



# Finance Act 1999

## 1999 CHAPTER 16

### PART III

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

##### *Income tax reductions*

### 30 Children's tax credit

(1) The following section shall be inserted after section 257 of the Taxes Act 1988—

**“257AA Children's tax credit**

- (1) If a qualifying child (or more than one) is resident with the claimant during the whole or part of the year of assessment, the claimant shall be entitled to an income tax reduction, to be known as a children's tax credit.
- (2) The reduction shall be calculated by reference to £4,160.
- (3) Where any part of the claimant's income for the year of assessment falls within section 1(2)(b), his children's tax credit for the year shall be calculated as if the amount specified in subsection (2) above were reduced by £2 for every £3 of that part of his income.
- (4) In this section “qualifying child” means, in relation to a person—
  - (a) a child of his who has not attained the age of 16, or
  - (b) a child who has not attained the age of 16 and who is maintained by, and at the expense of, the person for any part of the year of assessment;and “child” includes illegitimate child and stepchild.
- (5) Schedule 13B (which modifies this section where a child lives with more than one adult during a year of assessment) shall have effect.”

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- (2) The Schedule set out in Schedule 3 to this Act shall be inserted after Schedule 13A to the Taxes Act 1988.
- (3) In section 257C(1) and (3) of the Taxes Act 1988 (indexation), for the words “sections 257 and 257A” there shall be substituted “sections 257, 257AA(2) and 257A”.
- (4) The Taxes Management Act 1970 shall be amended as follows—
  - (a) in section 36(3A) (fraudulent or negligent conduct), there shall be inserted at the end “or under Schedule 13B to that Act (elections as to transfer of children’s tax credit)”,
  - (b) in section 37A (effect of assessment where allowances transferred)—
    - (i) after “spouse” there shall be inserted “or partner”, and
    - (ii) after “Act” there shall be inserted “or paragraph 4 of Schedule 13B to that Act”,
  - (c) in section 43A(2A) (further assessments), there shall be inserted at the end “or under Schedule 13B to that Act (elections as to transfer of children’s tax credit)”, and
  - (d) in section 58(3)(b) (proceedings in Northern Ireland), after “repealed by that Act)” there shall be inserted “, paragraph 6 of Schedule 13B to that Act”.
- (5) Subsections (1), (2) and (4) above have effect for the year 2001-02 and subsequent years of assessment.
- (6) Subsection (3) above has effect for the purposes of the application of section 257AA of the Taxes Act 1988 for the year 2002-03 and subsequent years of assessment.

### **31 Restriction of MCA to those reaching 65 before 2000-01**

- (1) Section 257A of the Taxes Act 1988 (income tax reduction for married couples) shall be amended as follows.
- (2) Subsection (1) (reduction where neither spouse is aged 65 or over) shall cease to have effect.
- (3) In subsection (2) (reduction where either spouse is aged 65 or over)—
  - (a) for “is at any time within that year of the age of 65 or upwards” there shall be substituted “was born before 6th April 1935”;
  - (b) the words from “(instead of” to the end shall be omitted.
- (4) In subsection (3) (reduction where either spouse is aged 75 or over)—
  - (a) after “either of them” there shall be inserted “(a)”;
  - (b) after “75 or upwards,” there shall be inserted “and
    - (b) was born before 6th April 1935,”;
  - (c) the words “(1) or” shall be omitted.
- (5) In subsection (4) (rule where person dies in year of assessment)—
  - (a) for “subsections (2) and (3)” there shall be substituted “subsection (3)”;
  - (b) for “a specified age” there shall be substituted “the age of 75”.
- (6) In subsection (5) (tapering of reduction where claimant’s total income exceeds specified amount), the words from “(but not” to the end shall be omitted.
- (7) After that subsection there shall be inserted the following subsection—

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- “(5A) The amounts specified in subsections (2) and (3) above shall not by virtue of subsection (5) above be treated as reduced below £1,970.”
- (8) In subsection (6) (rule where claimant marries in year of assessment, etc.), for “subsections (1) to (3)” there shall be substituted “subsections (2) and (3)”.
- (9) After subsection (6) there shall be inserted the following subsections—
- “(7) A man who is entitled for any year of assessment to an income tax reduction under this section, or to make a claim for such a reduction, shall not be entitled for that year to any income tax reduction under section 257AA.
- (8) Where—
- (a) a woman is married to and living with a man for the whole or any part of a year of assessment, and
- (b) that man is entitled for that year to an income tax reduction under this section, or to make a claim for such a reduction,
- no child shall be regarded for any of the purposes of section 257AA or Schedule 13B as resident with that woman at any time in that year when she is married to and living with that man.
- (9) A person may, by notice to an officer of the Board, elect to give up his entitlement for any year of assessment to an income tax reduction under this section; and where he does so and the election is not subsequently revoked, that person shall be taken for the purposes of this section to have no entitlement for that year to a reduction under this section, or to make a claim for such a reduction.”
- (10) Subsections (2) to (5) and (8) above have effect for the year 2000-01 and subsequent years of assessment.
- (11) Subject to section 32(5) below, subsections (6) and (7) above have effect for the year 1999-00 and subsequent years of assessment.
- (12) Subsection (9) above has effect for the year 2001-02 and subsequent years of assessment.

### **32 Further provision about married couple’s allowance**

- (1) In section 257BA of the Taxes Act 1988 (elections as to transfer of relief under section 257A)—
- (a) in subsections (1)(a), (2)(a), (3)(a) and (6), for “section 257A(1)” there shall be substituted “section 257A(5A)”;
- (b) in subsection (2), the words from “(to nil” to the end shall be omitted;
- (c) in subsection (9), for “deduction” there shall be substituted “income tax reduction”.
- (2) Sections 257D to 257F of that Act (transitional relief in connection with married couple’s allowance) shall cease to have effect.
- (3) Subsection (1)(a) and (c) above has effect for the year 1999-00 and subsequent years of assessment.
- (4) Subsections (1)(b) and (2) above have effect for the year 2000-01 and subsequent years of assessment.

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- (5) Section 257C of the Taxes Act 1988 (indexation) shall apply in relation to subsection (5A) of section 257A of that Act, but only for the year 2000-01 and subsequent years of assessment.

**33 Abolition of existing relief in respect of children**

- (1) Sections 259 to 261A of the Taxes Act 1988 (additional relief in respect of children) shall cease to have effect.
- (2) This section has effect for the year 2000-01 and subsequent years of assessment.

**34 Abolition of widow's bereavement allowance**

- (1) Section 262 of the Taxes Act 1988 (income tax reduction for widow in year of bereavement and following year) shall cease to have effect.
- (2) Subsection (1) above has effect in relation to deaths occurring on or after 6th April 2000.
- (3) Where a woman is entitled to an income tax reduction for the year 2000-01 by virtue of paragraph (b) of section 262(1) of the Taxes Act 1988, the reference in that paragraph to the amount specified in section 257A(1) for that year shall be read as a reference to the amount specified in section 257A(5A) for that year.

**35 Order of income tax reductions etc**

- (1) In section 256(3) of the Taxes Act 1988 (order of income tax reductions etc.)—
- (a) in paragraph (a), for “section 259 or 261A” there shall be substituted “section 257AA”;
  - (b) paragraph (b) shall cease to have effect;
  - (c) the words after paragraph (c) shall be omitted.
- (2) Subsection (1)(a) and (b) above has effect for the year 2001-02 and subsequent years of assessment.
- (3) Subsection (1)(c) above has effect for the year 2000-01 and subsequent years of assessment.
- (4) For the year 2000-01, section 256(3) of the Taxes Act 1988 shall have effect with the omission of paragraph (a) and, in paragraph (b), of the words “except section 259 or 261A”.

**36 Maintenance payments**

- (1) In subsection (1) of section 347B of the Taxes Act 1988 (income tax reduction in respect of qualifying maintenance payments), at the beginning there shall be inserted “Subject to subsection (1A) below”.
- (2) After that subsection there shall be inserted the following subsection—
- “(1A) A periodical payment is not a qualifying maintenance payment unless either of the parties to the marriage mentioned in subsection (1)(b) above was born before 6th April 1935.”

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- (3) In subsection (2) of that section, for “subsections (3) and (4)” there shall be substituted “subsection (3)”.
- (4) In subsection (3) of that section, for “section 257A(1)” there shall be substituted “section 257A(5A)”.
- (5) In subsection (5A) of that section, for “subsections (2) to (5)” there shall be substituted “subsections (2) and (3)”.
- (6) In subsection (8) of that section, for “subsections (1)(a) and (5)(a)” there shall be substituted “subsection (1)(a)”.
- (7) Sections 347A and 347B of the Taxes Act 1988 shall have effect, notwithstanding anything in subsection (3) of section 36 of the Finance Act 1988 (which provides for the application of those sections), in relation to a payment made in pursuance of an existing obligation (within the meaning of that subsection) as they have effect in relation to a payment made otherwise than in pursuance of such an obligation.
- (8) This section has effect in relation to any payment falling due on or after 6th April 2000.