



# Finance Act 1988

## 1988 CHAPTER 39

### PART IV

#### MISCELLANEOUS AND GENERAL

##### *Inheritance tax*

#### **136 Reduction of rates**

(1) For the Table in Schedule 1 to the Inheritance Tax Act 1984 there shall be substituted—

TABLE OF RATES OF TAX

<i>Portion of value</i>		<i>Rate of tax</i>
<i>Lower limit</i>	<i>Upper limit</i>	<i>Per cent.</i>
	£	£
0	110,000	Nil
110,000	—	40

(2) Subsection (1) above shall apply to any chargeable transfer made on or after 15th March 1988, and section 8(1) of the Inheritance Tax Act 1984 (indexation of rate bands) shall not apply to chargeable transfers made in the year beginning 6th April 1988.

(3) Section 8(1A) of that Act shall cease to have effect.

#### **137 Gifts to political parties**

(1) In section 24(1) of the Inheritance Tax Act 1984 (exemption from tax for gifts to political parties) paragraph (b) (which limits the exemption to £100,000 in respect of gifts on or within one year of the death of the transferor) shall cease to have effect.

---

*Status: This is the original version (as it was originally enacted).*

---

- (2) This section shall have effect in relation to transfers of value made on or after 15th March 1988.

*Petroleum revenue tax*

**138 Reduced oil allowance for certain Southern Basin and onshore fields**

- (1) For every relevant Southern Basin or onshore field, as defined in subsection (2) below, section 8 of the Oil Taxation Act 1975 (the oil allowance) shall have effect subject to the following modifications—
- (a) in subsection (2) (the amount of the allowance for each chargeable period) for “250,000 metric tonnes” there shall be substituted “125,000 metric tonnes”; and
  - (b) in subsection (6) (the total allowance for a field) for “5 million metric tonnes” there shall be substituted “2.5 million metric tonnes”.
- (2) Subject to subsection (3) below, for the purposes of this section a “relevant Southern Basin or onshore field” is any oil field other than one—
- (a) which is a relevant new field for the purposes of section 36 of the Finance Act 1983 (increased oil allowance for certain new fields); or
  - (b) for any part of which consent for development was granted to the licensee by the Secretary of State before 1st April 1982; or
  - (c) for any part of which a programme of development was served on the licensee or approved by the Secretary of State before that date.
- (3) In determining, in accordance with subsection (2) above, whether an oil field (in this subsection referred to as “the field in question”) is a relevant Southern Basin or onshore field, no account shall be taken of a consent for development granted before 1st April 1982 or a programme of development served on the licensee or approved by the Secretary of State before that date if—
- (a) in whole or in part that consent or programme related to another oil field for which a determination under Schedule 1 to the Oil Taxation Act 1975 was made before the determination under that Schedule for the field in question; and
  - (b) on or after 1st April 1982, a consent for development is or was granted or a programme of development is or was served on the licensee or approved by the Secretary of State and that consent or programme relates, in whole or in part, to the field in question.
- (4) Subsections (4) and (5) of section 36 of the Finance Act 1983 (which define “development” for the purposes of subsections (2) and (3) of that section) shall apply also for the purposes of subsections (2) and (3) of this section.
- (5) This section shall have effect in relation to chargeable periods ending after 30th June 1988.
- (6) This section shall be construed as one with Part I of the Oil Taxation Act 1975.

### **139 Assets generating tariff receipts: extension of allowable expenditure**

- (1) In Part I of Schedule 1 to the Oil Taxation Act 1983 (extensions of allowable expenditure for assets generating receipts) paragraph 3 (expenditure on enhancing the value of assets no longer in use for the principal field) shall be amended as follows—
  - (a) in sub-paragraph (1)(a) after the words “enhancing the value of” there shall be inserted “or otherwise in connection with”;
  - (b) in sub-paragraph (1)(d) for the words “the expenditure” there shall be substituted “either the use of the asset” and after the words “tariff receipts or” there shall be inserted “the expenditure”.
- (2) This section shall have effect with respect to expenditure incurred on or after 15th March 1988.

#### *Stamp duty and stamp duty reserve tax*

### **140 Abolition of stamp duty under the heading “Unit Trust Instrument”**

- (1) The stamp duty chargeable by virtue of the heading in Schedule 1 to the Stamp Act 1891 “Unit Trust Instrument” is abolished; and accordingly that heading and the following enactments, namely—
  - (a) section 53 of the Finance Act 1946;
  - (b) section 24 of the Finance (No. 2) Act (Northern Ireland) 1946;
  - (c) section 30 of the Finance Act 1962; and
  - (d) section 3 of the Finance Act (Northern Ireland) 1962,shall cease to have effect.
- (2) Subsection (1) above shall have effect in relation to—
  - (a) any trust instrument executed on or after 22nd March 1988;
  - (b) any trust instrument executed on or after 16th March 1988 which is not stamped before 22nd March 1988;
  - (c) any property becoming trust property on or after 22nd March 1988; and
  - (d) any property becoming trust property on or after 16th March 1988 in respect of which the trust instrument is not stamped before 22nd March 1988.
- (3) For the purposes of section 14(4) of the Stamp Act 1891 (instruments not to be given in evidence etc. unless stamped in accordance with the law in force at the time of execution), the law in force—
  - (a) at the time of execution of a trust instrument falling within subsection (2)(b) above; or
  - (b) on the day on which property falling within subsection (2)(d) above becomes trust property,shall be deemed to be that as varied in accordance with this section.
- (4) In this section “trust instrument” and “trust property” have the meanings given by section 57 of the Finance Act 1946 or section 28 of the Finance (No. 2) Act (Northern Ireland) 1946.
- (5) This section shall be construed as one with the Stamp Act 1891.
- (6) This section shall be deemed to have come into force on 22nd March 1988.

---

*Status: This is the original version (as it was originally enacted).*

---

## **141 Abolition of stamp duty on documents relating to transactions of capital companies**

- (1) The stamp duties chargeable by virtue of section 47 of the Finance Act 1973 and Article 8 of the Finance (Miscellaneous Provisions) (Northern Ireland) Order 1973 (stamp duties on documents relating to chargeable transactions of capital companies) are abolished; and accordingly—
- (a) that section, section 48 of that Act and Schedule 19 to that Act; and
  - (b) that Article, Article 9 of that Order and Schedule 2 to that Order,
- shall cease to have effect.
- (2) Subsection (1) above shall have effect in relation to—
- (a) any transaction occurring on or after 22nd March 1988;
  - (b) any transaction occurring on or after 16th March 1988 in respect of which the relevant document is not stamped before 22nd March 1988;
  - (c) any exempt transaction occurring before 22nd March 1988 in respect of which a relevant event occurs on or after 22nd March 1988; and
  - (d) any exempt transaction occurring before 16th March 1988 in respect of which a relevant event occurs on or after 16th March 1988 and the relevant duty is not paid before 22nd March 1988.
- (3) For the purposes of section 14(4) of the Stamp Act 1891 (instruments not to be given in evidence etc. unless stamped in accordance with the law in force at the time of execution), the law in force—
- (a) in a case falling within subsection (2)(b) above, at the time of execution of the relevant document ; or
  - (b) in a case falling within subsection (2)(d) above, on the day on which the relevant event occurs,
- shall be deemed to be that as varied in accordance with this section.
- (4) In this section—
- “exempt transaction” means a transaction which is exempt by virtue of paragraph 10(1) of Schedule 19 to the Finance Act 1973;
- “relevant document” has the meaning given by section 47 of that Act;
- “relevant duty” means the duty payable under paragraph 10(4) of Schedule 19 to that Act;
- “relevant event” means such an event as is mentioned in paragraph 10(3) (a) or (b) of Schedule 19 to that Act,
- and any reference in this subsection to section 47 of or Schedule 19 to that Act includes a reference to Article 8 of or Schedule 2 to the Finance (Miscellaneous Provisions) (Northern Ireland) Order 1973.
- (5) This section shall be construed as one with the Stamp Act 1891.
- (6) This section shall be deemed to have come into force on 22nd March 1988.

## **142 Stamp duty: housing action trusts**

- (1) In section 97 of the Finance Act 1980 (shared ownership transactions) after paragraph (c) of subsection (3) there shall be inserted—
- “(cc) a housing action trust established under Part III of the Housing Act 1988;”.

(2) In section 107 of the Finance Act 1981 (sales at a discount by local authorities etc.) after paragraph (f) of subsection (3) there shall be inserted—

“(ff) a housing action trust established under Part III of the Housing Act 1988;”.

### **143 Stamp duty: paired shares**

(1) This section applies where—

- (a) the articles of association of a company incorporated in the United Kingdom (“the UK company”) and the equivalent instruments governing a company which is not so incorporated (“the foreign company”) each provide that no share in the company to which they relate may be transferred otherwise than as part of a unit comprising one share in that company and one share in the other; and
- (b) such units are to be or have been offered for sale to the public in the United Kingdom and, at the same time, an equal number of such units are to be or, as the case may be, have been offered for sale to the public at a broadly equivalent price in the country in which the foreign company is incorporated (“the foreign country”).

(2) In relation to an instrument to which subsection (3) below applies, any duty chargeable on issue under the heading “Bearer Instrument” in Schedule 1 to the Stamp Act 1891 (which, apart from this subsection, would be payable by virtue of section 60 of the Finance Act 1963 or section 9 of the Finance Act (Northern Ireland) 1963) shall not be so payable; but nothing in this subsection shall be taken as affecting the other requirements of that section.

(3) This subsection applies to any bearer instrument issued on or after 1st November 1987 which represents shares in the UK company, or a right to an allotment of or to subscribe for such shares, if the purpose of the issue is—

- (a) to make such shares available for sale (as part of such units as are referred to in subsection (1) above) in pursuance of either of the offers referred to in subsection (1)(b) above or of any other offer for sale of such units to the public made at the same time and at a broadly equivalent price in a country other than the United Kingdom or the foreign country; or
- (b) to give effect to an allotment of such shares (as part of such units) as fully or partly paid bonus shares.

(4) In relation to an instrument to which subsection (5) below applies—

- (a) the foreign company shall be treated—
  - (i) for the purposes of sections 59 and 60 of the Finance Act 1963 (which make provision in respect of stamp duty under the heading “Bearer Instrument” in Schedule 1 to the Stamp Act 1891) as a company formed or established in Great Britain; and
  - (ii) for the purposes of sections 8 and 9 of the Finance Act (Northern Ireland) 1963 (which make corresponding provision for Northern Ireland) as a company formed or established in Northern Ireland; and
- (b) section 30 of the Finance Act 1967 and section 7 of the Finance Act (Northern Ireland) 1967 (exemption for bearer instruments relating to stock in foreign currencies) shall not apply.

---

*Status: This is the original version (as it was originally enacted).*

---

- (5) This subsection applies to any bearer instrument issued on or after 9th December 1987 which represents shares in the foreign company, or a right to an allotment of or to subscribe for such shares, and is not issued for the purpose—
- (a) of making shares in the foreign company available for sale (as part of such units as are referred to in subsection (1) above) in pursuance of either of the offers referred to in subsection (1)(b) above or of any other offer such as is mentioned in subsection (3)(a) above; or
  - (b) of giving effect to an allotment of such shares (as part of such units) as fully or partly paid bonus shares.
- (6) In relation to any instrument which transfers such units as are referred to in subsection (1) above and is executed on or after the date of the passing of this Act, the foreign company shall be treated for the purposes of sections 67 and 68 (depository receipts) and 70 and 71 (clearance services) of the Finance Act 1986 as a company incorporated in the United Kingdom.
- (7) Section 3 of the Stamp Act 1891 (which requires every instrument written upon the same piece of material as another instrument to be separately stamped) shall not apply in relation to any bearer instrument issued on or after 9th December 1987 which represents shares in the UK company or the foreign company, or a right to an allotment of or to subscribe for such shares.
- (8) This section shall be construed as one with the Stamp Act 1891.
- (9) Subsections (2) and (3) above, together with subsection (1) above so far as relating to them, shall be deemed to have come into force on 1st November 1987, and subsections (4), (5) and (7) above, together with subsection (1) above so far as relating to them, shall be deemed to have come into force on 9th December 1987.

#### **144 Stamp duty reserve tax: paired shares etc**

- (1) Section 99 of the Finance Act 1986 (stamp duty reserve tax: interpretation) shall be amended as follows.
- (2) For subsections (3) to (6) there shall be substituted—
- “(3) Subject to the following provisions of this section, “chargeable securities” means—
- (a) stocks, shares or loan capital,
  - (b) interests in, or in dividends or other rights arising out of, stocks, shares or loan capital,
  - (c) rights to allotments of or to subscribe for, or options to acquire, stocks, shares or loan capital, and
  - (d) units under a unit trust scheme.
- (4) “Chargeable securities” does not include securities falling within paragraph (a), (b) or (c) of subsection (3) above which are issued or raised by a body corporate not incorporated in the United Kingdom unless—
- (a) they are registered in a register kept in the United Kingdom by or on behalf of the body corporate by which they are issued or raised, or
  - (b) in the case of shares, they are paired with shares issued by a body corporate incorporated in the United Kingdom, or

---

*Status: This is the original version (as it was originally enacted).*

---

- (c) in the case of securities falling within paragraph (b) or (c) of subsection (3) above, paragraph (a) or (b) above applies to the stocks, shares or loan capital to which they relate.
- (5) “Chargeable securities” does not include—
  - (a) securities the transfer of which is exempt from all stamp duties, or
  - (b) securities falling within paragraph (b) or (c) of subsection (3) above which relate to stocks, shares or loan capital the transfer of which is exempt from all stamp duties.
- (6) “Chargeable securities” does not include interests in depositary receipts for stocks or shares.
- (6A) For the purposes of subsection (4) above, shares issued by a body corporate which is not incorporated in the United Kingdom (“the foreign company”) are paired with shares issued by a body corporate which is so incorporated (“the UK company”) where—
  - (a) the articles of association of the UK company and the equivalent instruments governing the foreign company each provide that no share in the company to which they relate may be transferred otherwise than as part of a unit comprising one share in that company and one share in the other, and
  - (b) such units have been offered for sale to the public in the United Kingdom and, at the same time, an equal number of such units have been offered for sale to the public at a broadly equivalent price in the country in which the foreign company is incorporated.”
- (3) In subsection (9), after the word “Unit” there shall be inserted the words “(except in subsection (6A) above)”.
- (4) In subsection (10), for paragraph (a) there shall be substituted—
  - “(a) paragraph (a) of subsection (4) above and the reference to that paragraph in paragraph (c) of that subsection shall be ignored, and”.
- (5) After subsection (10) there shall be added—
  - “(11) In interpreting “chargeable securities” in section 93 or 96 above in a case where—
    - (a) newly subscribed shares, or
    - (b) securities falling within paragraph (b) or (c) of subsection (3) above which relate to newly subscribed shares,are issued in pursuance of an arrangement such as is mentioned in that section (or an arrangement which would be such an arrangement if the securities issued were chargeable securities), paragraph (b) of subsection (4) above and the reference to that paragraph in paragraph (c) of that subsection shall be ignored.
- (12) In subsection (11) above, “newly subscribed shares” means shares issued wholly for new consideration in pursuance of an offer for sale to the public.”
- (6) This section applies in relation to—
  - (a) agreements to transfer chargeable securities (within the meaning of section 99 of the Finance Act 1986 as amended by this section) made on or after 9th December 1987; and

---

*Status: This is the original version (as it was originally enacted).*

---

(b) the transfer, issue or appropriation of such securities, or the issue of securities such as are mentioned in subsection (11) of that section, on or after that date in pursuance of an arrangement such as is mentioned in that subsection (whenever the arrangement was made),  
and shall be deemed to have come into force on that date.

*Miscellaneous*

**145 Building societies: change of status**

Schedule 12 to this Act (which makes provision in connection with the transfer of a building society's business to a company in accordance with the Building Societies Act 1986) shall have effect.

**146 Post-consolidation amendments**

The enactments specified in Schedule 13 to this Act shall have effect subject to the amendments specified in that Schedule (being amendments to correct errors in the Taxes Act 1988 and in the amendments made by the Finance Act 1987 for the purposes of the consolidation effected by the Taxes Act 1988).

**147 Interpretation etc**

- (1) In this Act “the Taxes Act 1970” means the Income and Corporation Taxes Act 1970 and “the Taxes Act 1988” means the Income and Corporation Taxes Act 1988.
- (2) Part II of this Act shall be construed as one with the Value Added Tax Act 1983.
- (3) Part III of this Act, so far as it relates to income tax, shall be construed as one with the Income Tax Acts, so far as it relates to corporation tax, shall be construed as one with the Corporation Tax Acts and, so far as it relates to capital gains tax, shall be construed as one with the Capital Gains Tax Act 1979.

**148 Repeals**

The enactments specified in Schedule 14 to this Act (which include unnecessary enactments) are hereby repealed to the extent specified in the third column of that Schedule, but subject to any provision at the end of any Part of that Schedule.

**149 Short title**

This Act may be cited as the Finance Act 1988.