101(3), substituting therein for this purpose references to the change of basis for references to the discontinuance.

#### Textual Amendments

- F246** Words in s. 110(1) substituted (with effect in accordance with s. 90(7) of the amending Act) by Finance Act 1995 (c. 4), s. 90(3)
- F247** Words in s. 110(2) substituted (with effect in accordance with s. 215(4) of the 1994 amending Act) by Finance Act 1994 (c. 9), s. 215(1A) (as inserted (retrospectively) by Finance Act 1995 (c. 4), s. 117(1)(c)(3))
- F248** Words in s. 110(3)(4)(5) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

#### Marginal Citations

- M100** Source—1970 s.151(1)
- M101** Source—1970 s.146
- M102** Source—1970 s.151(2)-(5)

### *Change of residence*

#### 110A Change of residence.

- (1) Where there is a change of residence by an individual who is carrying on any trade, profession or vocation wholly or partly outside the United Kingdom and otherwise than in partnership with others, tax shall be chargeable, and loss relief may be claimed, as if the change—
- (a) constituted the permanent discontinuance of the trade, profession or vocation; and
  - (b) was immediately followed, in so far as the trade, profession or vocation continues to be carried on by that individual, by the setting up and commencement of a new one;
- but nothing in this subsection shall prevent any portion of a loss sustained before the change from being carried forward under section 385 and set against [<sup>F249</sup>profits] arising or accruing after the change.
- (2) For the purposes of this section there is a change of residence by an individual if—
- (a) not being resident in the United Kingdom, he becomes so resident; or
  - (b) being so resident, he ceases to be so resident.

#### Textual Amendments

- F249** Words in s. 110A(1) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1

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## CHAPTER VII

### PARTNERSHIPS AND SUCCESSIONS

#### Modifications etc. (not altering text)

**C66** See also—1970(M) s.9—partnership returns.1990(C), ss.65, 78—capital allowances for machinery, etc., used for trade carried on in partnership.

#### General

#### [<sup>F250</sup>111 Treatment of partnerships.

- (1) Where a trade or profession is carried on by persons in partnership, the partnership shall not, unless the contrary intention appears, be treated for the purposes of the Tax Acts as an entity which is separate and distinct from those persons.
- (2) So long as a trade or profession is carried on by persons in partnership, and any of those persons is chargeable to income tax, the [<sup>F251</sup>profits] or losses arising from the trade or profession (“the actual trade or profession”) shall be computed for the purposes of income tax in like manner as if—
  - (a) the partnership were an individual; and
  - (b) that individual were an individual resident in the United Kingdom.
- (3) A person’s share in the [<sup>F251</sup>profits] or losses arising from the actual trade or profession which for any period are computed in accordance with subsection (2) above shall be determined according to the interests of the partners during that period.
- (4) Where a person’s share in any [<sup>F251</sup>profits] or losses is determined in accordance with subsection (3) above, sections 60 to 63A shall apply as if—
  - (a) that share of the [<sup>F251</sup>profits] or losses derived from a trade or profession carried on by him alone;
  - (b) that trade or profession (“the deemed trade or profession”) had been set up and commenced by him at the time when he became a partner or, where the actual trade or profession was previously carried on by him alone, the time when the actual trade or profession was set up and commenced;
  - (c) as regards each year of assessment, any accounting date or accounting change of the actual trade or profession were also an accounting date or accounting change of the deemed trade or profession;
  - (d) subsection (2) of section 62 applied in relation to any accounting change of the deemed trade or profession if, and only if, on the assumption that the partnership were an individual, that subsection would apply in relation to the corresponding accounting change of the actual trade or profession; and
  - (e) the deemed trade or profession were permanently discontinued by him at the time when he ceases to be a partner or, where the actual trade or profession is subsequently carried on by him alone, the time when the actual trade or profession is permanently discontinued.
- (5) Where section 62(2) does not apply in relation to any accounting change of the deemed trade or profession which is made or treated as made in the year of assessment next

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following or next but one following the commencement year, sections 60(3)(a) and 61(2)(a) shall apply as if the old date in that year were the accounting date.

- (6) For the purpose of determining whether, on the assumption that the partnership were an individual, section 62(2) would apply in relation to an accounting change of the actual trade or profession—

- (a) a notice may be given under subsection (3) of section 62A; and
- (b) an appeal may be brought under subsection (6) of that section,

by such one of the partners as may be nominated by them for the purposes of this subsection.

- (7) Where—

- (a) subsections (2) and (3) above apply in relation to the [<sup>F251</sup>profits] or losses of a trade or profession carried on by persons in partnership; and
- (b) other income or other relievable losses accrue to those persons by virtue of their being partners,

those subsections shall apply as if references to the [<sup>F251</sup>profits] or losses arising from the trade or profession included references to that other income or those other relievable losses.

- (8) Where a person's share in any untaxed income from one or more sources, or in any relievable losses, is determined in accordance with subsection (3) as applied by subsection (7) above, sections 60 to 63A shall apply as if—

- (a) that share of that income or of those losses were [<sup>F251</sup>profits] or losses of a trade or profession carried on by that person alone;
- (b) that trade or profession (“the second deemed trade or profession”) had been set up and commenced by him at the time when he became a partner;
- (c) paragraphs (c) and (d) of subsection (4) and subsection (5) above applied in relation to the second deemed trade or profession as they apply in relation to the other deemed trade or profession;
- (d) the second deemed trade or profession were permanently discontinued by him at the time when he ceases to be a partner; and
- (e) each source of the income were treated as continuing until the second deemed trade or profession is treated as permanently discontinued.

- (9) Where—

- (a) the basis period for any year of assessment is given by section 62(2)(b) in the case of a person's second deemed trade or profession, or such a trade or profession is treated as permanently discontinued in any year of assessment; and
- (b) the amount falling to be deducted under subsection (1) or (3) of section 63A exceeds that person's share, as determined in accordance with subsection (3) as applied by subsection (7) above, in any untaxed income,

the amount of the excess shall be deducted in computing that person's income for that year.

- (10) Subsections (1) to (3) above apply in relation to persons in partnership by whom a business which is not a trade or profession is carried on as they apply in relation to persons in partnership by whom a trade or profession is carried on.

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- (11) In subsections (2) and (3) above as applied by subsection (10) above, references to the [F251 profits] or losses arising from the trade or profession shall have effect as references to any income or relievable losses arising from the business.
- (12) In this section—
- “accounting change” and “the old date” have the meanings given by section 62(1);
  - “accounting date” has the meaning given by section 60(5);
  - “the commencement year”, in relation to the deemed trade or profession or the second deemed trade or profession, means the year of assessment in which that trade or profession is deemed to have been set up and commenced;
  - “income” means any income (whether or not chargeable under Schedule D);
  - “untaxed income” means income which is not—
    - (a) income from which income tax has been deducted;
    - (b) income from or on which income tax is treated as having been deducted or paid; or
    - (c) income chargeable under Schedule F.
- (13) In this section—
- (a) any reference to sections 60 to 63A includes a reference to those sections as applied in relation to losses by section 382(3) and (4) and section 385(1); and
  - (b) any reference to a person becoming or ceasing to be a partner is a reference to his beginning or, as the case may be, ceasing to carry on the actual trade or profession in partnership with other persons.]

#### Textual Amendments

- F250** S. 111 substituted (with effect in accordance with s. 215(4)(5) of the 1994 amending Act) by [Finance Act 1994 \(c. 9\), s. 215\(1\)](#) (as amended (retrospectively) by [Finance Act 1995 c. 4, s. 117\(1\)\(a\)\(2\)\(4\)](#)) (with Sch. 20)
- F251** Words in s. 111(2)(3)(4)(7)(8)(a)(11) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\)](#), Sch. 7 para. 1

#### Modifications etc. (not altering text)

- C67** S. 111 modified (1.5.1995) by [Finance Act 1995 c. 4, s. 125\(1\)](#)
- C68** S. 111 excluded (subsection (1) excepted) (with application in accordance with s. 44 of the excluding act) by [Finance Act 1998 \(c. 36\), s. 46\(1\)\(2\), Sch. 6 para. 6\(6\)](#)
- C69** S. 111 excluded (subsection (1) excepted) (with effect in accordance with s. 64 and Sch. 22 paras. 16-18 of the excluding Act) by [Finance Act 2002 \(c. 23\), Sch. 22 para. 13\(6\)](#)

## 112 Partnerships controlled abroad.

- [F252M103(1) So long as a trade, profession or business is carried on by persons in partnership and any of those persons is not resident in the United Kingdom, section 111 shall have effect for the purposes of income tax in relation to the partner who is not so resident as if—
- (a) the reference in subsection (2)(b) to an individual resident in the United Kingdom were a reference to an individual who is not so resident; and

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- (b) in subsection (4)(a), after “carried on” there were inserted “in the United Kingdom”.

(1A) Where—

- (a) any persons are carrying on a trade, profession or business in partnership,
- (b) the trade, profession or business is carried on wholly or partly outside the United Kingdom,
- (c) the control and management of the trade, profession or business is situated outside the United Kingdom, and
- (d) any of the partners who is an individual resident in the United Kingdom satisfies the Board that he is not domiciled in the United Kingdom or that, being a Commonwealth citizen or a citizen of the Republic of Ireland, he is not ordinarily resident in the United Kingdom,

section 111 shall have effect in accordance with subsection (1) above as if that partner were not resident in the United Kingdom and, in addition (as respects that partner as an individual who is in fact resident in the United Kingdom), his interest as a partner, so far as it entitles him to a share of any [<sup>F253</sup>profits] arising from the carrying on of the trade, profession or business otherwise than within the United Kingdom, shall be treated for the purposes of Case V of Schedule D as if it were a possession outside the United Kingdom.

(1B) Where any persons are carrying on a trade or profession in partnership, the trade or profession is carried on wholly or partly outside the United Kingdom and an individual who is one of the partners changes his residence (within the meaning of section 110A), it shall be assumed for income tax purposes—

- (a) that that individual ceased to be a partner at the time of the change and became one again immediately afterwards; and
- (b) in relation to matters arising after the change, that the time when he became a partner is the time immediately after the change;

but nothing in this subsection shall, in relation to that individual, prevent any portion of a loss sustained before the change from being carried forward under section 385 and set against [<sup>F253</sup>profits] arising or accruing after the change.]

(4) In any case where—

- (a) a person resident in the United Kingdom (in this subsection and subsection (5) below referred to as “the resident partner”) is a member of a partnership which resides [<sup>F254</sup>outside the United Kingdom or which carries on any trade, profession or business the control and management of which is situated outside the United Kingdom]; and
- (b) by virtue of any arrangements falling within section 788 any of the income or capital gains of the partnership is relieved from tax in the United Kingdom,

the arrangements referred to in paragraph (b) above shall not affect any liability to tax in respect of the resident partner’s share of any income or capital gains of the partnership.

(5) If, in a case where subsection (4) above applies, the resident partner’s share of the income of the partnership consists of or includes a share in a qualifying distribution made by a company resident in the United Kingdom, then, notwithstanding anything in the arrangements, the resident partner (and not the partnership as a whole) shall be regarded as entitled to that share of the tax credit in respect of the distribution which corresponds to his share of the distribution.

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(6) Section 115(5) has effect as respects the application of [F255 subsections (4) and (5) above] where the partners in a partnership include a company.

**Textual Amendments**

- F252** S. 112(1)-(1B) substituted for s. 112(1)-(3) (with effect in accordance with s. 125(1) of the amending Act) by Finance Act 1995 (c. 4), s. 125(2)
- F253** Words in s. 112(1A)(1B) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1
- F254** Words in s. 112(4)(a) substituted (with effect in accordance with s. 125(1) of the amending Act) by Finance Act 1995 (c. 4), s. 125(3)(a)
- F255** Words in s. 112(6) substituted (with effect in accordance with s. 125(1) of the amending Act) by Finance Act 1995 (c. 4), s. 125(3)(b)

**Modifications etc. (not altering text)**

- C70** S. 112(4)-(6) modified (with retrospective effect) by Finance Act 2008 (c. 9), s. 58(5)(6)(b)

**Marginal Citations**

- M103** 1970 s.153; 1987 (No.2) s.62

**113 Effect, for income tax, of change in ownership of trade, profession or vocation.**

M104 (1) Where there is a change in the persons engaged in carrying on any trade, profession or vocation chargeable under Case I or II of Schedule D, then, subject to the provisions of this section F256 . . . , the amount of the [F257 profits] of the trade, profession or vocation on which income tax is chargeable for any year of assessment and the persons on whom it is chargeable, shall be determined as if the trade, profession or vocation had been permanently discontinued, and a new one set up and commenced, at the date of the change.

[F258 (2) Where—

- (a) there is such a change as is mentioned in subsection (1) above, and
- (b) a person engaged in carrying on the trade, profession or vocation immediately before the change continues to be so engaged immediately after it,

subsection (1) above shall not apply to treat the trade, profession or vocation as discontinued or a new one as set up and commenced.]

- (3) F259 . . . . .
- (4) F259 . . . . .
- (5) F259 . . . . .

(6) In the case of the death of a person who, if he had not died, would under the provisions of this section have become chargeable to tax for any year, the tax which would have been so chargeable shall be assessed and charged upon his executors or administrators, and shall be a debt due from and payable out of his estate F259 . . . .

(7) For the purposes of this section, a change in the personal representatives of any person, or in the trustees of any trust, shall not be treated as a change in the persons engaged in carrying on any trade, profession or vocation carried on by those personal representatives or trustees as such.

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### Textual Amendments

- F256** Words in s. 113(1) repealed (with effect in accordance with s. 215(4)(5) of the repealing Act) by Finance Act 1994 (c. 9), **Sch. 26 Pt. 5(24)**, Note 4(a) (as s. 215(5) of that Act is modified (1.5.1995) by 1995 c. 4, s. 125(1)) (with Sch. 20)
- F257** Words in s. 113(1) substituted (31.7.1998) by Finance Act 1998 (c. 6), **s. 46(3)(a)(b)**, Sch. 7 para. 1
- F258** S. 113(2) substituted (with effect in accordance with s. 215(4)(5) of the amending Act) by Finance Act 1994 (c. 9), **s. 216(1)** (with Sch. 20) (as s. 215(5) of that Act is modified (1.5.1995) by 1995 c. 4, s. 125(1)) (with Sch. 20)
- F259** S. 113(3)-(5) and words in s. 113(6) repealed (with effect in accordance with ss. 215(4)(5) of the repealing Act) by Finance Act 1994 (c. 9), s. 216(2), **Sch. 26 Pt. 5(24)**, Note 4(a) (as s. 215(5) of that Act is modified (1.5.1995) by 1995 c. 4, s. 125(1)) (with Sch. 20)

### Modifications etc. (not altering text)

- C71** See 1990(C) s.134(4)—*treatment of succession for purposes of capital allowances for dredging.*

### Marginal Citations

- M104** Source—1970 s.154; 1971 s.17(1)

## *Partnerships involving companies*

### 114 Special rules for computing profits and losses.

- (1) <sup>M105</sup>So long as a trade [<sup>F260</sup>profession or business] is carried on by persons in partnership, and any of those persons is a company, the profits and losses (including terminal losses) of the trade [<sup>F260</sup>profession or business] shall be computed for the purposes of corporation tax in like manner, and by reference to the like accounting periods, as if the partnership were a company [<sup>F261</sup>and, subject to section 115(4), as if that company were resident in the United Kingdom], and without regard to any change in the persons carrying on the trade [<sup>F260</sup>profession or business], except that—
- (a) references to distributions shall not apply; and
  - (b) subject to section 116(5), no deduction or addition shall be made for charges on income, or for capital allowances and charges, nor in any accounting period for losses incurred in any other period nor for any expenditure to which section 401(1) applies; and
  - (c) a change in the persons engaged in carrying on the trade [<sup>F260</sup>profession or business] shall be treated as the transfer of the trade [<sup>F260</sup>profession or business] to a different company if there continues to be a company so engaged after the change, but not a company that was so engaged before the change.
- (2) <sup>M106</sup>A company's share in the profits or loss of any accounting period of the partnership, or in any matter excluded from the computation by subsection (1)(b) above, shall be determined according to the interests of the partners during that period, and corporation tax shall be chargeable as if that share derived from a trade [<sup>F260</sup>profession or business] carried on by the company alone in its corresponding accounting period or periods; and the company shall be assessed and charged to tax for its corresponding accounting period or periods accordingly.

In this subsection “corresponding accounting period or periods” means the accounting period or periods of the company comprising or together comprising



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the accounting period of the partnership, and any necessary apportionment shall be made between corresponding accounting periods if more than one.

- (3) <sup>F262</sup> .....
- (4) <sup>F263</sup> .....

**Textual Amendments**

- F260** Words in s. 114(1)-(3) inserted (with effect in accordance with s. 215(4)(5) of the amending Act) by Finance Act 1994 (c. 9), s. 215(2) (as s. 215(5) of that Act is modified (1.5.1995) by 1995 c. 4, s. 125(1)) (with Sch. 20)
- F261** Words in s. 114(1) inserted (with effect in accordance with s. 125(1) of the amending Act) by Finance Act 1995 (c. 4), s. 125(4)
- F262** S. 114(3) repealed (with effect in accordance with Finance Act 1994 (c. 9), s. 218(1)) by Finance Act 1995 (c. 4), Sch. 29 Pt. 8(15), Note 1
- F263** S. 114(4) repealed (with effect in accordance with s. 215(4)(5) of the repealing Act) by Finance Act 1994 (c. 9), s. 215(3)(a), Sch. 26 Pt. 5(24), Note 4(a) (as s. 215(5) of that Act is modified (1.5.1995) by 1995 c. 4, s. 125(1)) (with Sch. 20)

**Modifications etc. (not altering text)**

- C72** S. 114(1) modified (3.5.1994) by Finance Act 1994 (c. 9), s. 172(4)-(6)

**Marginal Citations**

- M105** Source—1970 s.155(1); 1973 s.31(5); 1980 s.39(3)
- M106** Source—1970 s.155(2); 1972 s.107(2)

**115 Provisions supplementary to section 114.**

- (1) <sup>F264</sup> .....
- (2) <sup>F264</sup> .....
- (3) <sup>F264</sup> .....

[<sup>F265</sup>(4) So long as a trade, profession or business is carried on by persons in partnership and any of those persons is a company which is not resident in the United Kingdom, section 114 shall have effect in relation to that company as if—

- (a) the reference in subsection (1) to a company resident in the United Kingdom were a reference to a company that is not so resident; and
- (b) in subsection (2), after “carried on” there were inserted “in the United Kingdom through a branch or agency”.

(5) Where the partners in a partnership include a company, subsections (4) and (5) of section 112 shall apply for the purposes of corporation tax as well as for the purposes of income tax, and section 114 shall have effect accordingly.]

[<sup>F266</sup>(5C) For the purposes of subsections (5) to (5B) the members of a partnership include any company which is entitled to a share of income or capital gains of the partnership.]

- (6) <sup>F264</sup> .....

(7) For the purposes of this section and section 114 “profits” shall not be taken as including chargeable gains.

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**Textual Amendments**

- F264** S. 115(1)-(3)(6) repealed (with effect in accordance with s. 215(4)(5) of the repealing Act) by [Finance Act 1994 \(c. 9\)](#), s. 215(3)(b), **Sch. 26 Pt. 5(24)**, Note 4(a) (as s. 215(5) of that Act is modified (1.5.1995) by [1995 c. 4, s. 125\(1\)](#)) (with Sch. 20)
- F265** S. 115(4)(5) substituted (with effect in accordance with s. 125(1) of the amending Act) by [Finance Act 1995 \(c. 4\)](#), s. **125(5)**
- F266** S. 115(5C) inserted (retrospectively) by [Finance Act 2008 \(c. 9\)](#), s. **58(1)(4)**

**Modifications etc. (not altering text)**

- C73** S. 115(5) modified (with retrospective effect) by [Finance Act 2008 \(c. 9\)](#), s. **58(5)(6)(b)**

**116 Arrangements for transferring relief.**

<sup>M107</sup>(1) The provisions of subsection (2) below shall apply in relation to a company (“the partner company”) which is a member of a partnership carrying on a trade if arrangements are in existence (whether as part of the terms of the partnership or otherwise) whereby—

- (a) in respect of the whole or any part of the value of, or of any portion of, the partner company’s share in the profits or loss of any accounting period of the partnership, another member of the partnership or any person connected with another member of the partnership receives any payment or acquires or enjoys, directly or indirectly, any other benefit in money’s worth; or
- (b) in respect of the whole or any part of the cost of, or of any portion of, the partner company’s share in the loss of any accounting period of the partnership, the partner company or any person connected with that company receives any payment or acquires or enjoys, directly or indirectly, any other benefit in money’s worth, other than a payment in respect of group relief to the partner company by a company which is a member of the same group as the partner company for the purposes of group relief.

(2) In any case where the provisions of this subsection apply in relation to the partner company—

- (a) the company’s share in the loss of the relevant accounting period of the partnership and its share in any charges on income, within the meaning of section 338, paid by the partnership in that accounting period shall not be available for set-off for the purposes of corporation tax except against its share in the profits of the trade carried on by the partnership; and
- (b) except in accordance with paragraph (a) above, no trading losses shall be available for set-off for the purposes of corporation tax against the company’s share in the profits of the relevant accounting period of the partnership; and
- (c) except in accordance with paragraphs (a) and (b) above, no amount which, apart from this subsection, would be available for relief against profits shall be available for set-off for the purposes of corporation tax against so much of the company’s total profits as consists of its share in the profits of the relevant accounting period of the partnership; and
- (d) <sup>F267</sup> .....

(3) In subsection (2) above “relevant accounting period of the partnership” means any accounting period of the partnership in which any such arrangements as are specified in subsection (1) above are in existence or to which any such arrangements apply.

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- (4) If a company is a member of a partnership and tax in respect of any profits of the partnership is chargeable under Case VI of Schedule D, this section shall apply in relation to the company's share in the profits or loss of the partnership as if—
- (a) the profits or loss to which the company's share is attributable were the profits of, or the loss incurred in, a trade carried on by the partnership; and
  - [<sup>F268</sup>(b) any allowance to be given effect under Part 2 of the Capital Allowances Act in respect of a special leasing of plant or machinery were an allowance to be given effect in calculating the profits of that trade.]
- (5) For the purposes of this section, subsection (2) of section 114 shall have effect for determining a company's share in the profits or loss of any accounting period of a partnership as if, in subsection (1)(b) of that section, the words “ or for capital allowances and charges ” were omitted.
- (6) In this section “arrangements” means arrangements of any kind whether in writing or not.
- (7) Section 839 shall apply for the purposes of this section.

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**Textual Amendments**

**F267** S. 116(2)(d) repealed (with effect in accordance with Sch. 3 para. 10(3) of the repealing Act) by Finance Act 1998 (c. 36), Sch. 3 para. 10(2), **Sch. 27 Pt. 3(2)**, Note

**F268** S. 116(4)(b) substituted (with effect in accordance with s. 579 of the amending Act) by Capital Allowances Act 2001 (c. 2), **Sch. 2 para. 21**

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**Marginal Citations**

**M107** Source—1973 s.31(1)-(5), (9), 32(6)

*Limited partners*

**117 Restriction on relief: individuals.**

- (1) <sup>M108</sup>An amount which may be given <sup>F269</sup>. . . to an individual under section 353, 380 or 381 below <sup>F270</sup>. . . —
- (a) in respect of a loss sustained by him in a trade, or of interest paid by him in connection with the carrying on of a trade, in a relevant year of assessment; <sup>F271</sup>. . .
  - (b) <sup>F271</sup>. . . . .
- may be given <sup>F269</sup>. . . otherwise than against income consisting of [<sup>F272</sup>profits] arising from the trade only to the extent that the amount given <sup>F269</sup>. . . or (as the case may be) the aggregate amount does not exceed the relevant sum.
- (2) <sup>M109</sup>In this section—
- “limited partner” means—
  - (i) a person who is carrying on a trade as a limited partner in a limited partnership registered under the <sup>M110</sup>Limited Partnerships Act 1907;
  - (ii) a person who is carrying on a trade as a general partner in a partnership, who is not entitled to take part in the management of the trade and who is entitled to have his liabilities, or his liabilities beyond a certain limit,

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for debts or obligations incurred for the purposes of the trade discharged or reimbursed by some other person; or

- (iii) a person who carries on a trade jointly with others and who, under the law of any territory outside the United Kingdom, is not entitled to take part in the management of the trade and is not liable beyond a certain limit for debts or obligations incurred for the purposes of the trade;

“relevant year of assessment” means a year of assessment at any time during which the individual carried on the trade as a limited partner;

“the aggregate amount” means the aggregate of any amounts given <sup>F273</sup> . . . to him at any time under section 353, 380 or 381 below <sup>F274</sup> . . . —

- (a) in respect of a loss sustained by him in the trade, or of interest paid by him in connection with carrying it on, in a relevant year of assessment; <sup>F275</sup> . . .

- (b) <sup>F275</sup> . . . . .

“the relevant sum” means the amount of his contribution to the trade as at the appropriate time; and

“the appropriate time” is the end of the relevant year of assessment in which the loss is sustained or the interest paid or for which the allowance falls to be made (except that where he ceased to carry on the trade during that year of assessment it is the time when he so ceased).

- (3) <sup>M111</sup> A person’s contribution to a trade at any time is the aggregate of—
- (a) the amount which he has contributed to it as capital and has not, directly or indirectly, drawn out or received back (other than anything which he is or may be entitled so to draw out or receive back at any time when he carries on the trade as a limited partner or which he is or may be entitled to require another person to reimburse to him), and
- (b) the amount of any [<sup>F272</sup>profits] of the trade to which he is entitled but which he has not received in money or money’s worth.
- (4) <sup>M112</sup> To the extent that an allowance is taken into account in computing [<sup>F272</sup>profits] or losses in the year of the loss by virtue of section 383(1) it shall, for the purposes of this section, be treated as falling to be made in the year of the loss (and not the year of assessment for which the year of loss is the basis year).

#### Textual Amendments

**F269** Words in s. 117(1) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 22\(1\)\(a\), Sch. 4](#)

**F270** Words in s. 117(1) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 22\(1\)\(b\), Sch. 4](#)

**F271** S. 117(1)(b) and preceding word repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 22\(1\)\(c\), Sch. 4](#)

**F272** Words in s. 117(1)(3)(b)(4) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)\(b\) Sch. 7 para. 1](#)

**F273** Words in s. 117(2) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 22\(2\)\(a\), Sch. 4 \(with Sch. 2 para. 22\(3\)\)](#)

**F274** Words in s. 117(2) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 22\(2\)\(b\), Sch. 4 \(with Sch. 2 para. 22\(3\)\)](#)

**F275** S. 117(2)(b) and preceding word repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 22\(2\)\(c\), Sch. 4 \(with Sch. 2 para. 22\(3\)\)](#)

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### Marginal Citations

- M108** Source—1985 Sch.12 2(1)-(3).
- M109** 1985 Sch.12 1, 2(4)
- M110** 1907 c. 24.
- M111** Source—1985 Sch.12 4
- M112** Source—1985 Sch.12 2(5)

## 118 Restriction on relief: companies.

- (1) <sup>M113</sup>An amount which may be given <sup>F276</sup> . . . under section 338, [<sup>F277</sup>393A(1)] or [<sup>F278</sup>403] below <sup>F279</sup> . . . —
- (a) in respect of a loss incurred by a company in a trade, or of charges paid by a company in connection with the carrying on of a trade, in a relevant accounting period; <sup>F280</sup> . . .
  - (b) <sup>F280</sup> . . . . .
- may be given <sup>F276</sup> . . . to that company (“the partner company”) otherwise than against [<sup>F281</sup>profits] arising from the trade, or to another company, only to the extent that the amount given <sup>F276</sup> . . . or (as the case may be) the aggregate amount does not exceed the relevant sum.

- (2) <sup>M114</sup>In this section—
- “relevant accounting period” means an accounting period of the partner company at any time during which it carried on the trade as a limited partner (within the meaning of section 117(2));
  - “the aggregate amount” means the aggregate of any amounts given <sup>F282</sup> . . . to the partner company or another company at any time under section 338, [<sup>F283</sup>393A(1)] or [<sup>F278</sup>403] below <sup>F284</sup> . . . —
    - (a) in respect of a loss incurred by the partner company in the trade, or of charges paid by it in connection with carrying it on, in any relevant accounting period; <sup>F285</sup> . . .
    - (b) <sup>F285</sup> . . . . .
- “the relevant sum” means the amount of the partner company’s contribution (within the meaning of section 117(3)) to the trade as at the appropriate time; and
- “the appropriate time” is the end of the relevant accounting period in which the loss is incurred or the charges paid or for which the allowance falls to be made (except that where the partner company ceased to carry on the trade during that accounting period it is the time when it so ceased).

### Textual Amendments

- F276** Words in s. 118(1) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 23\(1\)\(a\), Sch. 4](#)
- F277** Words in s. 118(1) substituted by [Finance Act 1991 \(c. 31, SIF 63:1\), s. 73\(3\)-\(5\), Sch. 15 para. 4\(a\)](#)(in relation to losses incurred in accounting periods ending on or after 1.4.1991)
- F278** Words in s. 118(1)(2) substituted (with effect in accordance with s. 38(2)(3) of the amending Act) by [Finance Act 1998 \(c. 36\), Sch. 5 para. 35](#)
- F279** Words in s. 118(1) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 23\(1\)\(b\), Sch. 4](#)

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- F280** S. 118(1)(b) and preceding word repealed (with effect in accordance with s. 579 of the repealing Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 23(1)(c), **Sch. 4**
- F281** Words in s. 118(1) substituted (31.7.1998) by Finance Act 1998 (c. 36), s. 46(3)(a)(b), Sch. 7 para. 1
- F282** Words in s. 118(2) repealed (with effect in accordance with s. 579 of the repealing Act) by Capital Allowances Act 2001 (c. 2), **Sch. 2 para. 23(2)(a)** {Sch. 4} (with Sch. 2 para. 23(3))
- F283** Words in s. 118(2) substituted by Finance Act 1991 (c. 31, SIF 63:1), s. 73(3)-(5), **Sch. 15 para. 4(b)**(in relation to losses incurred in accounting periods ending on or after 1.4.1991)
- F284** Words in s. 118(2)(b) repealed (with effect in accordance with s. 579 of the repealing Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 23(2)(b), **Sch. 4** (with Sch. 2 para. 23(3))
- F285** S. 118(2)(b) and preceding word repealed (with effect in accordance with s. 579 of the repealing Act) by Capital Allowances Act 2001 (c. 2), Sch. 2 para. 23(2)(c), **Sch. 4** (with Sch. 2 para. 23(3))

#### Marginal Citations

- M113** Source—1985 Sch.12 3(1)-(3)  
**M114** Source—1985 Sch.12 3(4), 1, 4

### *<sup>F286</sup>Limited liability partnerships*

#### Textual Amendments

- F286** Ss. 118ZA-118ZD and preceding cross-heading inserted (6.4.2001) by Limited Liability Partnerships Act 2000 (c. 12), ss. 10(1), 19(1); S.I. 2000/3316, art. 2

#### 118ZA Treatment of limited liability partnerships.

- <sup>F287</sup>(1) For the purposes of the Tax Acts, where a limited liability partnership carries on a trade, profession or other business with a view to profit—
- (a) all the activities of the partnership are treated as carried on in partnership by its members (and not by the partnership as such),
  - (b) anything done by, to or in relation to the partnership for the purposes of, or in connection with, any of its activities is treated as done by, to or in relation to the members as partners, and
  - (c) the property of the partnership is treated as held by the members as partnership property.
- References in this subsection to the activities of the limited liability partnership are to anything that it does, whether or not in the course of carrying on a trade, profession or other business with a view to profit.
- (2) For all purposes, except as otherwise provided, in the Tax Acts—
- (a) references to a partnership include a limited liability partnership in relation to which subsection (1) above applies,
  - (b) references to members of a partnership include members of such a limited liability partnership,
  - (c) references to a company do not include such a limited liability partnership, and
  - (d) references to members of a company do not include members of such a limited liability partnership.
- (3) Subsection (1) above continues to apply in relation to a limited liability partnership which no longer carries on any trade, profession or other business with a view to profit—

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- (a) if the cessation is only temporary, or
  - (b) during a period of winding up following a permanent cessation, provided—
    - (i) the winding up is not for reasons connected in whole or in part with the avoidance of tax, and
    - (ii) the period of winding up is not unreasonably prolonged,but subject to subsection (4) below.
- (4) Subsection (1) above ceases to apply in relation to a limited liability partnership—
- (a) on the appointment of a liquidator or (if earlier) the making of a winding-up order by the court, or
  - (b) on the occurrence of any event under the law of a country or territory outside the United Kingdom corresponding to an event specified in paragraph (a) above.]

#### Textual Amendments

F287 S. 118ZA substituted (retrospective to 6.4.2001) by Finance Act 2001 (c. 9), s. 75(1)(6)

#### 118ZB Restriction on relief.

Sections 117 and 118 have effect in relation to a member of a limited liability partnership as in relation to a limited partner, but subject to sections 118ZC and 118ZD.

#### 118ZC Member's contribution to trade.

- (1) Subsection (3) of section 117 does not have effect in relation to a member of a limited liability partnership.
- (2) But, for the purposes of that section and section 118, such a member's contribution to a trade at any time ("the relevant time") is the greater of—
  - (a) the amount subscribed by him, and
  - (b) the amount of his liability on a winding up.
- (3) The amount subscribed by a member of a limited liability partnership is the amount which he has contributed to the limited liability partnership as capital, less so much of that amount (if any) as—
  - (a) he has previously, directly or indirectly, drawn out or received back,
  - (b) he so draws out or receives back during the period of five years beginning with the relevant time,
  - (c) he is or may be entitled so to draw out or receive back at any time when he is a member of the limited liability partnership, or
  - (d) he is or may be entitled to require another person to reimburse to him.
- (4) The amount of the liability of a member of a limited liability partnership on a winding up is the amount which—
  - (a) he is liable to contribute to the assets of the limited liability partnership in the event of its being wound up, and
  - (b) he remains liable so to contribute for the period of at least five years beginning with the relevant time (or until it is wound up, if that happens before the end of that period).

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### 118ZD Carry forward of unrelieved losses.

- (1) Where amounts relating to a trade carried on by a member of a limited liability partnership are, in any one or more chargeable periods, prevented from being given or allowed by section 117 or 118 as it applies otherwise than by virtue of this section (his “total unrelieved loss”), subsection (2) applies in each subsequent chargeable period in which—
  - (a) he carries on the trade as a member of the limited liability partnership, and
  - (b) any of his total unrelieved loss remains outstanding.
- (2) Sections 380, 381, 393A(1) and 403 (and sections 117 and 118 as they apply in relation to those sections) shall have effect in the subsequent chargeable period as if—
  - (a) any loss sustained or incurred by the member in the trade in that chargeable period were increased by an amount equal to so much of his total unrelieved loss as remains outstanding in that period, or
  - (b) (if no loss is so sustained or incurred) a loss of that amount were so sustained or incurred.
- (3) To ascertain whether any (and, if so, how much) of a member’s total unrelieved loss remains outstanding in the subsequent chargeable period, deduct from the amount of his total unrelieved loss the aggregate of—
  - (a) any relief given under any provision of the Tax Acts (otherwise than as a result of subsection (2)) in respect of his total unrelieved loss in that or any previous chargeable period, and
  - (b) any amount given or allowed in respect of his total unrelieved loss as a result of subsection (2) in any previous chargeable period (or which would have been so given or allowed had a claim been made).]

VALID FROM 22/07/2004

*<sup>F288</sup>Non-active general partners and non-active members of limited liability partnerships*

#### Textual Amendments

**F288** Ss. 118ZE-118ZK and preceding cross-heading inserted (22.7.2004) by [Finance Act 2004 \(c. 12\)](#), s. 124(1)

### 118ZE Restriction on relief for non-active partners

- (1) This section applies to an amount which may be given to an individual under section 353, 380 or 381 in respect of a loss sustained by him in a trade, or interest paid by him in connection with the carrying on of a trade, in a qualifying year of assessment.
- (2) The amount may be given otherwise than against income consisting of profits arising from the trade only to the extent that—
  - (a) the amount given, or
  - (b) (as the case may be) the aggregate amount,
 does not exceed the amount of the individual’s contribution to the trade as at the end of that year of assessment.



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- (3) A “qualifying year of assessment” means a year of assessment—
- (a) at any time during which the individual carried on the trade as a general partner or a member of a limited liability partnership,
  - (b) in which he did not devote a significant amount of time to the trade (within the meaning given by section 118ZH),
  - (c) which is the year of assessment in which the trade is first carried on by him or any of the next three years of assessment,
  - (d) the basis period for which ends on or after 10 February 2004, and
  - (e) which is not a year of assessment at any time during which he carried on the trade as a limited partner.
- (4) In this section—
- (a) a “general partner” means any partner who is not a limited partner, and
  - (b) “limited partner” has the meaning given by section 117(2),
- and in paragraph (a) “any partner” does not include a member of a limited liability partnership.
- (5) In this section and sections 118ZF to 118ZK, “basis period” means (subject to subsection (6)) the basis period given by sections 60 to 63 as applied by section 111(4) and (5).
- (6) The basis period for a year of assessment to which section 61(1) applies is to be taken for the purposes of this section and sections 118ZF to 118ZK to be the period beginning with the date when the individual first carried on the trade and ending with the end of the year of assessment.
- (7) In subsection (1) “a trade” does not include underwriting business within the meaning of section 184 of the Finance Act 1993 (Lloyd’s underwriters).
- (8) This section has effect subject to sections 118ZJ and 118ZK (transitional provision).

#### **118ZF Meaning of “the aggregate amount”**

- (1) In section 118ZE(2) “the aggregate amount” means (subject to section 118ZK) the aggregate of any amounts given to the individual at any time under section 353, 380 or 381 in respect of a loss sustained by him in the trade, or of interest paid by him in connection with carrying it on, in a year of assessment falling within subsection (2).
- (2) A year of assessment falls within this subsection if—
- (a) it is a qualifying year of assessment within the meaning of section 118ZE, or
  - (b) it is a year of assessment—
    - (i) at any time during which the individual carried on the trade as a member of a limited liability partnership or as a limited partner within the meaning given by section 117(2), and
    - (ii) the basis period for which ends on or after 10 February 2004.

#### **118ZG “The individual’s contribution to the trade”**

- (1) For the purposes of section 118ZE(2), the individual’s contribution to the trade at any time (“the relevant time”) is the sum of—
- (a) the amount subscribed by him,

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- (b) the amount of any profits of the trade to which he is entitled but which he has not received in money or money's worth, and
  - (c) where there is a winding up, the amount that he has contributed to the assets of the partnership on its winding up.
- (2) For the purposes of subsection (1)(a) the “amount subscribed” by an individual is the sum of—
- (a) the total amount (if any) contributed by him to the trade as capital on or after 10 February 2004, reduced (but not below nil) by his withdrawn capital, and
  - (b) the total amount (if any) contributed by him to the trade as capital before 10 February 2004, reduced (but not below nil) by—
    - (i) the pre-announcement allowance (within the meaning given by section 118ZJ),
    - (ii) the aggregate of any amounts given to him at any time under section 353, 380 or 381 in respect of a loss sustained by him in a trade, or of interest paid by him in connection with carrying it on, in a year of assessment falling within subsection (3), and
    - (iii) the amount (if any) of his withdrawn capital that has not been used in the reduction to nil required by paragraph (a).
- (3) A year of assessment falls within this subsection if—
- (a) it does not fall within section 118ZE(3)(d), and
  - (b) it is either—
    - (i) a year of assessment that would be a qualifying year of assessment but for section 118ZE(3)(d), or
    - (ii) a year of assessment at any time during which the individual carried on the trade as a member of a limited liability partnership or as a limited partner within the meaning given by section 117(2).
- (4) The individual's “withdrawn capital” is so much, if any, of the amount that he has contributed to the trade as capital as—
- (a) he has previously, directly or indirectly, drawn out or received back,
  - (b) he so draws out or receives back during the period of five years beginning with the relevant time,
  - (c) he is or may be entitled so to draw out or receive back at any time when he carries on the trade as a member of the partnership, or
  - (d) he is or may be entitled to require another person to reimburse to him.
- (5) An amount drawn out or received back that would otherwise fall within subsection (4)(a) or (b), or an entitlement that would otherwise fall within subsection (4)(c), shall be treated as not so falling if the amount drawn out or received back is chargeable to income tax as profits of the trade.
- (6) In relation to a member of a limited liability partnership, references in this section to an amount contributed to the trade as capital shall be read as references to an amount contributed to the limited liability partnership as capital.

#### **118ZH “A significant amount of time”**

- (1) For the purposes of section 118ZE the individual shall be treated as having “devoted a significant amount of time to the trade” in a given year of assessment if, for the whole

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of the relevant period, he spent an average of at least ten hours a week personally engaged in activities carried on for the purposes of the trade.

- (2) “The relevant period” means the basis period for the year of assessment in question, except that—
- (a) if the basis period is less than six months and begins with the date when the individual first carried on the trade, “the relevant period” means six months beginning with that date, and
  - (b) if the basis period is less than six months and ends with the date when the individual ceased to carry on the trade, “the relevant period” means six months ending with that date.
- (3) Where relief has been given on the assumption that an individual will meet the condition in subsection (1) and he fails to do so, the relief shall be withdrawn by the making of an assessment under Case VI of Schedule D.

#### **118ZI Carry forward of unrelieved losses of non-active partners**

- (1) Where amounts relating to a trade carried on by an individual in a qualifying year of assessment are prevented from being given by section 118ZE as it applies otherwise than by virtue of this section or section 118ZD, subsection (3) of this section applies as respects each subsequent year of assessment in which—
- (a) the individual carries on the trade in partnership or makes a contribution to the assets of the partnership on its winding up, and
  - (b) any of his total restricted loss remains outstanding.
- (2) His “total restricted loss” means the total of any amounts, relating to any one or more qualifying years of assessment, that have been prevented from being given by section 118ZE as it applies otherwise than by virtue of this section or section 118ZD.
- (3) Sections 380 and 381 (and section 118ZE as it applies in relation to those sections) shall have effect in the subsequent year of assessment as if—
- (a) any loss sustained by the individual in the trade in that year of assessment were increased by an amount equal to so much of his total restricted loss as remains outstanding in that year of assessment, or
  - (b) (if no loss is sustained) a loss of that amount were so sustained.
- (4) To ascertain whether any (and, if so, how much) of the individual’s total restricted loss remains outstanding in the subsequent year of assessment, deduct from the amount of his total restricted loss the aggregate of—
- (a) any relief given (otherwise than as a result of subsection (3)) under any provision of the Tax Acts, in that or any previous year of assessment, in respect of any of his total restricted loss, and
  - (b) any amount which was given as a result of subsection (3), in any previous year of assessment, in respect of any of his total restricted loss (or which would have been so given had a claim been made).
- (5) For the purposes of sections 118ZE and 118ZF (and of sections 117 and 118ZB(2))—
- (a) any additional amount of loss deemed by subsection (3)(a) to have been sustained in the subsequent year of assessment, and
  - (b) any loss deemed by subsection (3)(b) to have been so sustained,
- shall be treated as having been sustained in a qualifying year of assessment.

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- (6) Subsection (7) applies where the subsequent year of assessment—
- (a) is one in which the trade is not carried on in partnership by the individual, but
  - (b) is one in which he contributes to the assets of the partnership on its winding up.
- (7) Where this subsection applies, nothing in section 381(4) or 384 (restrictions on right of set-off) applies to—
- (a) an additional amount of loss deemed by subsection (3)(a) to have been sustained in the subsequent year of assessment, or
  - (b) a loss deemed by subsection (3)(b) to have been so sustained.
- (8) In this section “qualifying year of assessment” has the meaning given by section 118ZE.

**18ZJ Commencement: the first restricted year**

- (1) This section applies where the year of assessment referred to in section 118ZE(1) is a year of assessment the basis period for which includes 10 February 2004 (“the first restricted year”).
- (2) If this section would (but for this subsection) apply in relation to more than one year of assessment as respects the same individual and the same trade, it applies only in relation to the first of those years of assessment and “the first restricted year” means that year of assessment.
- (3) Where this section applies, section 118ZE(2) shall have effect as if for the words from “only to the extent that” there were substituted only to the extent that the total amount given under section 353, 380 and 381 in respect of losses sustained by him in the trade, and interest paid by him in connection with carrying it on, in that year of assessment does not exceed the sum of—
- (a) the pre-announcement allowance, and
  - (b) the post-announcement allowance.
- (4) The “pre-announcement allowance” is the sum of—
- (a) the loss (if any) sustained by the individual in the trade in the period beginning with the start of the basis period for the first restricted year and ending with 9 February 2004, and
  - (b) any interest paid by him in that period in connection with the carrying on of the trade.
- (5) The “post-announcement allowance” is so much of—
- (a) the loss (if any) sustained by the individual in the trade in the period beginning with 10 February 2004 and ending with the end of the basis period for the first restricted year, and
  - (b) any interest paid by him in that period in connection with the carrying on of the trade,
- as does not exceed the individual’s contribution to the trade as at the end of the year of assessment, computed in accordance with section 118ZG.
- (6) In each of subsections (4)(a) and (5)(a), the reference to the loss sustained by the individual in the trade in the period there mentioned is a reference to his share of any losses of the partnership arising for that period from the trade, and—

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- (a) subject to subsection (7), the losses of the partnership arising for that period from the trade shall be computed in the same way as if the period were one for which profits and losses had to be computed for the purposes of section 111(2), and
  - (b) subject to subsection (8), the individual's share of the losses shall be determined according to his interest in the partnership during that period.
- (7) In computing for the purposes of subsection (6) the losses of the partnership arising for the period mentioned in subsection (4)(a) or (5)(a)—
- (a) any capital allowance treated as an expense of the trade for the purposes of the computation required by section 111(2) for the first restricted year is to be regarded as belonging to the period mentioned in subsection (4)(a) unless the capital expenditure to which it relates is incurred after 9 February 2004, and
  - (b) any amount deducted under section 42(1) of the Finance (No. 2) Act 1992 for the purposes of that computation is to be regarded as belonging to the period mentioned in subsection (4)(a) unless the expenditure to which it relates is incurred after 9 February 2004.
- (8) If the individual had an interest in the partnership at any time that falls within—
- (a) the basis period for the first restricted year, and
  - (b) the period beginning with 10 February 2004 and ending with 25 March 2004,
- he shall be deemed for the purposes of subsection (6)(b) to have had the interest on 9 February 2004.

#### **118ZK Transitional provision for years after the first restricted year**

- (1) This section applies where the year of assessment referred to in section 118ZE(1) is a year of assessment later than the first restricted year.
- (2) Section 118ZE(2) shall not apply to any part of the amount mentioned in section 118ZE(1) that—
  - (a) derives from a capital allowance treated as an expense of the trade where the capital expenditure to which the allowance relates was incurred before 10 February 2004, or
  - (b) derives from a deduction made under section 42(1) of the Finance (No. 2) Act 1992 where the expenditure to which the deduction relates was incurred before 10 February 2004.
- (3) In computing for the purposes of section 118ZE(2)(a) or (b) the amount given or (as the case may be) the aggregate amount, any part of an amount given that falls within subsection (2)(a) or (b) of this section shall be left out of account.
- (4) In computing the aggregate amount for the purposes of section 118ZE(2), any amount given in respect of the pre-announcement allowance shall be left out of account.
- (5) For the purposes of subsections (2) and (3) the part of an amount that derives from a capital allowance or a deduction made under section 42(1) of the Finance (No. 2) Act 1992 shall be determined on such basis as is just and reasonable.
- (6) In this section “the first restricted year” and “the pre-announcement allowance” have the meanings given by section 118ZJ.]

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VALID FROM 22/07/2004

## *[<sup>F289</sup>Partnerships exploiting films*

### Textual Amendments

**F289** Ss. 118ZL, 118ZM and preceding cross-heading inserted (22.7.2004) by Finance Act 2004 (c. 12), s. 125

### **118ZL Partnerships exploiting films**

- (1) Where (apart from this section) an amount may be given to an individual under section 380 or 381 in respect of a loss (“the loss in question”) sustained by him—
  - (a) in a trade consisting of or including the exploitation of films, and
  - (b) in an affected year of assessment,
 none of that amount may be given otherwise than against income consisting of profits arising from the trade; but this is subject to subsection (4).
- (2) An “affected year of assessment” means a year of assessment at any time during which the individual carried on the trade in partnership which is also—
  - (a) the year of assessment in which the trade is first carried on by him or any of the next three years of assessment,
  - (b) a year of assessment in which he did not devote a significant amount of time to the trade, and
  - (c) a year of assessment at any time during which there existed a relevant agreement guaranteeing him an amount of income.
- (3) For the purposes of subsection (2)(c)—
  - (a) “a relevant agreement” means—
    - (i) an agreement that was made with a view to the individual’s carrying on the trade or in the course of his carrying it on (including any agreement under which he is or may be required to contribute an amount to the trade), or
    - (ii) an agreement related to an agreement falling within subparagraph (i),
  - (b) an agreement “guarantees” the individual an amount of income if the agreement, or any part of it, is designed to secure the receipt by the individual of that amount (or at least that amount) of income, and
  - (c) it is immaterial when the amount of income would be received under the agreement.
- (4) If the loss in question derives to any extent from exempt expenditure, amounts that (apart from this section) may be given under section 380 or 381 in respect of the loss otherwise than against income consisting of profits arising from the trade may be so given to the extent that the total of the amounts so given does not exceed the exempt part of the loss.
- (5) The exempt part of the loss is so much of the loss in question as derives from exempt expenditure.

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- (6) Expenditure is exempt expenditure for the purposes of this section if it is—
- (a) expenditure incurred before 26 March 2004 in a case where this paragraph applies, or
  - (b) expenditure that, for the purposes of the computation required by section 111(2), was deducted under section 41 or 42 of the Finance (No. 2) Act 1992, or
  - (c) incidental expenditure that, although deductible apart from section 41 or 42 of that Act, was incurred in connection with the production or acquisition of a film in relation to which expenditure was deducted under either of those sections.
- (7) Subsection (6)(a) applies where the individual carried on the trade before 26 March 2004.

### **118ZM Partnerships exploiting films: supplementary**

- (1) In section 118ZL and this section any reference to a film is to be construed in accordance with paragraph 1 of Schedule 1 to the Films Act 1985.
- (2) Section 118ZH (meaning of “a significant amount of time” etc) applies for the purposes of section 118ZL as it applies for the purposes of section 118ZE.
- (3) For the purposes of section 118ZL(3) agreements are related if they are entered into in pursuance of the same arrangement (regardless of the date on which either agreement is entered into).
- (4) The reference in section 118ZL(6) to the acquisition of a film is a reference to the acquisition of the master negative or any master tape or master disc of the film; and this subsection is to be construed in accordance with section 43(1) and (2)(b) of the Finance (No. 2) Act 1992.
- (5) In section 118ZL(6) “incidental expenditure” means expenditure on management, administration or obtaining finance.
- (6) The part of the loss in question that derives from exempt expenditure shall be determined on such basis as is just and reasonable.
- (7) The extent to which any expenditure falls within section 118ZL(6)(c) shall be determined on such basis as is just and reasonable.
- (8) In any case where sections 380 and 381 have effect as mentioned in section 118ZD(2) or 118ZI(3) (cases where sections 380 and 381 have effect as if loss carried forward from earlier year sustained in subsequent year), section 118ZL also has effect as mentioned in section 118ZD(2) or (as the case may be) section 118ZI(3).]

#### **Modifications etc. (not altering text)**

**C74** S. 118ZM modified (retrospective to 2.12.2004) by [Finance Act 2005 \(c.7\), Sch. 3 paras. 17, 31\(3\)](#)

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VALID FROM 02/12/2004

### *[<sup>F290</sup>Partners: meaning of “contribution to the trade”*

#### **Textual Amendments**

**F290** Ss. 118ZN, 118ZO and preceding cross-heading inserted (retrospective to 2.12.2004) by [Finance Act 2005 \(c. 7\), s. 73\(1\)\(5\)](#)

#### **118ZN Partners: meaning of “contribution to the trade”**

- (1) This section applies for the purposes of the application of any of the following provisions (“the relevant provisions”)—
  - (a) section 117 (restriction on relief for limited partners),
  - (b) that section as applied by section 118ZB in relation to a member of a limited liability partnership, and
  - (c) section 118ZE (restriction on relief for non-active partners),
 to an amount which may be given to an individual under section 380 or 381 in respect of a relevant loss sustained by him in a trade (“the relevant trade”).
- (2) The Board may by regulations provide that, for those purposes, any amount of a description specified in the regulations is to be excluded when computing the amount of the individual's contribution to the relevant trade at any time for the purposes of the relevant provisions.
- (3) Regulations under this section may—
  - (a) make provision having effect before the date on which the regulations are made,
  - (b) make such supplementary, incidental, consequential or transitional provision as appears to the Board to be necessary or expedient, and
  - (c) make different provision for different cases or different purposes.
- (4) The provision mentioned in subsection (3)(b) may include provision amending or repealing any provision of an Act passed before the passing of the Finance Act 2005.
- (5) No regulations may be made under this section unless a draft has been laid before and approved by a resolution of the House of Commons.

#### **118ZO Meaning of “relevant loss” in section 118ZN**

- (1) For the purposes of section 118ZN a “relevant loss” means—
  - (a) a loss sustained by the individual in the relevant trade in a year of assessment the basis period for which begins on or after 2nd December 2004, or
  - (b) a post-announcement loss sustained by the individual in the relevant trade in a straddling year of assessment.
- (2) For the purposes of this section—
 

“basis period” means the basis period given by Chapter 15 of Part 2 of ITTOIA 2005, as applied by section 853 of that Act, except that the basis period for a year of assessment to which section 199(1) of that Act applies



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is to be taken to be the period beginning with the date when the individual first carried on the relevant trade and ending with the end of the year of assessment;

“post-announcement loss”, in relation to a straddling year of assessment, means the loss (if any) sustained by the individual in the relevant trade in the period which—

- (a) begins with 2nd December 2004, and
- (b) ends with the end of the basis period for that straddling year of assessment;

“straddling year of assessment” means a year of assessment the basis period for which begins before and includes 2nd December 2004.

- (3) In the definition of “post-announcement loss” in subsection (2), the reference to the loss sustained by the individual in the relevant trade in a period is a reference to his share of any losses of the partnership arising for that period from the trade, and—
  - (a) the losses of the partnership arising for that period from the trade are to be computed in the same way as if the period were one for which profits and losses had to be computed for the purposes of section 849 of ITTOIA 2005, and
  - (b) the individual's share of the losses is to be determined according to his interest in the partnership during that period.
- (4) In subsection (3) the references to “the partnership” are to the partnership as a member of which the individual carries on the relevant trade.
- (5) In relation to years of assessment which are before the year 2005-06, this section has effect as if—
  - (a) in subsection (2) for the definition of “basis period” there were substituted—

““basis period” means the basis period given by sections 60 to 63 as applied by section 111(4) and (5), except that the basis period for a year of assessment to which section 61(1) applies is to be taken to be the period beginning with the date when the individual first carried on the trade and ending with the end of the year of assessment;”, and
  - (b) the reference in subsection (3)(a) to section 849 of ITTOIA 2005 were a reference to section 111(2) of this Act.]

## [<sup>F291</sup>]<sup>F292</sup> CHAPTER VIIA

### PAYING AND COLLECTING AGENTS]

#### Textual Amendments

**F291** Pt. 4 Ch. 7A (ss. 118A-118K) inserted (29.4.1996) by [Finance Act 1996 \(c. 8\)](#), [Sch. 29 para. 1](#)

**F292** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by [Finance Act 2000 \(c. 17\)](#), s. 111(1), [Sch. 40 Pt. 2\(17\)](#), Note 1

## 118A Definitions.

F293

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#### Textual Amendments

**F293** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), **Sch. 40 Pt. 2(17)**, Note 1

### 118B Paying agents.

F294 .....

#### Textual Amendments

**F294** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), **Sch. 40 Pt. 2(17)**, Note 1

### 118C Collecting agents.

F295 .....

#### Textual Amendments

**F295** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), **Sch. 40 Pt. 2(17)**, Note 1

### 118D Chargeable payments and chargeable receipts.

F296 .....

#### Textual Amendments

**F296** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), **Sch. 40 Pt. 2(17)**, Note 1

### 118E Deduction of tax from chargeable payments and chargeable receipts.

F297 .....

#### Textual Amendments

**F297** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), **Sch. 40 Pt. 2(17)**, Note 1

### 118F Accounting for tax on chargeable payments and chargeable receipts.

F298 .....

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**Textual Amendments**

**F298** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), Sch. 40 Pt. 2(17), Note 1

**118G Relevant securities of eligible persons.**

F299 .....

**Textual Amendments**

**F299** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), Sch. 40 Pt. 2(17), Note 1

**118H Relevant securities of eligible persons: administration.**

F300 .....

**Textual Amendments**

**F300** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), Sch. 40 Pt. 2(17), Note 1

**118I Deduction of tax at reduced rate.**

F301 .....

**Textual Amendments**

**F301** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), Sch. 40 Pt. 2(17), Note 1

**118J Prevention of double accounting.**

F302 .....

**Textual Amendments**

**F302** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), Sch. 40 Pt. 2(17), Note 1

**118K Regulations.**

F303 .....]

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#### Textual Amendments

**F303** Pt. 4 Ch. 7A (ss. 118A-118K) repealed (with effect in accordance with s. 111(6)(a) of the repealing Act) by Finance Act 2000 (c. 17), s. 111(1), **Sch. 40 Pt. 2(17)**, Note 1

## CHAPTER VIII

### MISCELLANEOUS AND SUPPLEMENTAL

#### 119 Rent etc. payable in connection with mines, quarries and similar concerns.

- <sup>M115</sup>(1) Where rent is payable in respect of any land or easement, and either—
- (a) the land or easement is used, occupied or enjoyed in connection with any of the concerns specified in section 55(2); or
  - (b) the lease or other agreement under which the rent is payable provides for the recoupment of the rent by way of reduction of royalties or payments of a similar nature in the event of the land or easement being so used, occupied or enjoyed,
- the rent shall, subject to section 122 [<sup>F304</sup>and section 201 of the 1992 Act], be charged to tax under Schedule D, <sup>F305</sup> . . . .
- (2) Where the rent is rendered in produce of the concern, it shall, <sup>F306</sup> . . . , be charged under Case III of Schedule D, and the value of the produce so rendered shall be taken to be the amount of the profits or income arising therefrom.
- (3) For the purposes of this section—
- “easement” includes any right, privilege or benefit in, over or derived from land; and
- “rent” includes a rent service, rentcharge, fee farm rent, feuduty or other rent, toll, duty, royalty or annual or periodical payment in the nature of rent, whether payable in money or money’s worth or otherwise.

#### Textual Amendments

**F304** Words in s. 119(1) inserted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290, **Sch. 10 para. 14(4)** (with ss. 60, 101(1), 171, 201(3)).

**F305** Words in s. 119(1) repealed (with effect in accordance with s. 145(3), Sch. 29 Pt. 8(22) Note of the repealing Act) by Finance Act 1995 (c. 4), s. 145(1), **Sch. 29 Pt. 8(22)**

**F306** Words in s. 119(2) repealed (with effect in accordance with Sch. 29 Pt. 8(22) Note of the repealing Act) by Finance Act 1995 (c. 4), **Sch. 29 Pt. 8(22)**

#### Modifications etc. (not altering text)

**C75** S. 119(1) excluded (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), **ss. 201(2), 289** (with ss. 60, 101(1), 171, 201(3)).

#### Marginal Citations

**M115** Source—1970 s.156

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## 120 Rent etc. payable in respect of electric line wayleaves.

<sup>M116</sup>(1) [<sup>F307</sup>Subject to subsection (1A) below,] where rent is payable in respect of any easement enjoyed in the United Kingdom in connection with any electric, telegraphic or telephonic wire or cable (not being such an easement as is mentioned in section 119(1)), the rent shall be charged to tax under Schedule D <sup>F308</sup> . . . .

[<sup>F309</sup>(1A) If—

- (a) the profits and gains arising to any person for any chargeable period include both rent in respect of any such easement as is mentioned in subsection (1) above and amounts which are charged to tax under Schedule A, and
- (b) some or all of the land to which the easement relates is included in the land by reference to which the amounts charged under Schedule A arise,

then, for that period, that rent shall be charged to tax under Schedule A, instead of being charged under Schedule D.]

(2) <sup>F310</sup> . . . . .

(3) <sup>F310</sup> . . . . .

(4) <sup>F310</sup> . . . . .

(5) In this section—

- (a) “easement” and “rent” have the same meanings as in section 119;
- (b) the reference to easements enjoyed in connection with any electric, telegraphic or telephonic wire or cable includes (without prejudice to the generality of that expression) references to easements enjoyed in connection with any pole or pylon supporting any such wire or cable, or with any apparatus (including any transformer) used in connection with any such wire or cable; <sup>F311</sup> . . . .
- (c) <sup>F311</sup> . . . . .

### Textual Amendments

**F307** Words in s. 120(1) inserted (with effect in accordance with s. 60(5) of the amending Act) by Finance Act 1997 (c. 16), s. 60(2)(a)

**F308** Words in s. 120(1) repealed (with effect in accordance with s. 60(5), Sch. 18 Pt. 6(2) Note of the repealing Act) by Finance Act 1997 (c. 16), s. 60(2)(b), Sch. 18 Pt. 6(2)

**F309** S. 120(1A) inserted (with effect in accordance with s. 60(5) of the amending Act) by Finance Act 1997 (c. 16), s. 60(3)

**F310** S. 120(2)-(4) repealed (with effect in accordance with s. 60(5), Sch. 18 Pt. 6(2) Note of the repealing Act) by Finance Act 1997 (c. 16), s. 60(4), Sch. 18 Pt. 6(2)

**F311** S. 120(5)(c) and preceding word repealed (with effect in accordance with s. 60(5), Sch. 18 Pt. 6(2) Note of the repealing Act) by Finance Act 1997, (c. 16), s. 60(5), {Sch. 18 Pt. 6(2)}

### Marginal Citations

**M116** Source—1970 s.157

## 121 Management expenses of owner of mineral rights.

[<sup>F312M117</sup>(1) Where for any year of assessment rights to work minerals in the United Kingdom are let, the lessor shall be entitled to deduct, in determining the amount chargeable to income tax in respect of the rents or royalties for that year, any sums wholly,

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exclusively and necessarily disbursed by him as expenses of management or supervision of those minerals in that year.]

- (3) In computing for the purposes of corporation tax the income of a company for any accounting period from the letting of rights to work minerals in the United Kingdom, there may be deducted any sums disbursed by the company wholly, exclusively and necessarily as expenses of management or supervision of those minerals in that period.

**Textual Amendments**  
**F312** S. 121(1) substituted for s. 121(1)(2) (with effect in accordance with s.145(3) of the amending Act) by Finance Act 1995 (c. 4), s. 145(2)

**Marginal Citations**  
**M117** Source—1970 s.158(1), (2)

**122 Relief in respect of mineral royalties.**

- (1) <sup>M118</sup>Subject to the following provisions of this section, a person resident or ordinarily resident in the United Kingdom who in any year of assessment or accounting period is entitled to receive any mineral royalties under a mineral lease or agreement shall be treated—

- (a) for the purposes of income tax, or as the case may be for the purposes of corporation tax on profits exclusive of chargeable gains, as if the total of the mineral royalties receivable by him under that lease or agreement in that year or period and any management expenses available for set-off against those royalties in that year or period were each reduced by one-half; <sup>F313</sup> . . .

<sup>F313</sup>(b) . . . . .

and this section shall have effect notwithstanding any provision of section 119(1) making the whole of certain kinds of mineral royalties chargeable to tax under Schedule D <sup>F314</sup> . . . .

- (2) <sup>M119</sup>For the purposes of subsection (1)(a) above, “management expenses available for set-off” against royalties means—

- (a) where section 121 applies in respect of the royalties, any sum brought into account under subsection (1) of that section in determining the amount of the repayment of income tax in respect of those royalties or, as the case may be, deductible from those royalties under subsection (2) of that section in computing the income of a company for the purposes of corporation tax; and
- (b) if the royalties are chargeable to tax under Schedule A, any sums deductible under Part II as payments made in respect of management of the property concerned;

and if neither paragraph (a) nor paragraph (b) above applies, the reference in subsection (1)(a) above to management expenses available for set-off shall be disregarded.

(3) <sup>F315</sup> . . . . .

- (4) <sup>M120</sup>Where subsection (1) above applies in relation to mineral royalties receivable under a mineral lease or agreement by a person not chargeable to corporation tax in respect of those royalties, then, in so far as the amount of income tax paid, by deduction or otherwise, by him in respect of those mineral royalties in any year of assessment

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exceeds the amount of income tax for which he is liable in respect of those royalties by virtue of subsection (1)(a) above—

- (a) the amount of the excess shall in the first instance be set against the tax for which he is chargeable by virtue of <sup>F316</sup>section 201(1) of the 1992 Act]; and
- (b) on the making of a claim in that behalf, he shall be entitled to repayment of tax in respect of the balance of that excess.

(5) In this section references to mineral royalties refer only to royalties receivable on or after 6th April 1970, and the expression “mineral royalties” means so much of any rents, tolls, royalties and other periodical payments in the nature of rent payable under a mineral lease or agreement as relates to the winning and working of minerals; and the Board may by regulations—

- (a) provide whether, and to what extent, payments made under a mineral lease or agreement and relating both to the winning and working of minerals and to other matters are to be treated as mineral royalties; and
- (b) provide for treating the whole of such payments as mineral royalties in cases where the extent to which they relate to matters other than the winning and working of minerals is small.

(6) In this section—

“minerals” means all minerals and substances in or under land which are ordinarily worked for removal by underground or surface working but excluding water, peat, top-soil and vegetation; and

“mineral lease or agreement” means—

- (a) a lease, profit à prendre, licence or other agreement conferring a right to win and work minerals in the United Kingdom;
- (b) a contract for the sale, or a conveyance, of minerals in or under land in the United Kingdom; and
- (c) a grant of a right under section 1 of the <sup>M121</sup>Mines (Working Facilities and Support) Act 1966, other than an ancillary right within the meaning of that Act.

(7) In the application of this section to Northern Ireland—

- (a) references to mineral royalties include references to periodical payments—
  - (i) of compensation under section 29 or 35 of the <sup>M122</sup>Mineral Development Act (Northern Ireland) 1969 (“the 1969 Act”) or under section 4 of the <sup>M123</sup>Petroleum (Production) Act (Northern Ireland) 1964 (“the 1964 Act”); and
  - (ii) made as mentioned in section 37 of the 1969 Act or under section 55(4)(b) of that Act or under section 11 of the 1964 Act (payments in respect of minerals to persons entitled to a share of royalties under section 13(3) of the <sup>M124</sup>Irish Land Act 1903); and
- (b) in its application to any such payments as are mentioned in paragraph (a) above, references to the mineral lease or agreement under which mineral royalties are payable shall be construed as references to the enactment under which the payments are made.

<sup>F315</sup>(8) .....

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### Textual Amendments

- F313** S. 122(1)(b) and the word "and" immediately preceding it repealed (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), ss. 289, 290, [Sch. 12](#) (with ss. 60, 101(1), 171, 201(3), [Sch. 11 paras. 20, 22, 26\(2\), 27](#)).
- F314** Words in s. 122(1) repealed (1.5.1995 with effect in accordance with Note to [Sch. 29 Pt. 8\(22\)](#) of the amending act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(22\)](#)
- F315** S. 122(3)(8) repealed (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), ss. 289, 290, [Sch.12](#) (with ss. 60, 101(1), 171, 201(3), [Sch. 11 paras. 20, 22, 26\(2\), 27](#)).
- F316** Words in s. 122(4)(a) substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), ss. 289, 290, [Sch. 10 para. 14\(5\)](#) (with ss. 60, 101(1), 171, 201(3)).

### Modifications etc. (not altering text)

- C76** *For regulations see Part III Vol.5.*
- C77** S. 122(5)-(7) applied (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), [ss. 203\(1\)](#), 289 (with ss. 60, 101(1), 171, 201(3)).

### Marginal Citations

- M118** Source—1970(F) s.29(1), (3); 1971 Sch.9 4
- M119** Source—1970(F) s.29(2)
- M120** Source—1970(F) s.29(4), (6)-(9)
- M121** 1966 c. 4.
- M122** 1969 c. 35 (N.I.).
- M123** 1964 c. 28 (N.I.).
- M124** 1903 c. 37.

## 123 Foreign dividends.

F317 .....

### Textual Amendments

- F317** S. 123 repealed (with effect in accordance with [Sch. 7 para. 32](#) of the repealing Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 7 para. 13](#), [Sch. 41 Pt. 5\(2\)](#), Note (with [Sch. 7 paras. 33-35](#))

## 124 Interest on quoted Eurobonds.

F318 .....

### Textual Amendments

- F318** S. 124 repealed (with effect in accordance with s. 111(6)(b) of the repealing Act) by [Finance Act 2000 \(c. 17\)](#), s. 111(2), [Sch. 40 Pt. 2\(17\)](#), Note 2



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## 125 Annual payments for non-taxable consideration.

- <sup>M125</sup>(1) Any payment to which this subsection applies shall be made without deduction of income tax, shall not be allowed as a deduction in computing the income or total income of the person by whom it is made and shall not be a charge on income for the purposes of corporation tax.
- (2) Subject to the following provisions of this section, subsection (1) above applies to any payment which—
- (a) is an annuity or other annual payment charged with tax under Case III of Schedule D, not being interest; and
  - (b) is made under a liability incurred for consideration in money or money's worth all or any of which is not required to be brought into account in computing for the purposes of income tax or corporation tax the income of the person making the payment.
- (3) Subsection (1) above does not apply to—
- (a) any payment which in the hands of the recipient is income falling within <sup>F319</sup>section 660A(8) or (9)(a);
  - (b) any payment made to an individual under a liability incurred in consideration of his surrendering, assigning or releasing an interest in settled property to or in favour of a person having a subsequent interest;
  - (c) any annuity granted in the ordinary course of a business of granting annuities; or
  - (d) any annuity charged on an interest in settled property and granted at any time before 30th March 1977 by an individual to a company whose business at that time consisted wholly or mainly in the acquisition of interests in settled property or which was at that time carrying on life assurance business in the United Kingdom.
- (4) In the application of this section to Scotland the references in subsection (3) above to settled property shall be construed as references to property held in trust.
- (5) Subsection (1) above applies to a payment made after 5th April 1988 irrespective of when the liability to make it was incurred.

### Textual Amendments

**F319** Words in s. 125(3)(a) substituted (with effect in accordance with s. 74 of the amending Act) by Finance Act 1995 (c. 4), Sch. 17 para. 2

### Modifications etc. (not altering text)

**C78** See 1989 s.59—rights of admission disregarded in the case of certain covenanted subscriptions.

### Marginal Citations

**M125** Source—1977 s.48

## 126 Treasury securities issued at a discount.

<sup>F320</sup> .....

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### Textual Amendments

**F320** Ss. 126, 126A repealed (with effect in accordance with s. 105(1) of the repealing Act) by Finance Act 1996, Sch. 41 Pt. 5(3), Note

## 126A Charge to tax on appropriation of securities and bonds.

F321 .....

### Textual Amendments

**F321** Ss. 126, 126A repealed (with effect in accordance with s. 105(1) of the repealing Act) by Finance Act 1996, Sch. 41 Pt. 5(3), Note

## 127 Enterprise allowance.

<sup>M126</sup>(1) This section applies to—

- (a) payments known as enterprise allowance and made [<sup>F322</sup>(whether before or after the coming into force of Section 25 of the <sup>M127</sup>Employment Act 1988)] in pursuance of arrangements under section 2(2)(d) of the <sup>M128</sup>Employment and Training Act 1973; and
  - (b) corresponding payments made in Northern Ireland by the Department of Economic Development.
- (2) Any such payment which would (apart from this section) be charged to tax under Case I or II of Schedule D shall be charged to tax under Case VI of that Schedule.
- (3) Nothing in subsection (2) above shall prevent such a payment—
- (a) being treated for the purposes of section 623(2)(c) or 833(4)(c) as immediately derived from the carrying on or exercise of a trade, profession or vocation; or
  - (b) *being treated for the purposes of paragraph 1 of Schedule 19 as trading income*<sup>F323</sup>.

### Textual Amendments

**F322** Para. 15 Sch. 3 Employment Act 1988. *Previously*  
 “by the Manpower Services Commission”.

**F323** Repealed by 1989 s. 187 and Sch. 17 Part V in relation to accounting periods beginning after 31 March 1989.

### Marginal Citations

**M126** Source—1986 s. 41

**M127** 1988 c. 19

**M128** 1973 c. 50.

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## <sup>F324</sup>127A Futures and options: transactions with guaranteed returns.

Schedule 5AA (which makes provision for the taxation of the profits and gains arising from transactions in futures and options that are designed to produce guaranteed returns) shall have effect.]

### Textual Amendments

**F324** S. 127A inserted (with effect in accordance with s. 80(6) of the amending Act) by Finance Act 1997 (c. 16), s. 80(1)

## 128 Commodity and financial futures etc.: losses and gains. <sup>M129</sup>

<sup>F325</sup>(1) [<sup>F326</sup>For the purposes of income tax,] any gain arising to any person in the course of dealing in commodity or financial futures or in qualifying options, which [<sup>F327</sup>is not chargeable to tax in accordance with Schedule 5AA and]<sup>F328</sup>apart from this subsection] would constitute profits or gains chargeable to tax under Schedule D otherwise than as the profits of a trade, shall not be chargeable to tax under [<sup>F329</sup>Schedule D].

<sup>F330</sup>(2) For the purposes of corporation tax, any gain arising to any company in the course of dealing in financial futures or in qualifying options, which apart from this subsection would constitute profits or gains chargeable to tax under Schedule D otherwise than as the profits of a trade, shall not be chargeable to tax under Case V or VI of Schedule D.]

<sup>F331</sup>(3) In this section “commodity or financial futures” and “qualifying options” have the same meaning as in section [<sup>F332</sup>143 of the 1992 Act], and the reference to a gain arising in the course of dealing in commodity or financial futures includes any gain which is regarded as arising in the course of such dealing by virtue of subsection [<sup>F332</sup>(3)] of that section.

### Textual Amendments

**F325** Words in s. 128 renumbered as s. 128(1) (with effect in accordance with s. 83(3) of the amending Act) by virtue of Finance Act 2002 (c. 23), Sch. 27 para. 3(1)(a) (with Sch. 28)

**F326** Words in s. 128(1) inserted (with effect in accordance with s. 83(3) of the amending Act) by Finance Act 2002 (c. 23), Sch. 27 para. 3(1)(b) (with Sch. 28)

**F327** Words in s. 128 inserted (with effect in accordance with s. 80(6) of the amending Act) by Finance Act 1997 (c. 16), s. 80(3)(a)

**F328** Words in s. 128(1) substituted (with effect in accordance with s. 83(3) of the amending Act) by Finance Act 2002 (c. 23), Sch. 27 para. 3(1)(c) (with Sch. 28)

**F329** Words in s. 128 substituted (with effect in accordance with s. 80(6) of the amending Act) by Finance Act 1997 (c. 16), s. 80(3)(b)

**F330** S. 128(2) inserted (with effect in accordance with s. 83(3) of the amending Act) by Finance Act 2002 (c. 23), Sch. 27 para. 3(2) (with Sch. 28)

**F331** Words in s. 128 renumbered as s. 128(3) (with effect in accordance with s. 83(3) of the amending Act) by virtue of Finance Act 2002 (c. 23), Sch. 27 para. 3(3) (with Sch. 28)

**F332** Words in s. 128 substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290, Sch. 10 para. 14(7) (with ss. 60, 101(1), 171, 201(3)).

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### Marginal Citations

**M129** Source—1985 s.72(1), (2); 1987 (No.2) s.81(1)

## 129 Stock lending.

F333

### Textual Amendments

**F333** Ss. 129, 129A repealed (with effect in accordance with Sch. 10 para. 7(1) of the repealing Act) by Finance Act 1997 (c. 16), Sch. 10 para. 1, **Sch. 18 Pt. 6(10)**, Note 1; S.I. 1997/991, **art. 2**

## [<sup>F334</sup>129A] Stock lending: interest on cash collateral.

F335

### Textual Amendments

**F334** S. 129A inserted (with application in accordance with s. 85(3) of the amending Act) by Finance Act 1995 (c. 4), **s. 85(1)**

**F335** Ss. 129, 129A repealed (with effect in accordance with Sch. 10 para. 7(1) of the repealing Act) by Finance Act 1997 (c. 16), Sch. 10 para. 1, **Sch. 18 Pt. 6(10)**, Note 1; S.I. 1997/991, **art. 2**

## [<sup>F336</sup>129B] Stock lending fees.

- (1) The income which, as income deriving from investments of a description specified in any of the relevant provisions, is eligible for relief from tax by virtue of that provision shall be taken to include any relevant stock lending fee.
- (2) For the purposes of this section the relevant provisions are sections 592(2), 608(2)(a), 613(4), 614(3), 620(6) and 643(2).
- (3) In this section “relevant stock lending fee”, in relation to investments of any description, means any amount, in the nature of a fee, which is payable in connection with [<sup>F337</sup>any] stock lending arrangement relating to investments which, but for any transfer under the arrangement, would be investments of that description.
- [<sup>F338</sup>(4) In this section “stock lending arrangement” has the same meaning as in section 263B of the 1992 Act.]

### Textual Amendments

**F336** S. 129B inserted (with effect in accordance with s. 157(2) of the amending Act) by Finance Act 1996 (c. 8), **s. 157(1)**

**F337** Word in s. 129B(3) substituted (with effect in accordance with Sch. 10 para. 7(1) of the amending Act) by Finance Act 1997 (c. 16), **Sch. 10 para. 2(1)**; S.I. 1997/991, **art. 2**

**F338** S. 129B(4) substituted (with effect in accordance with Sch. 10 para. 7(1) of the amending Act) by Finance Act 1997 (c. 16), **Sch. 10 para. 2(2)**; S.I. 1997/991, **art. 2**

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## 130 Meaning of “investment company” for purposes of Part IV.

<sup>M130</sup>In this Part of this Act “investment company”, means any company whose business consists wholly or mainly in the making of investments and the principal part of whose income is derived therefrom, but includes any savings bank or other bank for savings except any which, for the purposes of the <sup>M131</sup>Trustee Savings Bank Act 1985, is a successor or a further successor to a trustee savings bank.

### Modifications etc. (not altering text)

**C79** See—1988 s.338(6)—definition applied for purposes of s.338(3) (charges).1988 s.576(5)—definition applied for purposes of ss.573 to 576 (losses on unquoted shares in trading companies). [Trustee Savings Banks Act 1985 \(c.58\) s.5](#) and Sch.2 para.6(6).

### Marginal Citations

**M130** Source—1970 s.304(5); 1980 Sch.11

**M131** 1985 c. 58.

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