



# Finance Act 1993

## 1993 CHAPTER 34

### PART II

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

### CHAPTER I

#### GENERAL

##### *Miscellaneous provisions about reliefs*

#### **108 Counselling services for employees**

In Chapter VI of Part XIII of the Taxes Act 1988, after section 589 there shall be inserted the following sections—

##### **“589A Counselling services for employees**

- (1) This section applies where—
  - (a) qualifying counselling services are provided to a person (the employee) in connection with the termination of the holding by him of any office or employment, and
  - (b) the termination takes place on or after 16th March 1993.
- (2) This section also applies where—
  - (a) subsection (1)(a) above applies, and
  - (b) the termination takes place before 16th March 1993 but relevant expenditure is incurred on or after that date.
- (3) Relevant expenditure is expenditure incurred in—
  - (a) providing the qualifying counselling services to the employee,

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- (b) paying or reimbursing fees for the provision to the employee of the qualifying counselling services, or
  - (c) paying or reimbursing any allowable travelling expenses incurred in connection with the provision of the qualifying counselling services to the employee.
- (4) No charge to tax under Schedule E shall arise in respect of—
- (a) the provision of the qualifying counselling services to the employee,
  - (b) the payment or reimbursement of fees for the provision to the employee of the qualifying counselling services, or
  - (c) the payment or reimbursement of any allowable travelling expenses incurred in connection with the provision of the qualifying counselling services to the employee.
- (5) Where this section applies by virtue of subsection (2) above, subsection (4) above shall apply only to the extent that the expenditure incurred in providing the services or paying or reimbursing the fees or expenses is incurred on or after 16th March 1993.
- (6) Subsection (4) above shall apply whether or not the person who provides the services or pays or reimburses the fees or expenses is the person under whom the employee holds or held the office or employment mentioned in subsection (1) above.
- (7) Subsections (8) to (10) below apply where any relevant expenditure is incurred by the person under whom the employee holds or held the office or employment mentioned in subsection (1) above (the employer).
- (8) If and so far as the expenditure would not, apart from this subsection, be so deductible, it shall be deductible in computing for the purposes of Schedule D the profits or gains of the trade, profession or vocation of the employer for the purposes of which the employee is or was employed.
- (9) If the employer carries on a business and the expenses of management of the business are eligible for relief under section 75, subsection (8) above shall have effect as if for the words from “in computing” onwards there were substituted “as expenses of management for the purposes of section 75”.
- (10) Where this section applies by virtue of subsection (2) above, subsections (8) and (9) above shall apply only to the extent that the expenditure is incurred on or after 16th March 1993.

### **589B Qualifying counselling services etc**

- (1) Subsections (2) to (4) below apply for the purposes of section 589A.
- (2) Subject to subsection (3) below, services are qualifying counselling services if—
- (a) the purpose, or main purpose, of their provision is to enable the employee to adjust to the termination of his holding of the office or employment mentioned in section 589A(1) or is to enable him to find other gainful employment (including self-employment) or is to enable him to do both,

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- (b) the services consist wholly of any or all of the following, namely, giving advice and guidance, imparting or improving skills, and providing or making available the use of office equipment or similar facilities,
  - (c) the employee has been employed by the employer full-time throughout the period of two years ending at the time when the services begin to be provided to him or, if it is earlier, at the time he ceases to be employed by the employer,
  - (d) the opportunity to receive the services, on similar terms as to payment or reimbursement of any expenses incurred in connection with their provision, is available either generally to holders or past holders of offices or employment under the employer or to a particular class or classes of such holders or past holders, and
  - (e) the services are provided in the United Kingdom.
- (3) Where paragraphs (a) to (d) of subsection (2) above are satisfied in relation to particular services but the services are provided partly in and partly outside the United Kingdom, the extent to which the services are qualifying counselling services shall be determined on a just and reasonable basis.
- (4) In relation to services, allowable travelling expenses are those which would be deductible under section 198—
- (a) on the assumption that receipt of the services is one of the duties of the employee's office or employment, and
  - (b) if the employee has in fact ceased to be employed by the employer, on the assumption that he continues to be employed by him.
- (5) Any reference in this section or section 589A to an employee being employed by an employer is a reference to the employee holding office or employment under the employer.”

## **109 Pre-trading expenditure**

- (1) In subsection (1) of section 401 of the Taxes Act 1988 (which gives relief for expenditure incurred within the five years before the beginning of any trade, profession or vocation), for “five” there shall be substituted “seven”.
- (2) After subsection (1) of that section there shall be inserted the following subsection—
- “(1A) Where—
- (a) a company pays any charge on income at a time before it begins to carry on any trade, and
  - (b) the payment is made wholly and exclusively for the purposes of that trade,
- that payment, to the extent that it is not deducted otherwise than by virtue of this section from any profits, shall be treated for the purposes of corporation tax as paid on the day on which the trade is first carried on by the company.”
- (3) In section 338(5)(b) of that Act (payments not to be treated as charges on income), after “trade” there shall be inserted “which is or is to be”.

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- (4) Subsections (1) and (2) above shall have effect where the time when the person begins to carry on the trade, profession or vocation falls after 31st March 1993, and subsection (3) above shall have effect in relation to payments made after that date.

## **110 Waste disposal expenditure**

- (1) In section 91A(6) of the Taxes Act 1988 (relevant licence for the purposes of restoration payments), after paragraph (b) there shall be inserted “or
- (c) any authorisation under the Radioactive Substances Act 1960 or the Radioactive Substances Act 1993 for the disposal of radioactive waste or any nuclear site licence under the Nuclear Installations Act 1965.”
- (2) In section 91B of that Act (preparation expenditure for waste disposal), after subsection (10) there shall be inserted the following subsection—
- “(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.”
- (3) This section shall have effect in relation to any case where the trade in question is begun after 31st March 1993.

## **111 Business expansion scheme: loan linked investments**

- (1) After section 299 of the Taxes Act 1988 there shall be inserted the following section—

### **“299A Loan linked investments**

- (1) An individual shall not be entitled to relief in respect of any shares in a company issued on or after 16th March 1993 if—
- (a) there is a loan made by any person, at any time in the relevant period, to that individual or any associate of his; and
- (b) the loan is one which would not have been made, or would not have been made on the same terms, if that individual had not subscribed for those shares or had not been proposing to do so.
- (2) References in this section to the making by any person of a loan to any individual or an associate of his include references—
- (a) to the giving by that person of any credit to that individual or any associate of his; and
- (b) to the assignment or assignation to that person of any debt due from that individual or any associate of his;
- and the references in section 307(6)(ca) to the making of a loan shall be construed accordingly.”
- (2) In sections 289(12)(a) and 310(1) and (10)(a) of that Act (definition of “the relevant period” and information provisions), after “299,” in each case, there shall be inserted “299A,”.
- (3) In section 307(6) of that Act (reckonable date for the purposes of interest on relief that is withdrawn), after paragraph (c) there shall be inserted the following paragraph—

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“(ca) in the case of relief withdrawn by virtue of section 299A in consequence of the making of any loan after the grant of the relief, the date of the making of the loan;”.

- (4) This section shall apply in relation to any case in which the claim for relief is made on or after 16th March 1993.

## **112 Employers' pension contributions**

- (1) In section 592(4) of the Taxes Act 1988 (employers' contributions to exempt approved schemes), at the end there shall be inserted “but no other sum shall for those purposes be allowed to be deducted as an expense, or expense of management, in respect of the making, or any provision for the making, of any contributions under the scheme.”
- (2) Subsection (1) above shall have effect in the case of any employer in relation to, as the case may be—
- (a) any accounting period of that employer ending with a day after 5th April 1993; or
  - (b) any year of assessment the employer's basis period for which ends with a day after that date.
- (3) Where—
- (a) there is after 5th April 1993 an actual payment by an employer of a contribution under an exempt approved scheme,
  - (b) that payment would, apart from this subsection, be allowed to be deducted as an expense, or expense of management, of the employer in relation to any chargeable period in relation to which subsection (1) above has effect, and
  - (c) the total of previously allowed deductions exceeds the relevant maximum,
- the amount allowed to be so deducted in respect of the payment mentioned in paragraph (a) above and of any other actual payments of contributions under the scheme which, having been made after 5th April 1993, fall within paragraph (b) above in relation to the same chargeable period shall be reduced by whichever is the smaller of the excess and the amount which reduces the deduction to nil.
- (4) In relation to any such actual payment by an employer of a contribution under an exempt approved scheme as would be allowed to be deducted as mentioned in subsection (3) above in relation to any chargeable period—
- (a) the reference in that subsection to the total of previously allowed deductions is a reference to the aggregate of every amount in respect of the making, or any provision for the making, of that or any other contributions under the scheme, which has been allowed to be deducted as an expense, or expense of management, of that person in relation to a previous chargeable period; and
  - (b) the reference to the relevant maximum is a reference to the amount which would have been that aggregate if the restriction on deductions imposed by virtue of subsection (1) above had been applied in relation to every previous chargeable period;

and for the purposes of this subsection an amount the deduction of the whole or any part of which falls to be taken into account as allowed in relation to more than one chargeable period shall be treated as if the amount allowed were a different amount in the case of each of those periods.

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- (5) For the purposes of this section any payment which is treated under subsection (6) of section 592 of the Taxes Act 1988 as spread over a period of years shall be treated as actually paid at the time when it is treated as paid in accordance with that subsection.
- (6) After subsection (6) of section 592 of the Taxes Act 1988 there shall be inserted the following subsection—
- “(6A) Where any sum is paid to the trustees of the scheme in or towards the discharge of any liability of an employer under section 58B of the Social Security Pensions Act 1975 or section 144 of the Pension Schemes Act 1993 (deficiencies in the assets of a scheme) or under Article 68B of the Social Security Pensions (Northern Ireland) Order 1975 or section 140 of the Pension Schemes (Northern Ireland) Act 1993 (which contain corresponding provision for Northern Ireland), the payment of that sum—
- (a) shall be treated for the purposes of this section as an employer’s contribution under the scheme; and
- (b) notwithstanding (where it is the case) that the employer’s trade, profession, vocation or business is permanently discontinued before the making of the payment, shall be allowed, in accordance with subsection (4) above, to be deducted as such a contribution to the same extent as it would have been allowed but for the discontinuance and as if it had been made on the last day on which the trade, profession, vocation or business was carried on.”; and this subsection shall have effect in relation to any payment made on or after the day on which this Act is passed.
- (7) In this section—
- “basis period”, in relation to any person, means a period on the profits or gains of which income tax for any year of assessment falls to be finally computed under Case I or II of Schedule D in respect of the trade, profession or vocation of that person (being the later period in any case where the profits and gains of an earlier period are taken to be the profits and gains of a later period); and
- “exempt approved scheme” has the meaning given by section 592(1) of the Taxes Act 1988.