



# Finance Act 1996

## 1996 CHAPTER 8

### PART IV

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

### CHAPTER V

#### SELF ASSESSMENT, GENERAL MANAGEMENT ETC.

#### *General*

#### **121 Returns and self assessment**

- (1) In subsection (1) of section 8 of the Taxes Management Act 1970 (personal return), and in subsection (1) of section 8A of that Act (trustee's return), after the words "year of assessment," there shall be inserted the words "and the amount payable by him by way of income tax for that year,".
- (2) In subsection (1A) of each of those sections, the words from "and the amounts referred to" to the end shall cease to have effect.
- (3) After that subsection of each of those sections there shall be inserted the following subsection—

"(1AA) For the purposes of subsection (1) above—

- (a) the amounts in which a person is chargeable to income tax and capital gains tax are net amounts, that is to say, amounts which take into account any relief or allowance a claim for which is included in the return; and
- (b) the amount payable by a person by way of income tax is the difference between the amount in which he is chargeable to income tax and the aggregate amount of any income tax deducted at source and any tax credits to which section 231 of the principal Act applies."

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- (4) For subsection (1) of section 9 of that Act (returns to include self-assessment) there shall be substituted the following subsection—
- “(1) Subject to subsection (2) below, every return under section 8 or 8A of this Act shall include a self-assessment, that is to say—
- (a) an assessment of the amounts in which, on the basis of the information contained in the return and taking into account any relief or allowance a claim for which is included in the return, the person making the return is chargeable to income tax and capital gains tax for the year of assessment; and
- (b) an assessment of the amount payable by him by way of income tax, that is to say, the difference between the amount in which he is assessed to income tax under paragraph (a) above and the aggregate amount of any income tax deducted at source and any tax credits to which section 231 of the principal Act applies.”
- (5) In subsection (1)(b) of section 11AA of that Act (return of profits to include self-assessment), for the words “, allowance or repayment of tax” there shall be substituted the words “or allowance”.
- (6) In subsection (1)(a) of section 12AA of that Act (partnership return), after the words “so chargeable” there shall be inserted the words “and the amount payable by way of income tax by each such partner”.
- (7) For subsection (1A) of that section there shall be substituted the following subsection—
- “(1A) For the purposes of subsection (1) above—
- (a) the amount in which a partner is chargeable to income tax or corporation tax is a net amount, that is to say, an amount which takes into account any relief or allowance for which a claim is made; and
- (b) the amount payable by a partner by way of income tax is the difference between the amount in which he is chargeable to income tax and the aggregate amount of any income tax deducted at source and any tax credits to which section 231 of the principal Act applies.”
- (8) This section and sections 122, 123, 125 to 127 and 141 below—
- (a) so far as they relate to income tax and capital gains tax, have effect as respects the year 1996-97 and subsequent years of assessment, and
- (b) so far as they relate to corporation tax, have effect as respects accounting periods ending on or after the appointed day for the purposes of Chapter III of Part IV of the Finance Act 1994.

## **122 Notional tax deductions and payments**

- (1) At the end of subsection (1) of section 9 of the Taxes Management Act 1970 (as substituted by section 121(4) above) there shall be inserted the words “but nothing in this subsection shall enable a self-assessment to show as repayable any income tax treated as deducted or paid by virtue of section 233(1), 246D(1), 249(4), 421(1), 547(5) or 599A(5) of the principal Act.”
- (2) At the end of subsection (1) of section 59B of that Act (payment of income tax and capital gains tax) there shall be inserted the words “but nothing in this subsection

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shall require the repayment of any income tax treated as deducted or paid by virtue of section 233(1), 246D(1), 249(4), 421(1), 547(5) or 599A(5) of the principal Act.”

- (3) In subsection (1) of section 233 of the Taxes Act 1988 (taxation of certain recipients of distributions), for paragraphs (a) and (b) there shall be substituted the following paragraphs—
- “(a) that person shall be treated as having paid income tax at the lower rate on the amount or value of the distribution;
  - (b) no repayment shall be made of any income tax treated by virtue of paragraph (a) above as having been paid;”.
- (4) In paragraph (a) of subsection (1A) of that section—
- (a) for sub-paragraph (i) there shall be substituted the following sub-paragraph—
    - “(i) income on which that person falls to be treated as having paid income tax at the lower rate by virtue of paragraph (a) of subsection (1) above, or”; and
  - (b) for the words “that assessment” there shall be substituted the words “that subsection”.
- (5) In the following enactments, namely—
- (a) subsection (2)(a) of section 246D of that Act (individuals etc.); and
  - (b) subsection (4)(a) of section 249 of that Act (stock dividends treated as income),
- for the words from “no assessment” to “on it” there shall be substituted the words “the individual shall be treated as having paid income tax at the lower rate on that income”.
- (6) In subsection (1)(b) of section 421 of that Act (taxation of borrower when loan released), for the words “no assessment shall be made on him in respect of” there shall be substituted the words “he shall not be liable to pay”.
- (7) The following shall cease to have effect, namely—
- (a) in subsection (5)(a) of section 547 of that Act (method of charging to tax), the words from “no assessment” to “but”;
  - (b) in subsection (6) of section 599A of that Act (charge to tax: payments out of surplus funds), the words from “subject” to “and”; and
  - (c) subsection (7) of that section.

## **123 Liability of partners**

- (1) In subsection (2) of section 12AA of the Taxes Management Act 1970 (partnership return) after the words “with the notice” there shall be inserted the words “or a successor of his”.
- (2) In subsection (3) of that section after the words “the partner” there shall be inserted the words “or a successor of his”.
- (3) In subsection (7)(a) of that section, the words “any part of” shall cease to have effect.
- (4) At the end of that section there shall be inserted the following subsections—
- “(11) In this Act “successor”, in relation to a person who is required to make and deliver, or has made and delivered, a return in pursuance of a notice under subsection (2) or (3) above, but is no longer available, means—

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- (a) where a partner is for the time being nominated for the purposes of this subsection by a majority of the relevant partners, that partner; and
- (b) where no partner is for the time being so nominated, such partner as—
  - (i) in the case of a notice under subsection (2) above, is identified in accordance with rules given with that notice; or
  - (ii) in the case of a notice under subsection (3) above, is nominated for the purposes of this subsection by an officer of the Board;
 and “predecessor” and “successor”, in relation to a person so nominated or identified, shall be construed accordingly.
  
- (12) For the purposes of subsection (11) above a nomination under paragraph (a) of that subsection, and a revocation of such a nomination, shall not have effect in relation to any time before notice of the nomination or revocation is given to an officer of the Board.
  
- (13) In this section “relevant partner” means a person who was a partner at any time during the period for which the return was made or is required, or the personal representatives of such a person.”
  
- (5) In subsection (1) of section 12AB of that Act (partnership return to include partnership statement)—
  - (a) in paragraph (a), for the words “each period of account ending within the period in respect of which the return is made” there shall be substituted the words “the period in respect of which the return is made and each period of account ending within that period”;
  - (b) in sub-paragraph (i) of that paragraph, for the words “that period” there shall be substituted the words “the period in question”;
  - (c) after that sub-paragraph there shall be inserted the following sub-paragraph—
    - “(ia) the amount of the consideration which, on that basis, has accrued to the partnership in respect of each disposal of partnership property during that period,”;
 and
  - (d) in paragraph (b), after the words “such period” there shall be inserted the words “as is mentioned in paragraph (a) above” and after the word “loss,” there shall be inserted the word “consideration,”.
  
- (6) In subsection (2) of that section—
  - (a) in paragraph (a) after the words “to that person” there shall be inserted the words “or a successor”; and
  - (b) in paragraph (b) for the words from “partnership statement” to “he” there shall be substituted the words “or a predecessor’s partnership statement as to give effect to any amendments to the return in which it is included which he or a predecessor”.
  
- (7) In section 12AC of that Act (power to enquire into partnership return)—
  - (a) in subsection (1)(b), after the word “person” there shall be inserted the words “or a successor of that person”; and
  - (b) subsection (6) (which is superseded by subsection (4) above) shall cease to have effect.

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- (8) In subsection (1)(b) of section 93A of that Act (failure to make partnership return), after the word “he” there shall be inserted the words “or a successor of his”.
- (9) In subsections (3) and (4) of that section, after the words “the representative partner” there shall be inserted the words “or a successor of his”.
- (10) In subsection (6) of that section—
- (a) after the words “the representative partner” there shall be inserted the words “or a successor of his”; and
  - (b) after the words “that partner”, in both places where they occur, there shall be inserted the words “or successor”.
- (11) In subsection (7) of that section, for the words “the representative partner had a reasonable excuse for not delivering the return” there shall be substituted the words “the person for the time being required to deliver the return (whether the representative partner or a successor of his) had a reasonable excuse for not delivering it”.
- (12) In subsection (1)(a)(ii) of section 95A of that Act (incorrect partnership return or accounts), for the words “such a return” there shall be substituted the words “a return of such a kind”.
- (13) In subsection (3) of that section—
- (a) after the words “the representative partner” there shall be inserted the words “or a successor of his”; and
  - (b) after the words “that partner”, in both places where they occur, there shall be inserted the words “or successor”.
- (14) In subsection (1) of section 118 of that Act (interpretation), for the definition of “successor” there shall be substituted the following definition—
- ““successor”, in relation to a person who is required to make and deliver, or has made and delivered, a return under section 12AA of this Act, and “predecessor” and “successor”, in relation to the successor of such a person, shall be construed in accordance with section 12AA(11) of this Act;”.

## **124 Retention of original records**

- (1) The Taxes Management Act 1970, as it has effect—
- (a) for the purposes of income tax and capital gains tax, as respects the year 1996-97 and subsequent years of assessment, and
  - (b) for the purposes of corporation tax, as respects accounting periods ending on or after the day appointed under section 199 of the Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions),
- shall be amended in accordance with the following provisions of this section.
- (2) In section 12B (records to be kept for purposes of returns) in subsection (4) (which permits the duty to preserve records to be discharged by the preservation of the information contained in them, and provides for the admissibility in evidence of copy documents) at the beginning there shall be inserted the words “Except in the case of records falling within subsection (4A) below,”.
- (3) After that subsection there shall be inserted—

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“(4A) The records which fall within this subsection are—

- (a) any statement in writing such as is mentioned in—
  - (i) subsection (1) of section 234 of the principal Act (amount of qualifying distribution and tax credit), or
  - (ii) subsection (1) of section 352 of that Act (gross amount, tax deducted, and actual amount paid, in certain cases where payments are made under deduction of tax),
 which is furnished by the company or person there mentioned, whether after the making of a request or otherwise;
- (b) any certificate or other record (however described) which is required by regulations under section 566(1) of the principal Act to be given to a sub-contractor (within the meaning of Chapter IV of Part XIII of that Act) on the making of a payment to which section 559 of that Act (deductions on account of tax) applies;
- (c) any such record as may be requisite for making a correct and complete claim in respect of, or otherwise requisite for making a correct and complete return so far as relating to, an amount of tax—
  - (i) which has been paid under the laws of a territory outside the United Kingdom, or
  - (ii) which would have been payable under the law of such a territory but for a relief to which section 788(5) of the principal Act (relief for promoting development and relief contemplated by double taxation arrangements) applies.”

(4) In subsection (5) of that section (penalty for failure to comply with section 12B(1) or (2A)) for “Subject to subsection (5A)” there shall be substituted “Subject to subsections (5A) and (5B)”.

(5) After subsection (5A) of that section there shall be inserted—

“(5B) Subsection (5) above does not apply where—

- (a) the records which the person fails to keep or preserve are records falling within paragraph (a) of subsection (4A) above; and
- (b) an officer of the Board is satisfied that any facts which he reasonably requires to be proved, and which would have been proved by the records, are proved by other documentary evidence furnished to him.”

(6) In Schedule 1A (claims etc not included in returns) in paragraph 2A (keeping and preserving of records) in sub-paragraph (3) (which makes corresponding provision to section 12B(4)) at the beginning there shall be inserted “Except in the case of records falling within section 12B(4A) of this Act,”.

(7) In sub-paragraph (4) of that paragraph (penalty for failure to comply with paragraph 2A(1)) at the beginning there shall be inserted “Subject to sub-paragraph (5) below,”.

(8) After that sub-paragraph there shall be inserted—

“(5) Sub-paragraph (4) above does not apply where—

- (a) the records which the person fails to keep or preserve are records falling within paragraph (a) of section 12B(4A) of this Act; and
- (b) an officer of the Board is satisfied that any facts which he reasonably requires to be proved, and which would have been

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proved by the records, are proved by other documentary evidence furnished to him.”

- (9) The amendments made by this section shall not have effect in relation to—
- (a) any time before this Act is passed, or
  - (b) any records which a person fails to preserve before this Act is passed.

## **125 Determination of tax where no return delivered**

- (1) For subsection (1) of section 28C of the Taxes Management Act 1970 (determination of tax where no return delivered) there shall be substituted the following subsections—

- “(1) This section applies where—
- (a) a notice has been given to any person under section 8 or 8A of this Act (the relevant section), and
  - (b) the required return is not delivered on or before the filing date.

- (1A) An officer of the Board may make a determination of the following amounts, to the best of his information and belief, namely—
- (a) the amounts in which the person who should have made the return is chargeable to income tax and capital gains tax for the year of assessment; and
  - (b) the amount which is payable by him by way of income tax for that year;

and subsection (1AA) of section 8 or, as the case may be, section 8A of this Act applies for the purposes of this subsection as it applies for the purposes of subsection (1) of that section.”

- (2) In subsection (3) of that section the words “or 11AA” shall cease to have effect.
- (3) In subsection (6) of that section for the words “, section 8A(1A) or, as the case may be, section 11(4)” there shall be substituted the words “or, as the case may be, section 8A(1A)”.
- (4) After subsection (5) of section 59B of that Act (payment of income tax and capital gains tax) there shall be inserted the following subsection—

“(5A) Where a determination under section 28C of this Act which has effect as a person’s self-assessment is superseded by his self-assessment under section 9 of this Act, any amount of tax which is payable or repayable by virtue of the supersession shall be payable or (as the case may be) repayable on or before the day given by subsection (3) or (4) above.”

## **126 PAYE regulations**

- (1) After subsection (9) of section 59A of the Taxes Management Act 1970 (payments on account of income tax) there shall be inserted the following subsection—

“(10) Regulations under section 203 of the principal Act (PAYE) may provide that, for the purpose of determining the amount of any such excess as is mentioned in subsection (1) above, any necessary adjustments in respect of matters prescribed by the regulations shall be made to the amount of tax deducted at source under that section.”

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(2) After subsection (7) of section 59B of that Act (payment of income tax and capital gains tax) there shall be inserted the following subsection—

“(8) Regulations under section 203 of the principal Act (PAYE) may provide that, for the purpose of determining the amount of the difference mentioned in subsection (1) above, any necessary adjustments in respect of matters prescribed by the regulations shall be made to the amount of tax deducted at source under that section.”

### **127 Repayment postponed pending completion of enquiries**

After subsection (4) of section 59B of the Taxes Management Act 1970 (payment of income tax and capital gains tax) there shall be inserted the following subsection—

“(4A) Where in the case of a repayment the return on the basis of which the person’s self-assessment was made under section 9 of this Act is enquired into by an officer of the Board—

- (a) nothing in subsection (3) or (4) above shall require the repayment to be made before the day on which, by virtue of section 28A(5) of this Act, the officer’s enquiries are treated as completed; but
- (b) the officer may at any time before that day make the repayment, on a provisional basis, to such extent as he thinks fit.”

### **128 Claims for reliefs involving two or more years**

(1) In section 42 of the Taxes Management Act 1970 (procedure for making claims etc.)—

- (a) subsections (3A) and (3B) (which are superseded by subsection (2) below) shall cease to have effect;
- (b) in subsection (7)(a), the words “534, 535, 537A, 538” shall cease to have effect; and
- (c) after subsection (11) there shall be inserted the following subsection—

“(11A) Schedule 1B to this Act shall have effect as respects certain claims for relief involving two or more years of assessment.”

(2) After Schedule 1A to that Act there shall be inserted, as Schedule 1B, the provisions set out in Schedule 17 to this Act (claims for reliefs involving two or more years).

(3) For subsection (9) of section 96 of the Taxes Act 1988 (relief for fluctuating profits of farming etc.) there shall be substituted the following subsection—

“(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.”

(4) In section 108 of that Act (election for carry-back)—



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- (a) for the words “the inspector within two years after” there shall be substituted the words “an officer of the Board within one year from the 31st January next following”; and
  - (b) the words from “and, in any such case” to the end shall cease to have effect.
- (5) For subsection (5) of section 534 of that Act (relief for copyright payments) there shall be substituted the following subsections—
- “(5) A claim under this section with respect to any payment to which it applies by virtue only of subsection (4)(b) above—
    - (a) shall have effect as a claim with respect to all qualifying payments, that is to say, all such payments in respect of the copyright in the same work which are receivable by the claimant, whether before or after the claim; and
    - (b) where qualifying payments are so receivable in two or more years of assessment, shall be treated for the purposes of the Management Act as if it were two or more separate claims, each in respect of the qualifying payments receivable in one of those years.
  - (5A) A claim under this section may be made at any time within one year from the 31st January next following—
    - (a) in the case of such a claim as is mentioned in subsection (5) above, the latest year of assessment in which a qualifying payment is receivable; and
    - (b) in the case of any other claim, the year of assessment in which the payment in question is receivable.
  - (5B) For the purposes of subsections (5) and (5A) above, a payment shall be regarded as receivable in the year of assessment in computing the amount of the profits or gains of which it would, but for this section, be included.”
- (6) After subsection (6) of that section there shall be inserted the following subsection—
- “(6A) In the case of persons carrying on a trade, profession or business in partnership, no claim may be made under any of the following provisions, namely—
    - (a) this section and section 535;
    - (b) section 537 as it has effect in relation to this section and section 535; and
    - (c) section 537A and section 538,in respect of any payment or sum receivable on or after 6th April 1996; and nothing in any of those provisions shall be construed as applying to profits chargeable to corporation tax.”
- (7) In section 535 of that Act (relief where copyright sold after ten years or more), the following shall cease to have effect, namely—
- (a) in subsection (4), the words “Subject to subsection (5) below”;
  - (b) subsections (5) and (7); and
  - (c) in subsection (6), the words from “unless the author” to the end.
- (8) After subsection (8) of that section there shall be inserted the following subsection—
- “(8A) No claim for relief made under subsection (1) above shall be allowed unless it is made within one year from the 31st January next following the year of

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assessment in which the payment is receivable; and for the purposes of this subsection a payment shall be regarded as receivable in the year of assessment in computing the amount of the profits or gains of which it would, but for this section, be included.”

- (9) For subsection (5) of section 537A of that Act (relief for payments in respect of designs) there shall be substituted the following subsections—

“(5) A claim under this section with respect to any payment to which it applies by virtue only of subsection (4)(b) above—

- (a) shall have effect as a claim with respect to all qualifying payments, that is to say, all such payments in respect of rights in the design in question which are receivable by the claimant, whether before or after the claim; and
- (b) where qualifying payments are so receivable in two or more years of assessment, shall be treated for the purposes of the Management Act as if it were two or more separate claims, each in respect of the qualifying payments receivable in one of those years.

(5A) A claim under this section may be made at any time within one year from the 31st January next following—

- (a) in the case of such a claim as is mentioned in subsection (5) above, the latest year of assessment in which a qualifying payment is receivable; and
- (b) in the case of any other claim, the year of assessment in which the payment in question is receivable.

(5B) For the purposes of subsections (5) and (5A) above, a payment shall be regarded as receivable in the year of assessment in computing the amount of the profits or gains of which it would, but for this section, be included.”

- (10) After subsection (3) of section 538 of that Act (relief for painters, sculptors and other artists) there shall be inserted the following subsection—

“(4) No claim for relief made under subsection (1) above shall be allowed unless it is made within one year from the 31st January next following the year of assessment in which the payment is receivable; and for the purposes of this subsection a payment shall be regarded as receivable in the year of assessment in computing the amount of the profits or gains of which it would, but for this section, be included.”

- (11) This section (except subsections (1)(b) and (6) above) and Schedule 17 to this Act have effect as respects claims made (or deemed to be made) in relation to the year 1996-97 or later years of assessment.

- (12) Subsection (1)(b) above has effect as respects claims made in relation to the year 1997-98 or later years of assessment.

## **129 Claims for medical insurance and vocational training relief**

- (1) Nothing in section 42 of the Taxes Management Act 1970 (procedure for making claims etc.), or Schedule 1A to that Act (claims etc. not included in returns), shall apply in relation to—

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- (a) any claim under subsection (6)(b) of section 54 (medical insurance relief) of the Finance Act 1989 (“the 1989 Act”); or
  - (b) any claim under subsection (5)(b) of section 32 (vocational training relief) of the Finance Act 1991 (“the 1991 Act”).
- (2) In section 54(6)(b) of the 1989 Act and section 32(5)(b) of the 1991 Act, after the words “on making a claim” there shall be inserted the words “in accordance with regulations”.
- (3) In section 57(1) of the 1989 Act (medical insurance relief: supplementary), after paragraph (a) there shall be inserted the following paragraph—
- “(aa) make provision for and with respect to appeals against a decision of an officer of the Board or the Board with respect to a claim under section 54(6)(b) above;”.
- (4) In section 33(1) of the 1991 Act (vocational training relief: supplementary), after paragraph (a) there shall be inserted the following paragraph—
- “(aa) make provision for and with respect to appeals against a decision of an officer of the Board or the Board with respect to a claim under section 32(5)(b) above;”.
- (5) Subsection (1)(a) above shall not apply in relation to claims made before the coming into force of regulations made by virtue of section 57(1)(aa) of the 1989 Act.
- (6) Subsection (1)(b) above shall not apply in relation to claims made before the coming into force of regulations made by virtue of section 33(1)(aa) of the 1991 Act.

### **130 Procedure for giving notices**

- (1) Section 42 of, and Schedule 1A to, the Taxes Management Act 1970, as they have effect—
- (a) for the purposes of income tax and capital gains tax, as respects the year 1996-97 and subsequent years of assessment, and
  - (b) for the purposes of corporation tax, as respects accounting periods ending on or after the day appointed under section 199 of the Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions),
- shall be amended in accordance with the following provisions of this section.
- (2) In subsection (7) of section 42 (which contains a list of provisions, claims under which must be made in accordance with subsection (6)) the following words shall cease to have effect, that is to say—
- (a) in paragraph (a), “62A,” and “401,”; and
  - (b) in paragraph (c), “30,” “33,” “48, 49,” and “124A,”.
- (3) In subsection (10) of that section (section 42 to apply in relation to elections and notices as it applies in relation to claims) the words “and notices” shall cease to have effect.
- (4) In subsection (11) of that section (Schedule 1A to apply as respects any claim, election or notice made otherwise than in a return under section 8 etc) for the words “, election or notice” there shall be substituted “or election”.

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- (5) In paragraph 1 of Schedule 1A (claims etc. not included in returns), in the definition of “claim”, for the words “means a claim, election or notice” there shall be substituted “means a claim or election”.

### **131 Interest on overdue tax**

- (1) Section 110 of the Finance Act 1995 (interest on overdue tax) shall be deemed to have been enacted with the insertion after subsection (3) of the following subsection—
- “(4) So far as it relates to partnerships whose trades, professions or businesses were set up and commenced before 6th April 1994, subsection (1) above has effect as respects the year 1997-98 and subsequent years of assessment.”
- (2) In subsection (3) of section 86 of the Taxes Management Act 1970 (which was substituted by the said section 110), for the words “section 93” there shall be substituted the words “section 92”.
- (3) In Schedule 19 to the Finance Act 1994, paragraph 23 (which is superseded by the said section 110) shall cease to have effect.

### **132 Overdue tax and excessive payments by the Board**

Schedule 18 to this Act (which amends enactments relating to overdue tax or excessive payments by the Board) shall have effect.

### **133 Claims and enquiries**

Schedule 19 to this Act (which, for purposes connected with self-assessment, further amends provisions relating to claims and enquiries) shall have effect.

### **134 Discretions exercisable by the Board etc**

- (1) Schedule 20 to this Act (which in connection with self-assessment modifies enactments by virtue of which a decision or other action affecting an assessment may be or is required to be taken by the Board, or one of their officers, before the making of the assessment) shall have effect.
- (2) Subject to subsection (3) below, the amendments made by that Schedule shall have effect—
- (a) for the purposes of income tax and capital gains tax, as respects the year 1996-97 and subsequent years of assessment; and
  - (b) for the purposes of corporation tax, as respects accounting periods ending on or after the day appointed under section 199 of the Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions).
- (3) Paragraphs 22 and 23 of that Schedule shall have effect in relation to shares issued on or after 6th April 1996.

### **135 Time limits for claims etc**

- (1) Schedule 21 to this Act (which in connection with self-assessment modifies enactments which impose time limits on the making of claims, elections, adjustments

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- and assessments and the giving of notices, and enactments which provide for the giving of notice to the inspector) shall have effect.
- (2) Subject to subsections (3) to (5) below, the amendments made by that Schedule shall have effect—
- (a) for the purposes of income tax and capital gains tax, as respects the year 1996-97 and subsequent years of assessment; and
  - (b) for the purposes of corporation tax, as respects accounting periods ending on or after the day appointed under section 199 of the Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions).
- (3) The amendments made to the Capital Allowances Act 1990 and the Finance Act 1994 by that Schedule, in their application to trades, professions or vocations set up and commenced before 6th April 1994, shall (so far as relating to income tax) have effect as respects the year 1997-98 and subsequent years of assessment.
- (4) The Capital Allowances Act 1990, as it has effect for the year 1996-97 in relation to trades, professions or vocations set up and commenced before 6th April 1994, shall (so far as relating to income tax) have effect as respects that year with the following modifications, that is to say, as if—
- (a) in sections 25(3)(c), 30(1), 31(3) and 33(1) and (4), for “two years after the end of” there were substituted “the first anniversary of the 31st January next following”;
  - (b) in section 37(2)(c), for “more than two years after the end of the chargeable period or its basis period” there were substituted “later than the first anniversary of the 31st January next following the year of assessment in which ends the basis period”;
  - (c) in section 53(2), for “before the expiry of the period of two years beginning at the end of” there were substituted “on or before the first anniversary of the 31st January next following”;
  - (d) in section 68(5), for “two years after the end of that period” there were substituted “the first anniversary of the 31st January next following the year of assessment in which the relevant period ends”;
  - (e) in section 68(9A)(b), for “two years after the end of” there were substituted “the first anniversary of the 31st January next following the year of assessment in which ends”;
  - (f) in section 129(2), for “not more than two years after the end of” there were substituted “on or before the first anniversary of the 31st January next following”;
  - (g) in section 141(3), for “the inspector not later than two years after the end of” there were substituted “an officer of the Board on or before the first anniversary of the 31st January next following”.
- (5) Section 118 of the Finance Act 1994, as it has effect for the year 1996-97 in relation to trades, professions or vocations set up and commenced before 6th April 1994, shall (so far as relating to income tax) have effect as respects that year as if, in subsection (3), for “two years after the end of” there were substituted “the first anniversary of the 31st January next following”.

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### **136 Appeals**

Schedule 22 to this Act (which makes provision, in connection with self-assessment, about appeals) shall have effect.

### *Companies*

### **137 Schedules 13 and 16 to the Taxes Act 1988**

- (1) Schedule 23 to this Act shall have effect.
- (2) The amendments made by that Schedule shall have effect as respects return periods ending on or after the appointed day for the purposes of Chapter III of Part IV of the Finance Act 1994.
- (3) In subsection (2) above “return period” means—
  - (a) so far as relating to Schedule 13 to the Taxes Act 1988, a period for which a return is required to be made under paragraph 1 of that Schedule; and
  - (b) so far as relating to Schedule 16 to that Act, a period for which a return is required to be made under paragraph 2 of that Schedule.

### **138 Accounting periods**

Schedule 24 to this Act (which makes provision, in connection with self-assessment, in relation to accounting periods) shall have effect.

### **139 Surrenders of advance corporation tax**

Schedule 25 to this Act (which makes provision, in connection with self-assessment, about surrenders of advance corporation tax) shall have effect.

### *Chargeable gains*

### **140 Transfer of company’s assets to investment trust**

- (1) In section 101 of the Taxation of Chargeable Gains Act 1992 (transfer of company’s assets to investment trust) after subsection (1) there shall be inserted—
 

“(1A) Any chargeable gain or allowable loss which, apart from this subsection, would accrue to the company on the sale referred to in subsection (1) above shall be treated as accruing to the company immediately before the end of the last accounting period to end before the beginning of the accounting period mentioned in that subsection.”
- (2) This section shall have effect as respects accounting periods ending on or after the day appointed under section 199 of the Finance Act 1994 for the purposes of Chapter III of Part IV of that Act (self-assessment management provisions).

### **141 Roll-over relief**

- (1) In subsection (4) of section 152 of the Taxation of Chargeable Gains Act 1992 (roll-over relief)—

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- (a) after the word “making” there shall be inserted the words “or amending”; and
- (b) after the word “assessments”, in the second place where it occurs, there shall be inserted the words “or amendments”.

(2) After section 153 of that Act there shall be inserted the following section—

**“153A Provisional application of sections 152 and 153**

- (1) This section applies where a person carrying on a trade who for a consideration disposes of, or of his interest in, any assets (“the old assets”) declares, in his return for the chargeable period in which the disposal takes place—
    - (a) that the whole or any specified part of the consideration will be applied in the acquisition of, or of an interest in, other assets (“the new assets”) which on the acquisition will be taken into use, and used only, for the purposes of the trade;
    - (b) that the acquisition will take place as mentioned in subsection (3) of section 152; and
    - (c) that the new assets will be within the classes listed in section 155.
  - (2) Until the declaration ceases to have effect, section 152 or, as the case may be, section 153 shall apply as if the acquisition had taken place and the person had made a claim under that section.
  - (3) The declaration shall cease to have effect as follows—
    - (a) if and to the extent that it is withdrawn before the relevant day, or is superseded before that day by a valid claim made under section 152 or 153, on the day on which it is so withdrawn or superseded; and
    - (b) if and to the extent that it is not so withdrawn or superseded, on the relevant day.
  - (4) On the declaration ceasing to have effect in whole or in part, all necessary adjustments—
    - (a) shall be made by making or amending assessments or by repayment or discharge of tax; and
    - (b) shall be so made notwithstanding any limitation on the time within which assessments or amendments may be made.
  - (5) In this section “the relevant day” means—
    - (a) in relation to capital gains tax, the third anniversary of the 31st January next following the year of assessment in which the disposal of, or of the interest in, the old assets took place;
    - (b) in relation to corporation tax, the fourth anniversary of the last day of the accounting period in which that disposal took place.
  - (6) Subsections (6), (8), (10) and (11) of section 152 shall apply for the purposes of this section as they apply for the purposes of that section.”
- (3) In section 175 of that Act (replacement of business assets by members of a group)—
- (a) in subsections (2A) and (2B), after the words “Section 152” there shall be inserted the words “or 153”; and
  - (b) in subsection (2C), for the words “Section 152 shall not” there shall be substituted the words “Neither section 152 nor section 153 shall”.

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- (4) In section 246 of that Act (time of disposal or acquisition), the words from “or, if earlier” to the end shall cease to have effect.
- (5) In subsection (5)(b) of section 247 of that Act (roll-over relief on compulsory acquisition), for the words “subsection (3)” there shall be substituted the words “subsections (3) and (4)”.
- (6) After that section there shall be inserted the following section—

**“247A Provisional application of section 247**

- (1) This section applies where a person who disposes of land (“the old land”) to an authority exercising or having compulsory powers declares, in his return for the chargeable period in which the disposal takes place—
  - (a) that the whole or any specified part of the consideration for the disposal will be applied in the acquisition of other land (“the new land”);
  - (b) that the acquisition will take place as mentioned in subsection (3) of section 152; and
  - (c) that the new land will not be land excluded from section 247(1)(c) by section 248.
- (2) Until the declaration ceases to have effect, section 247 shall apply as if the acquisition had taken place and the person had made a claim under that section.
- (3) For the purposes of this section, subsections (3) to (5) of section 153A shall apply as if the reference to section 152 or 153 were a reference to section 247 and the reference to the old assets were a reference to the old land.
- (4) In this section “land” and “authority exercising or having compulsory powers” have the same meaning as in section 247.”

**142 Premiums for leases**

- (1) Paragraph 3 of Schedule 8 to the Taxation of Chargeable Gains Act 1992 (premiums for leases) shall be amended as follows.
- (2) In sub-paragraph (2), for the words “for the period” to the end there shall be substituted the words “, being a premium which—
  - (a) is due when the sum is payable by the tenant; and
  - (b) where the sum is payable in lieu of rent, is in respect of the period in relation to which the sum is payable.”
- (3) In sub-paragraph (3), for the words “for the period” to the end there shall be substituted the words “, being a premium which—
  - (a) is due when the sum is payable by the tenant; and
  - (b) is in respect of the period from the time when the variation or waiver takes effect to the time when it ceases to have effect.”
- (4) For sub-paragraphs (4) to (6) there shall be substituted the following sub-paragraphs—
  - “(4) Where under sub-paragraph (2) or (3) above a premium is deemed to have been received by the landlord, that shall not be the occasion of any



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recomputation of the gain accruing on the receipt of any other premium, and the premium shall be regarded—

- (a) in the case of a premium deemed to have been received for the surrender of a lease, as consideration for a separate transaction which is effected when the premium is deemed to be due and consists of the disposal by the landlord of his interest in the lease; and
  - (b) in any other case, as consideration for a separate transaction which is effected when the premium is deemed to be due and consists of a further part disposal of the freehold or other asset out of which the lease is granted.
- (5) If under sub-paragraph (2) or (3) above a premium is deemed to have been received by the landlord, otherwise than as consideration for the surrender of the lease, and the landlord is a tenant under a lease the duration of which does not exceed 50 years, this Schedule shall apply—
- (a) as if an amount equal to the amount of that premium deemed to have been received had been given by way of consideration for the grant of the part of the sublease covered by the period in respect of which the premium is deemed to have been paid; and
  - (b) as if that consideration were expenditure incurred by the sublessee and attributable to that part of the sublease under section 38(1)(b).”

(5) This section has effect as respects sums payable on or after 6th April 1996.