



# Finance Act 1991

## 1991 CHAPTER 31

### PART II

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

### CHAPTER I

#### GENERAL

##### *Interest*

#### **26 Relief for interest.**

For the year 1991-92 the qualifying maximum defined in section 367(5) of the Taxes Act 1988 (limit on relief for interest on certain loans) shall be £30,000.

#### **27 Abolition of higher rate relief on certain mortgage interest etc.**

(1) At the end of section 353 of the Taxes Act 1988 (certain interest payments to be deducted from or set off against income) there shall be added—

“(4) In computing for the purposes of excess liability the total income of a person for any year of assessment, no deduction shall be allowed in respect of any amount of interest which falls to be deducted or set off under subsection (1) above by virtue of section 355(1)(a), 356(1) or 365.

(5) In subsection (4) above, “excess liability means the excess of liability to income tax over what it would be if all income tax were charged at the basic rate, to the exclusion of any higher rate.”

(2) In section 369 of that Act (mortgage interest relief at source) in subsection (3) (charge to tax at basic rate on an amount equal to that which falls to be deducted in computing total income) after the words “in computing his total income there shall be inserted the

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1991, Cross Heading: Interest. (See end of Document for details)*

words “(otherwise than for the purposes of excess liability)”; and after that subsection there shall be inserted—

“(3A) In computing for the purposes of excess liability the total income of a person for any year of assessment, no deduction shall be allowed in respect of any amount of relevant loan interest to which this section applies.

(3B) In this section “excess liability means the excess of liability to income tax over what it would be if all income tax were charged at the basic rate, to the exclusion of any higher rate.”

(3) The amendment made by subsection (1) above shall not apply in relation to interest which falls to be deducted or set off under section 353(1) of that Act by virtue of paragraph (a) of subsection (5) of section 354 of that Act (relief for bridging loans etc) in any case where—

- (a) the loan on which the interest is payable is the loan referred to in that paragraph as “the first-mentioned loan; and
- (b) the loan referred to in paragraph (b) of that subsection as “the other loan was made before 6th April 1991.

(4) The amendments made by subsection (2) above shall not apply in relation to an amount of interest which is relevant loan interest (within the meaning of section 369 of that Act) by virtue of section 371 of that Act (second loans) in any case where—

- (a) the loan on which the interest is payable is the loan referred to in subsection (1) of that section as “the first loan; and
- (b) the loan which is, for the purposes of that subsection, “the other loan was made before 6th April 1991.

(5) Where the loan mentioned in paragraph (b) of subsection (3) above or, as the case may be, of subsection (4) above was made on or after 6th April 1991, it shall be treated for the purposes of the subsection in question as made before that date if it is proved by written evidence—

- (a) that the loan was made in pursuance of an offer made before that date and that the offer either was in writing or was evidenced by a note or memorandum made by the lender before that date, and
- (b) that the loan was used to defray money applied in pursuance of a binding contract entered into before that date.

(6) The enactments mentioned in Schedule 6 to this Act shall have effect for the year 1991-92 and subsequent years of assessment with the amendments there specified.

(7) Subsections (1) to (5) above shall have effect in relation to payments of interest made on or after 6th April 1991 (whenever falling due).

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

**C1** S. 27(1)(2) excluded (27.7.1993) by 1993 c. 34, s. 57(7).

**28 Mortgage interest relief: caravans.**

(1) Section 354(3) of the Taxes Act 1988 (interest eligible for relief in the case of a caravan only if the caravan is large or certain conditions presupposing domestic rating are met) shall cease to have effect.

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(2) This section shall have effect for the year 1991-92 and subsequent years of assessment.

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