

**1987 No. 2075**

**INCOME TAX**

**The Income Tax (Reduced and Composite Rate) Order  
1987**

*Made* - - - - - *1st December 1987*

*Laid before the House of Commons* *8th December 1987*

*Coming into force* - - - *6th April 1988*

The Treasury, in exercise of the powers conferred on them by section 26 of the Finance Act 1984(a), hereby make the following Order:

1. This Order may be cited as the Income Tax (Reduced and Composite Rate) Order 1987 and shall come into force on 6th April 1988.

2. The Treasury hereby determine that the rate which, under the provisions of the said section 26, shall for the year 1988-89 be the reduced rate (for building societies) and the composite rate (for deposit-takers) shall be 23.25 per cent.

*Mark Lennox-Boyd*  
*Tony Durant*

1st December 1987

Two of the Lords Commissioners of Her Majesty's Treasury

## EXPLANATORY NOTE

*(This note is not part of the Order)*

In respect of payments of dividends and interest made to investors in the year 1986-87 and subsequent years of assessment, a building society is required to pay to the Inland Revenue in accordance with regulations (S.I.1986/482) made under subsection (1A) of section 343 of the Income and Corporation Taxes Act 1970 (c.10) (which was inserted by section 40(3) of the Finance Act 1985 (c.54)) an amount representing income tax on certain sums calculated in part at the basic rate and in part at "the reduced rate".

Under the provisions of section 27 of the Finance Act 1984 a deposit-taker on making payments of interest in respect of a relevant deposit is liable to account for and pay an amount representing income tax on such payments. The amount is calculated by applying "the composite rate" determined in accordance with section 26 of that Act.

Section 26 provides that the Treasury shall by order made by statutory instrument determine a rate in each year of assessment which for the following year of assessment shall be the reduced rate (for building societies) and the composite rate (for deposit-takers). This Order determines the rate at 23.25 per cent. for the year 1988-89. The rate for the years 1985-86 and 1986-87 was 25.25 per cent. (S.I. 1984/1674 and S.I. 1985/1836) and for the year 1987-88 was 24.75 per cent. (S.I. 1986/2147).

45p net

ISBN 0 11 078075 2

Printed in the United Kingdom for Her Majesty's Stationery Office

785 WO 1879 C27 12/87 452/3 4235 PS 7944007 873565K