



# Finance Act 1980

## 1980 CHAPTER 48

### PART III

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

### CHAPTER I

#### GENERAL

#### **18 Charge of income tax for 1980-81 and abolition of lower rate**

- (1) Income tax for the year 1980-81 shall be charged at the basic rate of 30 per cent.; and—
- (a) in respect of so much of an individual's total income as exceeds £11,250 at such higher rates as are specified in the Table below ; and
  - (b) in respect of so much of the investment income included in an individual's total income as exceeds £5,500 at the additional rate of 15 per cent.

TABLE

<i>Part of excess over £11,250</i>	<i>Higher rate</i>
The first £2,000	40 per cent.
The next £3,500	45 per cent.
The next £5,500	50 per cent.
The next £5,500	55 per cent.
The remainder	60 per cent.

- (2) Section 32(1)(aa) of the Finance Act 1971 (lower rate) shall cease to have effect.

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## **19 Charge of corporation tax for financial year 1979**

Corporation tax shall be charged for the financial year 1979. at the rate of 52 per cent.

## **20 Rate of advance corporation tax for financial year 1980**

The rate of advance corporation tax for the financial year 1980. shall be three-sevenths.

## **21 Corporation tax: small companies**

- (1) The small companies rate for the financial year 1979 shall be 40 per cent., and for that year the fraction mentioned in subsection (2) of section 95 of the Finance Act 1972 (marginal relief for small companies) shall be seven-fiftieths.
- (2) For the financial year 1979 and subsequent financial years subsection (3) of the said section 95 shall have effect with the substitution for any reference to £60,000 of a reference to £70,000 and with the substitution for any reference to £100,000 of a reference to £130,000.
- (3) Where by virtue of subsection (2) above the said section 95 has effect with different relevant amounts in relation to different parts of the same accounting period, those parts shall be treated for the purposes of that section as if they were separate accounting periods and the profits and income of the company for that period (as defined in that section) shall be apportioned between those parts.

## **22 Alteration of personal reliefs**

- (1) In section 8 of the Taxes Act (personal reliefs)—
  - (a) in subsection (1)(a) (married) for "£1,815" there shall be substituted " £2,145 ";
  - (b) in subsection (1)(b) (single) and (2) (wife's earned income relief) for " £1,165 " there shall be substituted " £1,375 ";
  - (c) in subsection (1A) (age allowance) for " £2,455 " and " £1,540 " there shall be substituted " £2,895 " and " £1,820 " respectively ;
  - (d) in subsection (1B) (income limit for age allowance) for " £5,000 " there shall be substituted " £5,900 ".
- (2) In section 14(2) of that Act (additional relief for widows and others in respect of children) for " £650 " there shall be substituted " £770 ".

## **23 Widow's bereavement allowance**

- (1) In Chapter II of Part I of the Taxes Act (personal reliefs) there shall be inserted after section 15—

### **“15A Widow's bereavement allowance.**

Where a man dies in a year of assessment for which he is entitled to the higher (married persons) relief under section 8(1) above, or would be so entitled but for an election under section 15 above or section 23 of the Finance Act 1971 (separate taxation of wife's earnings), his widow shall be entitled for that year to a deduction from her total income of an amount equal to that specified in section 14(2) above.”

- (2) This section has effect for the year 1980-81 and subsequent years of assessment.

## **24 Indexation of income tax thresholds and allowances**

- (1) Subsection (2) below shall have effect for the year 1980-81 and subsequent years of assessment but subject, in the case of any year of assessment after that year, to subsections (3) and (4) below; and subsections (5), (6) and (7) below shall have effect for the year 1981-82 and subsequent years of assessment.
- (2) In subsection (1) of section 32 of the Finance Act 1971 (income tax charged at basic and other rates)—
- (a) for paragraph (b) (higher rate or rates) there shall be substituted—
- “(b) in respect of so much of an individual's total income as exceeds £11,250, at such rates respectively as Parliament may determine in relation to the first £2,000, the next £3,500, the next £5,500, the next £5,500 and the remainder ; ” (b) in the words following paragraph (b) (investment income surcharge) for the words " such amount as Parliament may determine " there shall be substituted " £5,500 " .”
- (3) The amounts up to which income is by virtue of subsection (1) of the said section 32 chargeable for any year at the basic rate, or over which investment income is chargeable at an additional rate, shall be known respectively as the basic rate limit and the investment income threshold; and the parts of income in excess of the basic rate limit which are specified in paragraph (b) of that subsection shall be known respectively as the first, second, third, fourth and fifth higher rate bands.
- (4) If the retail prices index for the month of December preceding a year of assessment is higher than it was for the previous December, then, unless Parliament otherwise determines, subsection (1) of the said section 32 shall apply for that year as if for each of the amounts specified in that subsection as it applied for the previous year (whether by virtue of this subsection or otherwise) there were substituted an amount arrived at by increasing the amount for the previous year by the same percentage as the percentage increase in the retail prices index and, if the result is not a multiple of £100, rounding it up to the nearest amount which is such a multiple.
- (5) If the retail prices index for the month of December preceding a year of assessment is higher than it was for the previous December, then, unless Parliament otherwise determines, section 8 of the Taxes Act (personal relief) shall apply for that year as if for each amount specified in that section as it applied for the previous year (whether by virtue of this subsection or otherwise) there were substituted an amount arrived at by increasing the amount for the previous year by the same percentage as the percentage increase in the retail prices index and if—
- (a) in the case of the amount specified in subsection (1B) of that section (income limit for age relief), the result is not a multiple of £100, rounding it up to the nearest amount which is such a multiple ;
- (b) in the case of any other amount, the increase is not a multiple of £10, rounding the increase up to the nearest amount which is such a multiple.
- (6) In section 14(2) of the Taxes Act (additional relief for widows and others in respect of children) for the words from " a deduction " onwards there shall be substituted the words " a deduction from his total income of an amount equal to the difference between the higher (married persons) relief and the lower (single persons) relief

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under subsection (1) of section 8 above as it applies to persons not falling within subsection (1A) of that section ";

and in sections 14A(1)(a) and (2) and 15A of that Act for the word " specified " there shall be substituted the words " referred to " .

- (7) Subsections (4) and (5) above shall not require any change to be made in the amounts deductible or repayable under section 204 of the Taxes Act (pay as you earn) between the beginning of a year of assessment and 5th May in that year.
- (8) References in this section and in any other provision of the Income Tax Acts to the retail prices index are references to the general index of retail prices (for all items) published by the Department of Employment; and if that index is not published for a month for which it is relevant for the purposes of any provision of those Acts, that provision shall be construed as referring to any substituted index or index figures published by that Department.
- (9) The Treasury shall before the year 1981-82 and each subsequent year of assessment make an order specifying the amounts which by virtue of this section will be treated as specified for that year in section 32 of the Finance Act 1971 and section 8 of the Taxes Act; and any such order shall be made by statutory instrument.

## **25 Child tax allowances for children living abroad**

- (1) In the case of a child to whom section 25 of the Finance Act 1977 applies (children living abroad) the appropriate amount to be deducted from the claimant's total income under subsection (1) of section 10 of the Taxes Act for the year 1981-82 shall, instead of being determined as provided in subsection (1) of the said section 25, be determined in accordance with subsection (2) below.
- (2) The appropriate amount for the child shall vary according to the age of the child at the commencement of the year of assessment, and, subject to subsection (5) of the said section 10—
- (a) for a child shown by the claimant to have been then over the age of sixteen, shall be £165 ;
  - (b) for a child not so shown, but shown by the claimant to have been then over the age of eleven, shall be £135;
  - (c) in any other case, shall be £100.
- (3) No relief shall be given under the said section 10 for any year of assessment after the year 1981-82 in the case of a child to whom the said section 25 applies.

## **26 Gallantry awards**

- (1) In section 368 of the Taxes Act (tax exemption for annuities and additional pensions paid by virtue of holding certain awards for gallantry) after paragraph (c) there shall be inserted—
- “(d) additional pensions paid to holders of the Military Cross;
  - (e) additional pensions paid to holders of the Distinguished Flying Cross;
  - (f) additional pensions paid to holders of the Distinguished Conduct Medal;
  - (g) additional pensions paid to holders of the Conspicuous Gallantry Medal;

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- (h) additional pensions paid to holders of the Distinguished Service Medal;
- (i) additional pensions paid to holders of the Military Medal;
- (j) additional pensions paid to holders of the Distinguished Flying Medal.”.

(2) In paragraph (b) of that section (annuities paid to holders of the George Cross) after the word " annuities " there shall be inserted the words " and additional pensions ".

## **27 Relief for interest: limit for 1980-81**

In paragraph 5(1) of Schedule 1 to the Finance Act 1974 (limit on relief for interest on certain loans for the purchase or improvement of land) the references to £25,000 shall have effect for the year 1980-81 as well as for previous years of assessment.

## **28 Relief for interest: money borrowed for investment in close company**

(1) In paragraph 10 of Schedule 1 to the Finance Act 1974 (conditions for interest relief: money borrowed for investment in close companies)—

- (a) paragraph (b) (which requires the borrower to have worked in the company) shall be omitted ;
- (b) in paragraph (c) for the words " that period " there shall be substituted the words " the period from the application of the proceeds of the loan to the payment of the interest "; and
- (c) at the end there shall be inserted the words “and
  - (d) that, if the company exists wholly or mainly for the purpose of holding investments or other property, no property held by the company is used as a residence by the individual;

but the condition in paragraph (d) above shall not apply in a case where the individual has worked for the greater part of his time in the actual management or conduct of the business of the company, or of an associated company of the company.”

(2) This section has effect in relation to interest paid after 26th March 1980.

## **29 Life assurance relief**

(1) In the provisions specified in subsection (2) below {rate of life assurance relief} for the words " 17 per cent.", wherever they occur, there shall be substituted the words " 15 per cent. ".

(2) The provisions referred to above are—

- (a) section 21(4)(a) of the Taxes Act;
- (b) paragraph 5(a) of Schedule 4 to the Finance Act 1976; and
- (c) paragraph 13(3)(a) of that Schedule.

(3) This section has effect from 6th April 1981.

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### **30 Disqualification of certain life insurance policies**

- (1) A policy shall not be a qualifying policy within the meaning of Part I of Schedule 1 to the Taxes Act if the policy is connected with another policy the terms of which provide benefits which are greater than would reasonably be expected if any policy connected with it were disregarded.
- (2) For the purposes of this section a policy is connected with another policy if they are at any time simultaneously in force and either of them is issued with reference to the other, or with a view to enabling the other to be issued on particular terms or facilitating its being issued on those terms.
- (3) In this section " policy " means a policy effected in the course of ordinary long-term insurance business within the meaning of section 83(2) of the Insurance Companies Act 1974 and includes any such policy issued outside the United Kingdom.
- (4) Where any person issues a policy—
  - (a) which by virtue of this section is not a qualifying policy, or
  - (b) the issue of which causes another policy to cease by virtue of this section to be a qualifying policy,
 he shall within three months of issuing the policy give written notice of that fact to the Board.
- (5) The Board may, by notice in writing, require any person who is, or appears to them to be, concerned in the issue of any such policy as is mentioned in subsection (4) above, to furnish them within such time (not being less than thirty days) as may be specified in the notice with such particulars as they think necessary for the purposes of this section and as the person to whom the notice is addressed has or can reasonably obtain; but no solicitor shall be deemed for the purposes of this subsection to have been concerned in the issue of a policy by reason only that he has given professional advice to a client in connection with that policy.
- (6) Subject to subsection (7) below, this section shall not apply to policies issued in respect of insurances made before 26th March 1980.
- (7) Where—
  - (a) a policy is issued in respect of an insurance made before 26th March 1980, and
  - (b) a policy is issued in respect of an insurance made on or after that date which is connected with it within the meaning of this section,
 this section shall apply to the policy issued in respect of an insurance made before that date, but shall not apply in respect of any premium paid in respect of it before that date.

### **31 Retirement annuities: increase of limits on relief**

- (1) In subsection (1A) of section 227 of the Taxes Act (annual limit on relief) for paragraphs (a) and (b) there shall be substituted the words " shall not be more than 17 1/2 per cent, of the individual's net relevant earnings for that year ".
- (2) In subsection (1B) of that section (annual limit on relief in respect of dependants) for paragraphs (a) and (b) there shall be substituted the words " shall not be more than 5 per cent, of the individual's net relevant earnings for that year ".
- (3) For section 228(4) of the Taxes Act (additional relief for persons born in or before 1915) there shall be substituted—

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“(4) Subject to subsection (5) below, in the case of an individual born in a year specified in the first column of the Table set out below, section 227(1A) above shall have effect with the substitution for the reference to 17 ½ per cent, of a reference to the percentage specified in his case in the second column of the Table.

TABLE

<i>Year of birth</i>	<i>Percentage</i>
1914 or 1915	20 ½
1912 or 1913	23 ½
1910 or 1911	26 ½
1908 or 1909	29 ½
1907 or any earlier year	32 ½”.

(4) This section has effect for the year 1980-1981 and subsequent years of assessment.

### 32 Retirement annuities: carry-forward of unused relief

(1) After section 227 of the Taxes Act (relief for retirement annuity premiums) there shall be inserted—

#### “227A Carry-forward of unused relief under s. 227.

- (1) Where the condition in section 226(1)(a) above is satisfied as respects the whole or part of a year of assessment but there is unused relief for that year, that is to say, an amount which could have been deducted from or set off against the individual's relevant earnings for that year under subsection (1) of section 227 above if—
  - (a) he had paid a qualifying premium in that year; or
  - (b) the qualifying premium or premiums paid by him in that year had been greater,relief may be given under section 227 above, up to the amount of the unused relief, in respect of so much of any qualifying premium or premiums paid by the individual in any of the next six years of assessment as exceeds the maximum applying for that year under section 227(1A) above.
- (2) Relief by virtue of this section shall be given for an earlier year rather than a later year, the unused relief taken into account in giving relief for any year being deducted from that available for giving relief in subsequent years and unused relief derived from an earlier year being exhausted before unused relief derived from a later year.
- (3) Where a relevant assessment to tax in respect of a year of assessment becomes final and conclusive more than six years after the end of that year and there is an amount of unused relief for that year which results from the making of the assessment—
  - (a) that amount shall not be available for giving relief by virtue of this section for any of the six years following that year; but

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- (b) the individual may, within the period of six months beginning with the date on which the assessment becomes final and conclusive, elect that relief shall be given under section 227 above, up to that amount, in respect of so much of any qualifying premium or premiums paid by him within that period as exceeds the maximum applying under section 227(1A) above for the year of assessment in which they are paid;

and to the extent to which relief in respect of any premium or premiums is given by virtue of this subsection it shall not be given by virtue of subsection (1) above.

- (4) In this section " a relevant assessment to tax " means an assessment on the individual's relevant earnings or on the profits or gains of a partnership from which the individual derives relevant earnings."

- (2) Relief may be given by virtue of subsection (1) above for the year 1980-1981 and any subsequent year of assessment.
- (3) No amount shall by virtue of subsection (2) or (2A) of section 227 of the Taxes Act (carry-forward of unrelieved premiums) be carried forward from any year of assessment after the year 1979-80 or to any year of assessment after the year 1981-82 but relief for any amount carried forward from the year 1979-80 may be given under that section in the year 1980-81 or the year 1981-82 or partly in one and partly in the other (as the individual may elect) without regard to the maximum applying for that year under subsection (1A) or (1B) of that section.
- (4) Subsection (3) of the said section 227 (relief for qualifying premium paid after assessment becomes final and conclusive) shall not apply to any premium paid on or after 6th April 1981.

### **33 Retirement annuities: other amendments**

- (1) In section 226(2)(c) and section 226A (3)(c) and (6) of the Taxes Act (under which a contract or scheme cannot be approved if it provides for a lump sum to be paid on death to anyone other than the individual's personal representatives) the words " to the individual's personal representatives " shall be omitted and in section 226A(1)(b) of that Act (which contains a similar provision) the words " being a lump sum payable to his personal representatives " shall be omitted.

- (2) In section 227 of that Act, after subsection (1B) there shall be inserted—

“(1BB) An individual who pays a qualifying premium in a year of assessment (whether or not a year for which he has relevant earnings) may before the end of that year elect that the premium shall be treated as paid—

- (a) in the last preceding year of assessment; or  
 (b) if he had no net relevant earnings in the year referred to in paragraph (a) above, in the last preceding year of assessment but one ;

and where an election is made under this subsection in respect of a premium the other provisions of this Chapter shall have effect as if the premium had been paid in the year specified in the election and not in the year in which it was actually paid.”

but no premium shall by virtue of this subsection be treated for the purposes of section 32(3) above as having been paid in any year of assessment before that in which it was actually paid.



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- (3) In subsection (5) of the said section 227 (deductions to be made in calculating individual's net relevant earnings for the purposes of relief under that section) for paragraph (a) there shall be substituted—
- “(a) deductions which but for section 130(1), (n) or (o) above could be made in computing his profits or gains, or
  - (aa) deductions in respect of relief under Schedule 5 to the Finance Act 1976 (stock relief), or”;
- (4) In subsection (9) of the said section 227 after the words " in respect of payments made by the partnership " there shall be inserted the words " or of relief given to the partnership under Schedule 5 of the Finance Act 1976 ".
- (5) This section has effect for the year 1980-81 and subsequent years of assessment.

### **34 Annuities for former partners**

- (1) Section 16 of the Finance Act 1974 shall have effect with the amendments specified in subsections (2) and (3) below.
- (2) In subsection (1) for the words " and shall not reduce the income which is chargeable as investment income of any other person " there shall be substituted the words " and, to the extent to which they do not exceed that limit, shall not reduce the income which is chargeable as investment income of any other person ".
- (3) After subsection (2) there shall be inserted—
- “(3) If the retail prices index for the month of December preceding a year of assessment after that in which the former partner ceased to be a member of the partnership is higher than it was for the month of December in the year of assessment in which he ceased to be such a member, the amount which under subsection (2) above is the limit for the first-mentioned year of assessment shall be treated as increased by the same percentage as the percentage increase in the retail prices index.
  - (4) Where the former partner ceased to be a member of the partnership before the year 1974-75 subsection (3) above shall have effect as if he had ceased to be a member in that year.”
- (4) In section 457 of the Taxes Act (income under settlement treated as the settlor's income except as respects certain payments made for full consideration etc.) after subsection (4) there shall be inserted—
- “(4A) Where for any year of assessment there is made to or for the benefit of a former member, or the widow or a dependant of a deceased former member, of a partnership an annual payment which—
  - (a) is excluded from the operation of subsection (1) above by virtue of paragraph (a) of that subsection or by virtue of subsection (2) above; and
  - (b) falls short of the limit applying for that year under section 16 of the Finance Act 1974 (amount of partnership retirement annuity treated as earned income),
- any additional annual payment made to or for the benefit of that person shall, notwithstanding that it is not made under a liability incurred for full consideration, be excluded from the operation of

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subsection (1) above to the extent to which it makes good that shortfall.”.

- (5) This section has effect in relation to annual payments which are income of the year 1980-81 or a subsequent year of assessment.

### **35 Pilots' benefit fund**

- (1) The Board may, if they think fit, and subject to such conditions as they think proper to attach to the approval, approve a pilots' benefit fund for the purposes of Chapter II of Part II of the Finance Act 1970 as if it were a retirement benefits scheme within the meaning of that Chapter and notwithstanding that it does not satisfy one or more of the conditions set out in section 19(2) and (2A) of that Act.
- (2) If a fund is approved by virtue of this section—
- (a) section 21 of the said Act of 1970, Schedule 5 to that Act and paragraph 9 of Schedule 3 to the Finance Act 1971 shall have effect in relation to the fund with the modifications specified in subsection (3) below;
  - (b) pensions paid out of the fund and any sums chargeable to tax in connection with the fund under the said paragraph 9 shall be treated for the purposes of the Income Tax Acts as earned income ; and
  - (c) Chapter III of Part IX of the Taxes Act (retirement annuities) shall have effect as if a member of the fund were the holder of a pensionable office or employment and his earnings as a pilot (estimated in accordance with the provisions applicable to Case II of Schedule D) were remuneration from such an office or employment.
- (3) The modifications referred to in subsection (2)(a) above are as follows—
- (a) in section 21, subsection (3) shall be omitted and in subsection (4) for the references to an employee and Schedule E there shall be substituted respectively references to a member of the fund and Schedule D and the words from " incurred " onwards shall be omitted;
  - (b) in Schedule 5—
    - (i) for references to an employee there shall be substituted references to a member or former member of the fund ;
    - (ii) in paragraph 3(1)(i) for the reference to a year of service there shall be substituted a reference to a year as a pilot licensed by a pilotage authority;
    - (iii) paragraphs 4 and 9(1) and (3) and so much of any other provision as applies to an employer shall be omitted ; and
  - (c) in paragraph 9 of Schedule 3 for references to an employee and Schedule E there shall be substituted respectively references to a member or former member of the fund and Case VI of Schedule D.
- (4) In this section " pilots' benefit fund" means a fund established under section 17(1)(j) of the Pilotage Act 1913 or any scheme supplementing or replacing any such fund.

### **36 Superannuation funds approved under repealed provisions**

- (1) This section applies to any fund which immediately before 6th April 1980 was an approved superannuation fund for the purposes of section 208 of the Taxes Act if—

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- (a) it has not been approved and is not being considered for approval under Chapter II of Part II of the Finance Act 1970; and
  - (b) no sum has been paid to it by way of contribution since 5th April 1980.
- (2) Subject to subsection (4) below, exemption from income tax shall, on a claim being made in that behalf, be allowed to a fund to which this section applies in respect of—
  - (a) income derived from investments or deposits of the fund;
  - (b) any underwriting commissions which apart from this subsection would be chargeable to tax under Case VI of Schedule D ; and
  - (c) any profits or gains which apart from this subsection would be chargeable to tax under Case VI of Schedule D by virtue of section 26 of the Finance Act 1973 (transactions in certificates of deposit),if, or to such extent as the Board are satisfied that, the income, commissions, profits, or gains are applied for the purposes of the fund.
- (3) Subject to subsection (4) below, where a claim is made in that behalf a gain which accrues to a person on the disposal of investments shall not be a chargeable gain for the purposes of capital gains tax if, or to such extent as the Board are satisfied that, those investments were held by him or on his behalf for the purposes of a fund to which this section applies.
- (4) No claim under subsection (2) or (3) above shall be allowed unless the Board are satisfied that the terms on which benefits are payable from the fund have not been altered since 5th April 1980.
- (5) Where immediately before 6th April 1980 premiums paid under a contract with the trustees or other persons having the management of a fund to which this section applies fell within section 323(4) of the Taxes Act (premiums referable to the pension business of an insurance company) and the terms on which benefits are payable from the fund have not been altered since that time, those premiums shall be treated as continuing to fall within that section.
- (6) An annuity paid out of a fund to which this section applies shall be charged to tax under Schedule E and section 204 of the Taxes Act (pay as you earn) shall apply accordingly.
- (7) This section shall be deemed to have come into force on 6th April 1980.

### **37 Relief for losses on unquoted shares in trading companies**

- (1) Where an individual who has subscribed for shares in a qualifying trading company incurs an allowable loss (for capital gains tax purposes) on the disposal of the shares in any year of assessment he may, by notice in writing given within two years after that year, make a claim for relief from income tax on an amount of his income equal to the amount of the loss ; and where such relief is given in respect of the amount of a loss no deduction shall be made in respect of that amount under the Capital Gains Tax Act 1979.
- (2) The following provisions shall have effect as respects relief under this section—
  - (a) relief may, by notice in writing given within two years after a year of assessment, be claimed for that year in respect of a loss incurred in the preceding year of assessment so far as relief under this section in respect of that loss has not already been given in that year, and relief claimed by virtue of this paragraph shall be given in priority to any relief in respect of a loss incurred in the year for which the relief is claimed;

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- (b) a claim for relief may require it to be given only by reference to the income of the individual without extending to the income of his spouse;
  - (c) subject to paragraph (b) above, relief shall be given by treating the loss as reducing first the earned income of the individual, then his other income, then the earned income of his spouse and then his spouse's other income;
  - (d) the relief shall be given in priority to relief under section 168 of the Taxes Act or section 30 of the Finance Act 1978.
- (3) For the purposes of this section an individual subscribes for shares if they are issued to him by the company in consideration of money or money's worth; and where by virtue of subsection (3) of section 19 of the said Act of 1979 that consideration is deemed to be equal to the market value of the shares the amount of any loss on their disposal shall be treated as not exceeding what it would have been if that subsection had not applied to that consideration.
- (4) For the purposes of this section an individual shall be treated as having subscribed for shares if his spouse did so and transferred them to him by a transaction *inter vivos*.
- (5) For the purposes of this section a qualifying trading company is a company none of whose shares have at any time in the relevant period been quoted on a recognised stock exchange and which—
- (a) either—
    - (i) is a trading company on the date of the disposal; or
    - (ii) has ceased to be a trading company at a time which is not more than three years before that date and has not since that time been an excluded company or an investment company; and
  - (b) either—
    - (i) has been a trading company for a continuous period of six years ending on that date or at that time; or
    - (ii) has been a trading company for a shorter continuous period ending on that date or at that time and has not before the beginning of that period been an excluded company or an investment company; and
  - (c) has been resident in the United Kingdom throughout the period from its incorporation until that date.
- (6) This section does not apply unless the disposal is—
- (a) by way of a bargain made at arms' length for full consideration; or
  - (b) by way of a distribution in the course of dissolving or winding up the company ; or
  - (c) a deemed disposal under section 22(2) of the said Act of 1979 (claim that value of asset has become negligible).
- (7) Where an individual disposes of shares (" the new shares ") which by virtue of section 78 of the said Act of 1979 (reorganisation etc. treated as not involving disposal) are identified with other shares (" the old shares ") previously held by him, relief shall not be given under this section on the disposal of the new shares unless—
- (a) relief under this section could (or if this section had been in force could) have been given on a disposal of the old shares if he had incurred an allowable loss in disposing of them as mentioned in subsection (6)(a) above on the occasion of the disposal that would have occurred but for the said section 78 ; or
  - (b) he gave new consideration for the new shares ;

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but in a case within paragraph (b) above the amount of relief under this section on the disposal of the new shares shall not exceed the amount or value of the new consideration taken into account as a deduction in computing the loss incurred on their disposal.

(8) Where the shares are the subject of an exchange or arrangement of the kind mentioned in section 85 or 86 of the said Act of 1979 (company reconstructions etc.) which by reason of section 87 of that Act involves a disposal of the shares, this section shall not apply to any allowable loss incurred on the disposal.

(9) Where an individual holds shares in a company which constitute a holding and comprise—

- (a) shares for which he has subscribed ("qualifying shares"); and
- (b) shares which he has acquired otherwise than by subscription,

any question whether a disposal by him of shares forming part of the holding is of qualifying shares shall be determined by treating that and any previous disposal by him out of the holding as relating to shares acquired later rather than earlier; and if a disposal by him is of qualifying shares forming part of a holding and he makes a claim under this section in respect of a loss incurred on their disposal, the amount of relief under this section on the disposal shall not exceed the sums that would be allowed as deductions in computing the loss if the shares had not been part of the holding.

(10) Where a claim is made under this section in respect of a loss accruing on the disposal of shares section 26 of the said Act of 1979 (value-shifting) shall have effect in relation to the disposal as if for the references in subsections (1)(b) and (4) to a tax-free benefit there were substituted references to any benefit whether tax-free or not.

(11) There shall be made all such adjustments of capital gains tax, whether by way of assessment or by way of discharge or repayment of tax, as may be required in consequence of relief being given under this section in respect of an allowable loss or in consequence of the whole or part of such a loss in respect of which a claim is made not being relieved under this section.

(12) In this section—

" excluded company " means a company—

- (a) which has a trade which consists wholly or mainly of dealing in shares, securities, land, trades or commodity futures or is not carried on on a commercial basis and in such a way that profits in the trade can reasonably be expected to be realised ; or
- (b) which is the holding company of a group other than a trading group ;

" group " means a company which has one or more 75 per cent, subsidiaries together with that or those subsidiaries;

" holding " means a holding within the meaning of section 65 of the said Act of 1979 ;

" holding company " means a company whose business consists wholly or mainly in the holding of shares or securities of one or more companies which are its 75 per cent, subsidiaries ;

" investment company " has the meaning given by section 304(5) of the Taxes Act;

" new consideration " means consideration in money or money's worth other than consideration of the kind excluded by the proviso to section 79(1) of the said Act of 1979;

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" recognised stock exchange " has the meaning given by section 535 of the Taxes Act;

" relevant period " means the period ending with the date on which the shares in question are disposed of and beginning with the incorporation of the company, or, if later, one year before the date on which the shares were subscribed for;

" shares " includes stock but, except in the definition of " excluded company", does not include shares or stock not forming part of a company's ordinary share capital as defined in section 526(5) of the Taxes Act;

" spouse " refers to one of two spouses who are living together (construed in accordance with section 155(2) of the said Act of 1979);

" trading company" means a company, other than an excluded company, which is—

- (a) a trading company within the meaning of paragraph 11 of Schedule 16 to the Finance Act 1972; or
- (b) the holding company of a trading group;

" trading group" means a group the business of whose members, taken together, consists wholly or mainly in the carrying on of a trade or trades but for the purposes of this definition any trade carried on by a subsidiary which is an excluded company or not resident in the United Kingdom shall be treated as not constituting a trade.

- (13) This section has effect in relation to disposals on or after 6th April 1980.

### **38 Incidental costs of obtaining loan finance**

- (1) In computing the profits or gains to be charged under Case I or Case II of Schedule D there may be deducted the incidental costs of obtaining finance by means of a qualifying loan or the issue of qualifying loan stock ; and the incidental costs of obtaining finance by those means shall be treated for the purposes of section 304 of the Taxes Act (investment companies etc.) as expenses of management.
- (2) Subject to subsection (3) below, in this section " a qualifying loan " and " qualifying loan stock " mean a loan or loan stock the interest on which is deductible—
  - (a) in computing for tax purposes the profits or gains of the person by whom the incidental costs in question are incurred; or
  - (b) under section 248 of the Taxes Act against his total profits.
- (3) A loan or loan stock which carries a right of conversion into, or to the acquisition of—
  - (a) shares; or
  - (b) other securities not being a qualifying loan or qualifying loan stock,
 is not a qualifying loan or qualifying loan stock if that right is exercisable before the expiration of three years from the date when the loan was obtained or the stock was issued.
- (4) In this section " the incidental costs of obtaining finance " means expenditure on fees, commissions, advertising, printing and other incidental matters (but not including stamp duty), being expenditure wholly and exclusively incurred for the purpose of obtaining the finance (whether or not it is in fact obtained), of providing security for it or of repaying it.
- (5) This section shall not be construed as affording relief—

- (a) for any sums paid in consequence of or for obtaining protection against, losses resulting from changes in the rate of exchange between different currencies; or
  - (b) for the cost of repaying a loan or loan stock so far as attributable to its being repayable at a premium or to its having been obtained or issued at a discount.
- (6) This section has effect in relation to expenditure incurred on or after 1st April 1980.

### **39 Relief for pre-trading expenditure**

- (1) Where a person incurs expenditure for the purposes of a trade before the time when he begins to carry it on and the expenditure—
- (a) is incurred not more than one year before that time; and
  - (b) is not allowable as a deduction in computing his profits or gains from the trade for the purposes of Case I of Schedule D but would have been so allowable if incurred after that time,
- the expenditure shall be treated for the purposes of corporation tax as incurred on the day on which the trade is first carried on by him and for the purposes of relief under Chapter I of Part VII of the Taxes Act or section 30 of the Finance Act 1978 as if it were the amount of a loss sustained by him in the trade in the year of assessment in which it is set up and commenced.
- (2) A claim for relief under the Income Tax Acts in respect of an amount treated as a loss by virtue of subsection (1) above shall be made separately from any claim for relief under those Acts in respect of any other loss.
- (3) Section 155 of the Taxes Act (partnerships involving companies) shall have effect as if expenditure to which subsection (1) above applies were one of the matters excluded from the computation under subsection (1) of that section by proviso (b) to that subsection.
- (4) This section applies in relation to a profession or vocation as it applies to a trade, taking the reference in subsection (1)(b) above to Case I of Schedule D as a reference to Case II of that Schedule.
- (5) This section has effect in relation to expenditure incurred on or after 1st April 1980.

### **40 Stock relief**

Schedule 7 to this Act shall have effect—

- (a) for enabling recovery charges under Schedule 5 to the Finance Act 1976 (stock relief) to be deferred to such extent and in such cases as are there specified; and
- (b) for excluding certain buildings from the definition of trading stock in the said Schedule 5.

### **41 Additional payments to redundant employees**

- (1) Where a payment is made by way of addition to a redundancy payment or to the corresponding amount of any other employer's payment and the additional payment would be—
- (a) allowable as a deduction in computing for the purposes of Schedule D the profits or gains or losses of a trade; or

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(b) eligible for relief under section 304 or 305 of the Taxes Act as expenses of management of a business,

but for the permanent discontinuance of the trade or business, the additional payment shall, subject to subsection (2) below, be allowable as a deduction or eligible for relief as aforesaid notwithstanding the discontinuance and, if made after the discontinuance, shall be treated as made on the last day on which the trade or business was carried on.

- (2) Subsection (1) above applies to an additional payment only so far as it does not exceed three times the amount of the redundancy payment or of the corresponding amount of the other employer's payment.
- (3) In this section references to a trade include references to a profession or vocation and references to the permanent discontinuance of a trade include references to any occasion on which it is treated as permanently discontinued by virtue of section 154(1) or 251(1) of the Taxes Act.
- (4) In this section references to a redundancy payment or to the corresponding amount of an employer's payment shall be construed as in section 412 of the Taxes Act (relief for redundancy payments etc.).
- (5) This section has effect where the additional payment is made on or after 1st April 1980.

#### **42 Grants under Industry Act 1972 etc.**

- (1) A payment to which this section applies which is made to a person carrying on a trade the profits of which are chargeable under Case I of Schedule D shall be taken into account as a receipt in computing those profits; and any such payment which is made to an investment company as defined in section 304(5) of the Taxes Act shall be taken into account as a receipt in computing its profits under Case VI of Schedule D.
- (2) This section applies to any payment made after 26th March 1980 which would not, apart from this section, be taken into account as mentioned in subsection (1) above, being a payment by way of a grant under—
  - (a) section 7 or 8 of the Industry Act 1972; or
  - (b) section 1 of the Industries Development Act (Northern Ireland) 1966 or section 4 of the Industries Development Act (Northern Ireland) 1971,
 other than a grant designated as made towards the cost of specified capital expenditure or as made by way of compensation for the loss of capital assets.

#### **43 Sub-contractors in the construction industry**

The Finance (No. 2) Act 1975 shall have effect with the amendments specified in Schedule 8 to this Act, being amendments relating to the meaning of "contractor" in section 69 of that Act and to the issue of certificates under section 70 of that Act excepting sub-contractors in the construction industry from the requirements relating to deduction of tax in section 69 of that Act.

#### **44 Close companies: apportionment of income**

- (1) Schedule 16 to the Finance Act 1972 (apportionment of income of close companies) shall have effect with the amendments specified in Schedule 9 to this Act, being amendments which abolish the power to apportion the trading income of a trading company or of a company which is a member of a trading group.



- (2) Paragraph 10(3)(b) of the said Schedule 16 (calculation of distributable investment income) shall have effect in relation to a company which is a trading company or a member of a trading group as if for " £1,000 " there were substituted " £3,000 ".
- (3) This section has effect in relation to accounting periods ending after 26th March 1980.

#### **45 Close companies: interest paid to directors**

- (1) The provisions of section 285 of the Taxes Act (interest paid by close companies to directors and directors' associates above a certain limit treated as a distribution) except the words from " a person " onwards in subsection (6) (which contain a definition of a person having a material interest in a company which is applied elsewhere) shall cease to have effect.
- (2) In section 233(1) (matters to be treated as distributions) and in the definition of " distribution " in section 527(1) of that Act for the words " sections 284 and 285 " there shall be substituted the words " section 284 ".
- (3) This section has effect in relation to interest paid in accounting periods ending after 26th March 1980.

#### **46 Profit sharing schemes**

- (1) Chapter III of Part III of the Finance Act 1978 and Schedule 9 to that Act (profit sharing schemes) shall have effect with the following amendments.
- (2) In section 54 (meaning of certain expressions in connection with approval of profit sharing schemes) after subsection (1) there shall be inserted the following—

“(1A) No obligation placed on the participant by virtue of subsection (1)(c) above shall be construed as binding his personal representatives to pay any sum to the trustees.”
- (3) In subsection (4) of that section (definition of " the period of retention " as the period beginning on the date on which a participant's shares are appropriated to him and ending on the fifth anniversary of that date or on other dates) for the words " fifth anniversary " there shall be substituted the words " second anniversary ".
- (4) In subsection (6) of that section (definition of " the release date " as the tenth anniversary of that date) for the words " tenth anniversary " there shall be substituted the words " seventh anniversary ".
- (5) For paragraphs (a), (b) and (c) of subsection (7) of that section (variation of " the appropriate percentage " according to date of event causing charge to tax) there shall be substituted—
  - (a) if the event occurs before the fourth anniversary of the date on which the shares were appropriated to the participant and paragraph (c)(i) below does not apply, the appropriate percentage is 100 per cent;
  - (b) if the event occurs on or after the fourth anniversary and before the fifth anniversary of the date on which the shares were appropriated to the participant and paragraph (c)(i) below does not apply, the appropriate percentage is 75 per cent;
  - (c) if—
    - (i) in a case where the participant—

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- (a) ceases to be an employee or director of a relevant company as mentioned in subsection (4) (a) above, or
  - (b) reaches pensionable age, as defined in Schedule 20 to the Social Security Act 1975,
- the event occurs before the sixth anniversary of the date on which the shares were appropriated to him, or
- (ii) in any other case the event occurs on or after the fifth anniversary of that date and before the sixth anniversary of it,
- the appropriate percentage is 50 per cent; and
- (d) if the event occurs on or after the sixth anniversary and before the seventh anniversary of the date on which the shares were appropriated to the participant, the appropriate percentage is 25 per cent.”.
- (6) At the end of section 56 (capital receipts in respect of scheme shares) there shall be inserted—
- “(6) Subsection (1) above does not apply in relation to any receipt the amount or value of which (after any reduction under subsection (4) above) does not exceed £10.”
- (7) In section 58 (1) and (2) (shares in excess of initial market value of £500) for " £500 " there shall be substituted " £1,000 '.
- (8) In section 59 (P.A.Y.E. deduction of tax) after subsection (1) there shall be inserted—
- “(1A) Where a participant disposes of his beneficial interest in any of his shares to the trustees of the scheme and the trustees are deemed by virtue of section 55(7) above to have disposed of the shares in question, this section shall apply as if the consideration payable by the trustees to the participant on the disposal had been received by the trustees as the proceeds of disposal of shares falling within section 55(1) above.”.
- (9) In paragraph 1(4) of Schedule 9 (profit sharing schemes to provide that total initial market values of shares appropriated to one participant yearly must not exceed £500) for "£500" there shall be substituted " £1,000 '.
- (10) In paragraph 6 of that Schedule (conditions as to shares)—
- (a) the word " either " shall be omitted ; and
  - (b) at the end of paragraph (b) there shall be inserted “or
  - (c) shares in a company which is under the control of a company (other than a company which is or would if resident in the United Kingdom be a close company within the meaning of section 282 of the Taxes Act) whose shares are quoted on a recognised stock exchange.”
- (11) At the end of paragraph 8 of that Schedule (majority of shares of same class to be held by persons unconnected with the scheme) there shall be inserted the words “and
- (c) in a case where the shares fall within sub-paragraph (c) and do not fall within sub-paragraph (a) of paragraph 6 above, companies which have control of the company whose shares are in question or of which that company is an associated company within the meaning of section 302 of the Taxes Act.”.

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- (12) At the end of paragraph 11(3) of that Schedule (individuals ineligible to participate in schemes when they have a material interest in certain companies) there shall be inserted—
- “(c) section 303(3) of the Taxes Act (meaning of " associate ") shall have effect—
    - (i) in a case where the scheme in question is a group scheme, with the substitution of a reference to all the participating companies for the first reference to the company in paragraph (ii) of the proviso to that subsection, and
    - (ii) with the substitution of a reference to 25 per cent, for the reference in that paragraph to 5 per cent”.
- (13) In paragraph 13 of that Schedule—
- (a) in sub-paragraph (1) (trust instrument must prohibit trustees from disposing of shares except as mentioned in section 54(2)(a) of that Act during the period of retention) after the words " section 54(2)(a)" there shall be inserted the words " (b) or (c) "; and
  - (b) in sub-paragraph (2) (trust instrument must prohibit trustees from disposing of shares after end of period of retention except in certain circumstances) after the word " retention " there shall be inserted the words " and before the release date ".
- (14) Subsections (3), (4) and (5) above apply in relation to shares appropriated on or after 6th April 1979, subsection (7) above applies in relation to shares appropriated on or after 6th April 1980 and the remaining provisions of this section shall be deemed to have come into force on 6th April 1980.

#### **47 Savings-related share option schemes**

- (1) Subject to subsection (2) below, where, on or after the appointed day, an individual obtains a right to acquire shares in a body corporate by reason of his office or employment as a director or an employee of that or any other body corporate and in accordance with the provisions of a scheme approved under Schedule 10 to this Act—
- (a) tax shall not be chargeable under any provision of the Tax Acts in respect of the receipt of the right; and
  - (b) if he exercises the right in accordance with the provisions of the scheme at a time when it is so approved—
    - (i) tax shall not be chargeable under any provision of the Tax Acts in respect of the exercise nor under section 79(4) of the Finance Act 1972 in respect of an increase in the market value of the shares; and
    - (ii) section 19(3) of the Capital Gains Tax Act 1979 (assets deemed to be acquired at market value) shall not apply in calculating the consideration for the acquisition of the shares.
- (2) Subsection (1) above shall not apply in respect of a right which is exercised within three years of its being obtained by virtue of a provision included in a scheme pursuant to paragraph 10 of that Schedule.
- (3) In this section " the appointed day " means such day as the Treasury may by order made by statutory instrument appoint for the coming into force of this section and Schedule 10 to this Act.

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#### 48 Cars available for private use

- (1) For section 62(1) and (2) of the Finance Act 1976 (cars with insubstantial business use) there shall be substituted—

“(1) Where the benefit of a car is taxable under section 64 below, section 61 above does not apply to any benefit in connection with the car other than a benefit in connection with the provision of a driver for the car.”

- (2) In paragraph 3(1) and (2) of Part II of Schedule 7 to that Act (reduction of cash equivalent where business use of car accounted for at least 25,000 miles in the relevant year) for " 25,000 " there shall be substituted " 18,000 ".

- (3) At the end of Part II of the said Schedule 7 there shall be inserted—

*“Cars with insubstantial business use and additional cars*

- 5 (1) The cash equivalent derived from Table A, B or C is to be increased by half if in the relevant year—

- (a) the car was not used for the employee's business travel; or  
 (b) its use for such travel did not amount to more than 1,000 miles.

- (2) In relation to a car which for part of the year was unavailable in the sense of paragraph 2 above, the figure of 1,000 miles above mentioned is proportionately reduced.

- (3) Without prejudice to sub-paragraph (1) above, if in any year a person is taxable under section 64 of this Act in respect of two or more cars which are made available concurrently, there shall be increased by half the cash equivalent derived from Table A, B or C in respect of each of those cars other than the one which in the period for which they are concurrently available is used to the greatest extent for the employee's business travel.

- (4) In paragraphs 2 to 4 above references to the cash equivalent which is to be reduced shall be construed as references to the cash equivalent after any increase under this paragraph”.

- (4) This section has effect for the year 1981-82 and subsequent years of assessment.

#### 49 Cash equivalent of certain benefits

- (1) Section 63 of the Finance Act 1976 (cash equivalent of certain benefits) shall be amended as follows.

- (2) After subsection (3) there shall be inserted—

“(3A) Where the asset referred to in subsection (3) above is not a car and before the transfer a person (whether or not the transferee) has been chargeable to tax in respect of the asset in accordance with subsection (4) below, the amount which under subsection (3) above is deemed to be the cost of the benefit shall (if apart from this subsection it would be less) be deemed to be—

- (a) the market value of the asset at the time when it was first applied (by those providing the benefit in question) for the provision of any benefit for a person or for members of his family or household, by reason of his employment, less

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- (b) the aggregate of the amounts taken into account as the cost of the benefit in charging tax in accordance with subsection (4) below in the year or years up to and including that in which the transfer takes place.”
- (3) In subsection (5)(c) for the words " 10 per cent." there shall be substituted the words " 20 per cent. ".
- (4) This section has effect in relation to assets first applied after 5th April 1980 by those providing the benefit in question in the provision of any benefit for a person, or for members of his family or household, by reason of his employment.

## **50 Beneficial loan arrangements**

- (1) In section 66(2) of the Finance Act 1976 (exemption from charge to tax in respect of beneficial loan arrangements where cash equivalent of the benefit does not exceed £50) for " £50 " there shall be substituted " £200 ".
- (2) Where the amount of interest paid on a loan for the year of assessment in which it is made is not less than interest at the official rate applying for that year for the purposes of section 66 of the said Act of 1976 and the loan is made—
  - (a) for a fixed and unvariable period ; and
  - (b) at a fixed and unvariable rate of interest,subsection (1) of that section shall not apply to the loan in any subsequent year by reason only of an increase in the official rate since the year in which the loan was made.
- (3) Where a loan was made at any time before 6th April 1978—
  - (a) for a fixed and unvariable period ; and
  - (b) at a fixed and unvariable rate of interest,subsection (1) of the said section 66 shall not apply to the loan if it is shown that the rate of interest is not less than such rate as could have been expected to apply to a loan on the same terms (other than as to the rate of interest) made at that time between persons not connected with each other (within the meaning of section 533 of the Taxes Act) dealing at arm's length.
- (4) This section has effect for the year 1980-81 and subsequent years of assessment.

## **51 Benefits in kind: minor amendments**

- (1) In section 63 of the Finance Act 1976 (cash equivalent of certain benefits)—
  - (a) to the words in brackets in subsection (41)(b) there shall be added the words " and excluding also any rent or hire charge payable for the asset by those providing the benefit "; and
  - (b) in subsection (6) for the words from "the following applies " onwards there shall be substituted the words " the annual amount of which is equal to, or greater than, the annual value of the use of the asset as ascertained under subsection (5) above, that amount is to be substituted for the annual value in subsection (4)(a) above. "
- (2) In section 64(4) of that Act (power to alter money sums relating to taxation of cars) after paragraph (b) there shall be inserted—
  - “(c) increase (or further increase) the money sum specified in paragraph 1(1) of Part II of Schedule 7 to this Act”

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- (3) In section 72(5)(e) of that Act (market value of car to be retail price inclusive of car tax etc.) for the words " of car tax " there shall be substituted the words " of value added tax and car tax ".
- (4) In the proviso to section 284(2) of the Taxes Act (expense in providing certain benefits not to count as distribution to participator in close company) after paragraph (a) there shall be inserted—
  - “(aa) of living accommodation for any person if the accommodation is (within the meaning of section 33 of the Finance Act 1977) provided by reason of his employment; or”.
- (5) In section 44(5) and (6) of the Finance Act 1971 (writing-down allowances and balancing adjustments) after the words " Part VIII of the Taxes Act" there shall be inserted the words " or Chapter II of Part III of the Finance Act 1976 ".

## **52 Maintenance funds: charge of income tax**

- (1) If in the case of a settlement in respect of which the Treasury have given a direction under section 84 of the Finance Act 1976 (maintenance funds for historic buildings)—
  - (a) any of the property comprised in the settlement (whether capital or income) is applied otherwise than as mentioned in paragraph (a)(i) or (ii) of subsection (3) of that section; or
  - (b) any of that property on ceasing to be comprised in the settlement devolves otherwise than on any such body or charity as is mentioned in paragraph (a) (ii) of that subsection,

then, unless subsection (6) below applies, income tax shall be charged under this section in respect of the settlement.

- (2) Subject to subsection (3) below, tax chargeable under this section shall be charged at the rate of 30 per cent, on the whole of the income which has arisen in the relevant period from the property comprised in the settlement and has not been applied (or accumulated and then applied) as mentioned in subsection (3)(a)(i) or (ii) of the said section 84.

In this subsection " the relevant period " means, if tax has become chargeable under this section in respect of the settlement on a previous occasion, the period since the last occasion and, in any other case, the period since the settlement took effect.

- (3) Tax shall not be chargeable under this section in respect of income which by virtue of Part XVI of the Taxes Act is treated as income of the settlor; but where income arising in any year of assessment is exempted by this subsection any sums applied in that year as mentioned in subsection (3)(a)(i) or (ii) of the said section 84 shall be treated as paid primarily out of that income and only as to the excess, if any, out of income not so exempted.
- (4) Tax charged under this section shall be in addition to any tax chargeable apart from this section and—
  - (a) the persons assessable and chargeable with tax under this section shall be the trustees of the settlement; and
  - (b) all the provisions of the Income Tax Acts relating to assessments and to the collection and recovery of income tax shall, so far as applicable, apply to the charge, assessment, collection and recovery of tax under this section.

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- (5) Tax shall also be chargeable in accordance with the foregoing provisions of this section if any of the property comprised in a settlement to which subsection (1) above applies, on ceasing at any time to be comprised in the settlement, devolves on any such body or charity as is referred to in paragraph (b) of that subsection and at or before that time an interest under the settlement is or has been acquired for a consideration in money or money's worth by that or another such body or charity ; but for the purposes of this subsection any acquisition from another such body or charity shall be disregarded.
- (6) Tax shall not be chargeable under this section in respect of a settlement on an occasion when the whole of the property comprised in it is transferred tax-free into another settlement; but on the first occasion on which tax becomes chargeable under this section in respect of a settlement (" the current settlement") comprising property which was previously comprised in another settlement or settlements and has become comprised in the current settlement as a result of, or of a series of, tax-free transfers, the relevant period for the purposes of subsection (2) above shall, as respects that property, be treated as having begun—
- (a) on the last occasion on which tax became chargeable under this section in respect of the other settlement or any of the other settlements; or
  - (b) if there has been no such occasion, when the other settlement or the first of the other settlements took effect.
- (7) For the purposes of subsection (6) above property is transferred tax-free from one settlement into another if it ceases to be comprised in the first-mentioned settlement and becomes comprised in the other settlement in circumstances such that by virtue of section 89(4)(d) below there is no charge to capital transfer tax by reference to its value.

### **53 Maintenance funds: one-estate elections**

- (1) Where a building or land which is qualifying property for the purposes of subsection (3) of section 84 of the Finance Act 1976 (maintenance funds for historic buildings) forms part of an estate in relation to which an election has effect under section 73 of the Taxes Act (deductions from rents: land managed as one estate)—
- (a) the election shall not cease to have effect by reason only of another part of the estate becoming comprised in, and being managed by the trustees of, a settlement in relation to which the Treasury give a direction under the said section 84 ; and
  - (b) that other part shall be treated as continuing to form part of the estate to which the election relates.
- (2) Where a person becomes the owner of any such building or land as is mentioned in subsection (1) above which in the immediately preceding ownership formed part of an estate in relation to which an election under the said section 73 had effect, any other part of that estate which continues to be or becomes comprised in a settlement of the kind mentioned in that subsection shall be treated as part of the estate in relation to which an election may be made by him under that section.
- (3) Where by virtue of this section an election has effect in relation to an estate part of which is comprised in a settlement—
- (a) there may be treated as deductible from the rents arising from that part—
    - (i) any payments which are made in respect of the other part of the estate by the trustees of the settlement and which would be so deductible

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- under section 72 of the Taxes Act if that part were also comprised in the settlement; and
- (ii) any payments made in respect of the other part of the estate by its owner to the extent to which they cannot be deducted by him under that section in the chargeable period in which they become due because of an insufficiency of the rents arising in that period from that part; and
- (b) any relief available to the trustees under section 79 of that Act (agricultural relief) in respect of the part of the estate comprised in the settlement shall instead be available to the owner of the other part of the estate.
- (4) Where by virtue of this section an election has effect in relation to an estate part of which is comprised in a settlement, the election shall not cease to have effect in relation to any of that part by reason of its ceasing to be comprised in that settlement if within thirty days it becomes comprised in another settlement in relation to which the Treasury give a direction under the said section 84.
- (5) The inclusion by virtue of this section in an estate of property comprised in a settlement shall not be construed as requiring it to be treated as the property of the person who owns the remainder of the estate or as affecting any question as to the person entitled to the income arising from that property.

#### **54 Charitable donations by traders**

- (1) Section 411(8) of the Taxes Act (which disallows expenditure on certain gifts) shall not preclude the deduction, in computing profits or gains under Case I or Case II of Schedule D, of expenditure incurred in making a gift to a body of persons or trust established for charitable purposes only.
- (2) This section has effect in relation to expenditure incurred on or after 1st April 1980.

#### **55 Charitable dispositions for periods which cannot exceed three years**

- (1) In section 434 of the Taxes Act (income payable to another under a disposition for a period which cannot exceed six years deemed to be the disponent's income)—
- (a) in subsection (1) after " (1)" there shall be inserted the words " Subject to subsection (1A) below ";
- (b) after that subsection there shall be inserted—
- “(1A) Subsection (1) above shall have effect in relation to income which is payable as a covenanted payment to charity as if for the words " six years" there were substituted the words " three years "”; and
- (c) at the end of subsection (2) of that section there shall be inserted the words " and " a covenanted payment to charity" means a payment made under a covenant made otherwise than for consideration in money or money's worth in favour of a body of persons or trust established for charitable purposes only whereby the like annual payments (of which the payment in question is one) become payable for a period which may exceed three years and is not capable of earlier termination under any power exercisable without the consent of the persons for the time being entitled to the payments ".



- (2) After subsection (1) of section 445 of that Act (sums payable by settlor under revocable settlement treated as settlor's income except where power to revoke cannot be exercised within six years from first payment) there shall be inserted—

“(1A) The proviso to subsection (1) above shall have effect in relation to a payment which is a covenanted payment to charity as if for the words " six years " there were substituted the words " three years " ; and in this subsection " covenanted payment to charity " has the same meaning as in section 434(2) above”.

- (3) In section 248 of that Act (allowance of charges on income for corporation tax) in subsection (9) (meaning of " covenanted donation to charity ") for the words " six years " there shall be substituted the words " three years " .
- (4) This section has effect for the year 1980-81 and subsequent years of assessment in relation to payments made after 5th April 1980.

## **56 Income under charitable covenant not settlor's for excess tax purposes**

- (1) In paragraph (b) of subsection (1) of section 457 of the Taxes Act (income under a settlement not treated as the settlor's income for the purposes of his excess liability if excluded by subsection (2) of that section) after the word " subsection " there shall be inserted the words " (1A) or " .

- (2) After that subsection there shall be inserted—

“(1A) Subsection (1) above shall not apply to so much of an individual's income as consists of covenanted payments to charity and does not exceed £3,000 in any year of assessment”.

- (3) At the end of subsection (5) of that subsection (interpretation) there shall be inserted—

“(c) ' covenanted payments to charity ' shall be construed in accordance with section 434 (2) above.”

- (4) In paragraph 3(1) of Schedule 16 to the Finance Act 1972 (apportionment of amounts which have been deducted by close companies in arriving at their distributable income and which in the case of an individual would have been treated as his income in computing his total income), for the words " would have been treated " there shall be substituted the words " would (apart from section 457(1A) of the Taxes Act) have been treated " .

- (5) In paragraph 5 of that Schedule (consequences of apportionment: income tax) after sub-paragraph (5) there shall be inserted:

“(5A) Where as a result of a company or companies making covenanted payments to charity a sum or sums are apportioned by virtue of paragraph 3 above and form part of the total income of an individual for any year of assessment, his total income for that year and the total amount assessable for that year in respect of that sum or those sums shall be reduced by whichever is the lesser of—

- (a) the amount of that sum or those sums, and
- (b) the amount by which the total amount of all covenanted payments to charity which form part of his income for that year by virtue of section 457 of the Taxes Act, or which would form part of it if subsection (1A) of that section were omitted, falls short of £3,000;

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and in this sub-paragraph " covenanted payments to charity " has the same meaning as in the said section 457."

- (6) This section has effect for the year 1981-82 and subsequent years of assessment in relation to payments made after 5th April 1981.

## **57 Registered friendly societies and trade unions**

- (1) In subsections (4) and (5) of section 332 of the Taxes Act (exemption of income and gains of a registered friendly society whose rules make no provision for it to carry on life or endowment business consisting of the assurance of gross sums exceeding £1,000 or of the granting of annuities of annual amounts exceeding £208) for " £1,000 " and " £208 " there shall be substituted respectively " £2,000 " and " £416 ".
- (2) The Friendly Societies Act (Northern Ireland) 1970 and the Friendly Societies Act 1974 shall be amended as follows—
- (a) in section 1(3A) of the said Act of 1970 and in section 7(3A) of the said Act of 1974 (registration of societies) for " £1,000 " and " £208 " there shall be substituted respectively " £2,000 " and " £416 " ; and
  - (b) in section 55(1) of the said Act of 1970 and in section 64(1) of the said Act of 1974 (maximum benefits) in paragraph (a) for "£1,000" there shall be substituted " £2,000 " and in paragraph (b) for " £208 " there shall be substituted " £416 ".
- (3) In section 338 of the Taxes Act (income and gains of a trade union precluded by Act or rules from assuring to any person a sum exceeding £1,000 by way of gross sum or £208 a year by way of annuity exempted if applied for purpose of provident benefits) for " £1,000 " and " £208 " there shall be substituted respectively " £2,000 " and " £416 ".
- (4) Subsection (1) above has effect in relation to any year of account of a registered friendly society or branch ending on or after 1st June 1980 and subsection (3) above has effect in relation to income or gains which are applicable and applied as mentioned in subsection (1) of the said section 338 on or after that date.

## **58 Building societies**

- (1) In determining the reduced rate of tax by reference to which arrangements for any year of assessment are made under subsection (1) of section 343 of the Taxes Act (building societies) the Board shall, notwithstanding anything in the proviso to that subsection, leave out of account any information which is obtained by them after the beginning of that year other than information relating to changes in the rates of tax or personal reliefs for that year or to changes in the general level of incomes.
- (2) This section has effect for the year 1980-81 and subsequent years of assessment.

## **59 Trustee savings banks**

- (1) Section 414(1) of the Taxes Act (relief from tax on certain savings bank interest) shall not apply to any sums paid or credited in respect of interest for any period after 20th November 1979 on ordinary deposits with a trustee savings bank.
- (2) Schedule 11 to this Act shall have effect in relation to the taxation of trustee savings banks in respect of accounting periods beginning after the said 20th November.

## **60 Authorised unit trusts**

- (1) Section 354 of the Taxes Act (Tax Acts to have effect in relation to income arising to the trustees of an authorised unit trust as if they were an investment company and the unit holders were shareholders) shall not apply in relation to an authorised unit trust under the terms of which the funds of the trust cannot be invested in such a way that income can arise to the trustees which will be chargeable to tax in the hands of the trustees otherwise than—
  - (a) under Schedule C as profits arising from United Kingdom public revenue dividends, or
  - (b) under Case III of Schedule D ;and in this subsection "United Kingdom public revenue dividends " means public revenue dividends payable in the United Kingdom (whether they are also payable outside the United Kingdom or not) out of the public revenue of the United Kingdom.
- (2) This section has effect in relation to income arising after 31st March 1980.

## **61 Dates for payment of tax**

- (1) In section 4(3) of the Taxes Act (income tax charged at rates other than the basic rate to be payable on or before 6th July following the end of the year for which it is assessed) for the words "6th July" there shall be substituted the words " 1st December ".
- (2) In section 7 of the Capital Gains Tax Act 1979 (capital gains tax payable at or before expiration of the three months following the year in which the gains accrued) for the words " at or before the expiration of the three months following that year " there shall be substituted the words " on or before 1st December following the end of that year ".
- (3) In paragraph 3 in the second column of the Table in section 86(4) of the Taxes Management Act 1970 (reckonable date for interest on unpaid tax) for the words " The 1st January following the end of the year of assessment" there shall be substituted the words " The 1st June following the 1st December mentioned in section 4(3) of the principal Act " and in paragraph 4 in the second column of that Table for the words " The 1st January following the end of the year of assessment" there shall be substituted the words " The 1st June following the 1st December mentioned in section 7 of the Capital Gains Tax Act 1979. "
- (4) In section 88 (5)(c) and (d) of the Taxes Management Act 1970 (interest on tax recovered to make good loss due to taxpayer's fault) and paragraph 6(2) of Schedule 16 to the Finance Act 1972 (liability for tax on apportioned income) for the words " 6th July " there shall be substituted the words " 1st December ".
- (5) This section has effect in relation to tax for the year 1980-81 and subsequent years of assessment.

## **62 Interest on unpaid tax**

- (1) In the provisions mentioned in subsection (2) below (remission of interest on unpaid tax where the amount of interest does not exceed £10) for "£10" there shall be substituted " £30 ".
- (2) The provisions referred to above are—
  - (a) section 86(6) of the Taxes Management Act 1970 (income tax, corporation tax and capital gains tax);

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- (b) section 87(4) of that Act (advance corporation tax and income tax on company payments); and
  - (c) section 87(3) of that Act as originally enacted (income tax on company distributions).
- (3) This section has effect in relation to interest on tax charged by assessments notice of which is issued after the passing of this Act.

### **63 International Maritime Satellite Organisation**

- (1) An overseas signatory to the Operating Agreement made pursuant to the Convention on the International Maritime Satellite Organisation which came into force on 16th July 1979 shall be exempt from income tax, corporation tax and capital gains tax in respect of any payment received by that signatory from the Organisation in accordance with the Agreement.
- (2) In this section an " overseas signatory " means a signatory other than one designated for the purposes of the Agreement by the United Kingdom in accordance with the Convention.

## **CHAPTER II**

### CAPITAL ALLOWANCES

#### *Machinery and plant*

### **64 Exclusion of first-year allowances for certain leased assets**

- (1) No first-year allowance shall be made in respect of expenditure on the provision of machinery or plant for leasing, whether in the course of a trade or otherwise, unless it appears that the machinery or plant will be used for a qualifying purpose in the requisite period and will not at any time in that period be used for any other purpose.
- (2) Machinery or plant is used for a qualifying purpose at any time when—
- (a) it is leased to a lessee who uses it for the purposes of a trade, otherwise than for leasing, and the circumstances are such that a first-year allowance could have been made to the lessee if he had bought the machinery or plant at that time and had incurred capital expenditure in doing so; or
  - (b) the person who incurred the expenditure uses it for short term leasing; or
  - (c) it is leased to a lessee who uses it for short-term leasing and either is resident in the United Kingdom or so uses it in the course of a trade carried on by him there; or
  - (d) the person who incurred the expenditure uses it for the purposes of a trade otherwise than for leasing.
- (3) In subsection (2)(b) and (c) above " short-term leasing " means leasing the machinery or plant in such a manner—
- (a) that—
    - (i) the number of consecutive days for which it is leased to the same person will normally be less than thirty; and

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- (ii) the total number of days for which it is leased to the same person in any period of twelve months will normally be less than ninety; or
- (b) that—
  - (i) the number of consecutive days for which it is leased to the same person will not normally exceed three hundred and sixty-five ; and
  - (ii) the aggregate of the periods for which it is leased in the requisite period to lessees not falling within subsection (2)(a) above will not exceed two years.
- (4) For the purposes of subsection (3) above persons who are connected with each other shall be treated as the same person and where any machinery or plant is leased as one of a number of items which form part of a pool of items of the same or a similar description and are not separately identifiable all the items in the pool may be treated as used for short-term leasing within the meaning of that subsection if substantially the whole of the items in the pool are so used.
- (5) Without prejudice to subsection (2) above, a ship is also used for a qualifying purpose at any time when it is let on charter in the course of a trade which consists of or includes operating ships if—
  - (a) the person carrying on the trade is resident in the United Kingdom or carries on the trade there ; and
  - (b) that person is responsible as principal (or appoints another person to be responsible in his stead) for navigating and managing the ship throughout the period of the charter and for defraying all expenses in connection with the ship throughout that period or substantially all such expenses other than those directly incidental to a particular voyage or to the employment of the ship during that period.
- (6) Subsection (5) above shall with the necessary modifications apply also in relation to aircraft.
- (7) Without prejudice to subsection (2) above, a transport container is also used for a qualifying purpose at any time when it is leased in the course of a trade which is carried on by a person who is resident in the United Kingdom or who carries on the trade there if—
  - (a) the trade consists of or includes the operation of ships or aircraft and the container is at other times used by that person in connection with the operation of ships or aircraft; or
  - (b) the container is leased under a succession of leases to different persons who, or most of whom, are not connected with each other.
- (8) The requisite period is the period of four years beginning with the date on which the machinery or plant is first brought into use by the person who incurred the expenditure, except that where the machinery or plant ceases at any time before the end of those four years to belong to that person the requisite period shall end at that time.
- (9) For the purposes of subsection (8) above machinery or plant shall be treated as continuing to belong to the person who incurred the expenditure so long as it belongs to—
  - (a) a person who is connected with him ; or
  - (b) a person who acquired it from him as a result of one or more disposals on the occasion of which, or each of which, the trade carried on by the person

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making the disposal was treated as continuing by virtue of section 154(2) or 155(1) of the Taxes Act;

and for any part of the requisite period for which the machinery or plant belongs to a person falling within paragraph (a) or (b) above that person shall be treated for the purposes of subsection (2)(b) and (d) above as the person who incurred the expenditure.

- (10) For the purposes of subsection (2)(a) above there shall be disregarded paragraph 2(1) of Schedule 8 to the Finance Act 1971 and section 50 of the Capital Allowances Act 1968 as applied by paragraph 2(2) of that Schedule (which preclude the making of a first-year allowance where certain other allowances are available).
- (11) This section does not preclude the making of a first-year allowance in respect of expenditure on the provision of machinery or plant if it is fixed to a building or land of which the person who incurs the expenditure is the lessor and the circumstances are such that a transfer of his interest in the building or land would operate to transfer his interest in the machinery or plant; and so much of the proviso to section 48(4) of the said Act of 1971 as relates to section 74(3) of the said Act of 1968 (restriction of relief for leased asset not used for trade) shall not apply to any allowance in respect of such expenditure.
- (12) Nothing in this section affects expenditure on the provision of vehicles if they are provided wholly or mainly for the use of persons in receipt of mobility allowance under the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975.

## **65 Writing-down allowances etc. in case of leased assets**

- (1) Where section 64 above precludes the making of a first-year allowance in respect of expenditure incurred by a person on the provision of machinery or plant for leasing in the course of a trade, the following provisions shall have effect with respect to the allowances and charges to be made in the case of the trade (" the actual trade ") under section 44 of the Finance Act 1971 (writing-down allowances and balancing adjustments).
- (2) It shall be assumed for the purposes of the said section 44—
- (a) that, immediately after the beginning of the chargeable period or its basis period in which the machinery or plant is brought into use, the person carrying on the trade brings the machinery or plant into use for the purposes of a trade carried on by him separately from the actual trade and any other trade carried on by him;
  - (b) that the machinery or plant is used for the purposes of the separate trade from then until it ceases altogether to be used for the purposes of the actual trade; and
  - (c) that the separate trade is permanently discontinued when the machinery or plant ceases altogether to be used for the purposes of the actual trade,
- and the allowance or charge under that section which, on those assumptions and having regard to subsections (3) and (4) below, would fall to be made for any chargeable period in the case of the separate trade shall be made for that period in the case of the actual trade.
- (3) If an allowance under the said section 44 falling by virtue of this section to be made for any chargeable period in the case of the actual trade is not claimed, or is reduced in amount in accordance with a requirement under the proviso to subsection (2) of

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that section, then, in determining the allowance or charge under that section which would fall to be made for any subsequent chargeable period in the case of the separate trade, any allowance falling to be made in the case of that trade for the first-mentioned chargeable period shall be treated as not claimed or, as the case may be, proportionately reduced.

- (4) Where in the case of any person the said section 44 applies in accordance with this section to different items of machinery or plant it shall apply as if the separate trade for which each item is treated as used were the same trade, and accordingly that trade shall not by virtue of subsection (2)(c) above be treated as permanently discontinued until all those items cease altogether to be used for the purposes of the actual trade.
- (5) Where the said section 44 has effect in accordance with this section in respect of expenditure incurred by a person providing machinery or plant for the purposes of a trade, then, if the machinery or plant is disposed of by him to a person who is connected with him and the disposal is not on an occasion on which the trade is treated as continuing by virtue of section 154(2), 155(1) or 252 of the Taxes Act or paragraph 13 of Schedule 8 to the said Act of 1971—
  - (a) the disposal value to be brought into account under the said section 44 in the case of the separate trade shall be of an amount equal to the price which the machinery or plant would have fetched on a sale at the same time in the open market or, if less, the capital expenditure incurred or treated as incurred on the provision of the machinery or plant by the person disposing of it; and
  - (b) the person acquiring it shall be treated for the purposes of Chapter I of Part III of the said Act of 1971 as having incurred on its provision expenditure equal to that disposal value.
- (6) This section applies also where section 64 above would have precluded the making of a first-year allowance in respect of any expenditure if the making of such an allowance in respect of the expenditure were not already precluded by paragraph 3 of Schedule 8 to the said Act of 1971 ; but this section does not apply to machinery or plant in relation to which the said section 44 applies in accordance with paragraph 5, 6 or 10 of that Schedule.

## **66 Recovery of excess relief**

- (1) Where a first-year allowance has been made in respect of expenditure incurred in providing machinery or plant and the machinery or plant is at any time in the requisite period used otherwise than for a qualifying purpose—
  - (a) an amount equal to the excess relief shall, in relation to the person to whom the machinery or plant then belongs, be treated as if it were a balancing charge to be made on him for the chargeable period in which, or in the basis period for which, the machinery or plant is first so used ; and
  - (b) section 44 of the Finance Act 1971 (as it has effect in accordance with section 65 above) shall apply as if that amount were qualifying expenditure of that person for the next chargeable period and, for the purpose of bringing any disposal value into account, as if the machinery or plant had always been used for the purposes of the separate trade.
- (2) The excess relief is the excess, if any, of—
  - (a) the first-year allowance made in respect of the expenditure and any writing-down allowance or allowances made in respect of it for the chargeable period

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related to the incurring of the expenditure and any subsequent chargeable period up to and including that mentioned in subsection (1)(a) above, over

- (b) the maximum writing-down allowance or allowances that could have been made in respect of it for those chargeable periods if the first-year allowance had not and could not have been made.
- (3) Where as a result of a requirement under section 41(3) of the said Act of 1971 (reduction of first-year allowances) an aggregate amount of first-year allowances in respect of different items of machinery or plant is reduced there shall be treated for the purposes of subsection (2) above as having been made in respect of each item a reduction proportionate to the capital expenditure on the provision of that item.
- (4) For the purposes of subsection (2) above the writing-down allowance or allowances that were made or would have been made in respect of any item of machinery or plant shall be determined as if that item were the only item of machinery or plant in relation to which the said section 44 had effect.
- (5) Where the person to whom any machinery or plant belongs at a time when it is first used otherwise than for a qualifying purpose has acquired it as a result of a transaction which was, or a series of transactions each of which was, between connected persons and a first-year allowance in respect of expenditure on the provision of the machinery or plant has been made to any of those persons—
- (a) subsection (2) above shall have effect as if it referred to that first-year allowance and to the expenditure in respect of which it was made ;
  - (b) for the purposes of that subsection any consideration paid or received on a disposal of the machinery or plant between connected persons shall be disregarded; and
  - (c) if a balancing allowance or balancing charge is made in respect of the machinery or plant there shall be made such adjustments of the total relief falling to be taken into account under paragraph (a) of that subsection as are just and reasonable in the circumstances ;
- but this subsection does not apply where section 154(2), 155(1) or 252(2) of the Taxes Act or paragraph 13(a) and (b) of Schedule 8 to the said Act of 1971 (succession to trades) applied on the occasion of the transaction or transactions in question.
- (6) Where the person to whom any machinery or plant belongs at such a time as is mentioned in subsection (5) above acquired it as there mentioned and—
- (a) a first-year allowance in respect of expenditure on the provision of the machinery or plant could have been made to any of the connected persons but was not claimed or was disclaimed ; and
  - (b) a balancing allowance is made to any of those persons in respect of that expenditure,

this section shall with the necessary modifications apply as it applies where a first-year allowance has been made.

- (7) If at any time in the requisite period a new ship is used otherwise than for a qualifying purpose, then, without prejudice to the other provisions of this section—
- (a) no allowance shall be made in respect of it under subparagraph (2)(c) of paragraph 8 of Schedule 8 to the said Act of 1971 for the chargeable period in which it is first so used or for any subsequent chargeable period; and
  - (b) section 44 of that Act (as it has effect in accordance with section 65 above) shall apply as if the amount of any allowance in respect of the ship which has been postponed under that paragraph and not made were qualifying



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expenditure for the next chargeable period after that in which the ship is first so used.

## **67 Information**

- (1) A claim by a person other than a company for a first-year allowance in respect of expenditure to which section 64 above applies, and a return by a company of profits in the computation of which a deduction is made on account of such an allowance, shall be accompanied by a certificate—
  - (a) stating that the machinery or plant in question will be used for a qualifying purpose in the requisite period, will not be used for any other purpose in that period and has not been used for any other purpose in any part of that period which has already elapsed ; and
  - (b) containing a description of the machinery or plant in question or, if the claim or deduction relates to more than one item of machinery or plant and those items are of different kinds, a description of the different kinds and the amount claimed or deducted in respect of each of them.
- (2) Where a person other than a company has claimed a first-year allowance in respect of any expenditure, or a deduction on account of such an allowance has been made in computing profits in respect of which a return has been made by a company, and the machinery or plant in question is at any time in the requisite period used otherwise than for a qualifying purpose, the person to whom it then belongs shall give written notice of that fact to the inspector, specifying the use to which the machinery or plant has been put; and, subject to subsection (3) below, any such notice shall—
  - (a) be given within three months after the end of the chargeable period or its basis period in which the machinery or plant is first used as aforesaid ; and
  - (b) relate to all the items of machinery or plant (if more than one) in respect of which that person is required to give a notice under this subsection in respect of that period.
- (3) If at the end of the three months mentioned in paragraph (a) of subsection (2) above the person concerned does not know and cannot reasonably be expected to know that any item of machinery or plant in respect of which he is required to give a notice under that subsection has been used otherwise than for a qualifying purpose he shall in respect of that item give the notice within thirty days of his coming to know that it has been so used.
- (4) Where a first-year allowance has been made in respect of any expenditure, the inspector may by notice in writing require—
  - (a) any person to whom the machinery or plant belongs or has belonged, or who is or has been in possession of it under a lease, during the requisite period; and
  - (b) the personal representatives of any such person,to furnish him, within such period (not being less than thirty days) as may be specified in the notice, with such information as he may require and the person to whom the notice is addressed has or can reasonably obtain about the leasing of the machinery or plant or the use to which it is being or has been put.

## **68 Joint lessees**

- (1) The foregoing provisions of this Chapter shall have effect in accordance with this section where machinery or plant is leased to two or more persons jointly.

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- (2) Subsection (2)(a) of section 64 above shall not apply at any time when the machinery or plant is leased as aforesaid but if the lessees use the machinery or plant for the purposes of a trade or trades, otherwise than for leasing, it shall be regarded as used for a qualifying purpose if and to the extent to which it appears that the profits or gains of the trade or trades arising throughout the requisite period (or the period of the lease, if shorter) will be chargeable to income tax or corporation tax.
- (3) Where by virtue of subsection (2) above a first-year allowance may be made in respect of part only of the expenditure on the provision of any machinery or plant, then, whether or not the machinery or plant continues to be leased as aforesaid, section 44 of the Finance Act 1971 (writing-down allowances and balancing adjustments) and sections 65 and 66 above shall have effect as if—
- (a) that part were expenditure on the provision of a separate item of machinery or plant; and
  - (b) the remainder were expenditure on the provision of another item of machinery or plant;
- and there shall be made all such apportionments as are necessary in consequence of this subsection.
- (4) Where by virtue of subsection (2) above a first-year allowance has been made in respect of the whole or part of the expenditure on the provision of any machinery or plant and at any time in the requisite period while it is leased as aforesaid no lessee uses it for the purpose of a trade or trades the profits or gains of which are chargeable to income tax or corporation tax, section 66 above shall have effect as if the machinery or plant or, as the case may be, the separate item referred to in subsection (3) (a) above had at that time been used otherwise than for a qualifying purpose.
- (5) Where by virtue of subsection (2) above a first-year allowance has been made in respect of the whole or part of the expenditure on the provision of any machinery or plant and at the end of the requisite period the machinery or plant is leased as aforesaid but subsection (4) above has not had effect, then, if it appears that the extent to which the machinery or plant has been used for the purposes of such trade or trades as aforesaid is less than that by reference to which the amount of the first-year allowance was determined—
- (a) section 66 above shall have effect as if a part of the expenditure corresponding to the reduction in the extent of such use were expenditure on the provision of a separate item of machinery or plant used otherwise than for a qualifying purpose on the last day of that period; and
  - (b) any disposal value subsequently brought into account in respect of the machinery or plant under section 44 of the said Act of 1971 shall, instead of being apportioned in accordance with subsection (3) above, be apportioned by reference to the extent of such use as determined at the end of that period.
- (6) Where the claim or deduction referred to in subsection (1) of section 67 above relates to a first-year allowance which by virtue of subsection (2) above is in respect of part only of any expenditure, the certificate required by the said subsection (1) shall include a statement of the extent to which the profits or gains referred to in subsection (2) above will be chargeable to tax as there mentioned.
- (7) In subsection (2) of section 67 above the reference to machinery or plant being used otherwise than for a qualifying purpose shall include a reference to machinery or plant being treated as so used by virtue of subsection (4) above.

- (8) Where a first-year allowance has been made in respect of expenditure on the provision of machinery or plant otherwise than by virtue of subsection (2) above and the machinery or plant is subsequently leased in the requisite period to two or more persons jointly, subsections (4), (5) and (7) above shall apply as if the first-year allowance had been made by virtue of subsection (2) above and had been so made in respect of the whole of the expenditure.

## **69 Writing-down allowances etc. for cars**

The machinery or plant in relation to which section 44 of the Finance Act 1971 (writing-down allowances and balancing adjustments) has effect in accordance with section 65 above shall include any vehicle in respect of which the making of a first year allowance is precluded by section 43 of that Act other than a vehicle to which paragraph 10 of Schedule 8 to that Act applies.

## **70 Leasing by individuals**

- (1) There shall be disregarded for the purposes of section 169 of the Taxes Act (set-off against general income) any allowances made to an individual under Chapter I of Part III of the Finance Act 1971 in respect of expenditure incurred on the provision of machinery or plant for leasing in the course of a trade unless—
- (a) the trade is carried on by him for a continuous period of at least six months in, or beginning or ending in, the year of loss as defined in that section ; and
  - (b) he devotes substantially the whole of his time to carrying it on throughout that year or if it is set up or permanently discontinued (or both) in that year, for a continuous period of at least six months beginning or ending in that year.
- (2) Subsection (1) above shall apply also to expenditure incurred by an individual on the provision for the purposes of a trade carried on by him of an asset which is not to be leased if payments in the nature of royalties or licence fees are to accrue from rights granted by him in connection with that asset.
- (3) In the proviso to section 48(4) of the said Act of 1971 (allowances in respect of expenditure on machinery or plant let otherwise than in the course of a trade)—
- (a) after the words " Provided that" there shall be inserted the words " the proviso to subsection (1) of the said section 71 shall not apply to an allowance made by virtue of section 46(1) above and "; and
  - (b) for the words " the proviso to subsection (1) of the said section 71 or, as the case may be, subsection (4) of the said section 74 " there shall be substituted the words " subsection (3) of the said section 74 ".
- (4) Where relief has been given in a case to which this section applies it shall be withdrawn by the making of an assessment under Case VI of Schedule D.
- (5) References in this section to the carrying on of a trade by an individual are to his carrying it on either alone or in partnership.
- (6) This section is without prejudice to section 41 of the Finance Act 1976.

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## 71 Quarantine premises

- (1) If a person carrying on a trade has on or after 1st September 1972 incurred expenditure for the purposes of the trade in altering or replacing premises which immediately before that date were in use as authorised quarantine premises and—
- (a) the expenditure was incurred in order to comply with requirements imposed by law for the use of premises on or after that date as authorised quarantine premises ; and
  - (b) an allowance or deduction in respect of the expenditure could not, apart from this section, be made in taxing the trade or computing the profits or gains arising from it,

Chapter I of Part III of the Finance Act 1971 shall apply as if the expenditure were capital expenditure incurred on the provision of machinery or plant for the purposes of the trade, as if the machinery or plant had in consequence of his incurring the expenditure belonged to him and had been in use for the purposes of the trade and as if the disposal value of the machinery or plant were nil.

- (2) In subsection (1) above " authorised quarantine premises " means premises authorised under the Diseases of Animals Act 1950 to be used for the detention and isolation of animals in quarantine.
- (3) All such adjustments shall be made by discharge or repayment of tax as may be required for giving effect to the relief available under this section.
- (4) Any disclaimer or claim under section 41(3) of the said Act of 1971 in respect of relief available under this section, and any claim for relief (or additional relief) under any other provision of the Tax Acts which is made in consequence of the relief available under this section, shall not be out of time if made within twelve months after the passing of this Act.

## 72 Commencement and transitional provisions

- (1) Subject to subsection (5) below, sections 64 to 69 above apply to expenditure incurred on or after 1st June 1980 except that those sections do not affect expenditure incurred by a person on the provision of machinery or plant if the expenditure consists of the payment of sums payable under a contract entered into by him before 27th March 1980 and the machinery or plant is brought into use not later than 27th March 1982.
- (2) Those sections apply also to expenditure incurred by a person before 1st June 1980 if the expenditure—
- (a) is on the provision of machinery or plant which does not belong to him before that date ; and
  - (b) consists of the payment of sums payable under a contract entered into by him on or after 27th March 1980 with a connected person.
- (3) Section 70 above applies to expenditure incurred on or after 27th March 1980 except that that section does not affect expenditure incurred by a person on the provision of machinery or plant if the expenditure consists of the payment of sums payable under a contract entered into by him before that date and the machinery or plant is brought into use not later than 27th March 1982.
- (4) Part I of Schedule 12 to this Act shall have effect for restricting first-year allowances in respect of certain expenditure incurred on or after 24th October 1979 and before 1st June 1980 but that Part does not affect expenditure incurred by a person on the

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provision of machinery or plant if the expenditure consists of the payment of sums payable under a contract entered into by him before the said 24th October and the machinery or plant is brought into use not later than 24th October 1981.

- (5) Part II of Schedule 12 to this Act shall have effect for excluding from section 64 above certain expenditure incurred before 1st June 1986 and for restricting first-year allowances in respect of that expenditure.

### **73 Interpretation**

- (1) The Tax Acts shall have effect as if the foregoing provisions of this Chapter and the provisions of Schedule 12 to this Act were contained in Chapter I of Part III of the Finance Act 1971 except that expenditure shall not be treated for the purposes of section 72 above as having been incurred after the date on which it was in fact incurred by reason only of so much of section 50(4) of that Act as relates to expenditure incurred before a trade begins.
- (2) References in those provisions to a lease include references to a sub-lease and references to a lessor or lessee shall be construed accordingly.
- (3) For the purposes of those provisions letting a ship on charter or any other asset on hire shall be regarded as leasing it if, apart from this subsection, it would not be so regarded.
- (4) In those provisions "qualifying purpose" and "requisite period" have the meanings given in section 64 above.
- (5) Without prejudice to section 47 of the said Act of 1971 (application to activities other than trades) references in those provisions to the use of machinery or plant for the purposes of a trade include references to its use for any purpose in connection with which a first-year allowance can be given by virtue of that section.
- (6) Section 533 of the Taxes Act (connected persons) applies for the purposes of those provisions.

#### *Industrial and commercial buildings*

### **74 Enterprise zones**

- (1) Chapter I of Part I of the Capital Allowances Act 1968 (industrial buildings allowances)—
- (a) shall apply with the modifications specified in Schedule 13 to this Act in relation to capital expenditure on the construction of an industrial building or structure.; and
- (b) shall, as so modified, apply in relation to capital expenditure on the construction of a qualifying hotel or of a commercial building or structure as if it were an industrial building or structure,
- in any case where the expenditure is incurred, or is incurred under a contract entered into, at a time when the site of the industrial building or structure, the qualifying hotel or the commercial building or structure is in an enterprise zone, being a time not more than ten years after the site was first included in the zone.
- (2) In this section "enterprise zone" means an area designated as such by an order made by the Secretary of State under powers in that behalf conferred by any Act passed in the

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same Session as this Act or, in Northern Ireland, by an order made by the Department of the Environment for Northern Ireland under powers in that behalf conferred by an Order in Council under the Northern Ireland Act 1974.

- (3) In this section "qualifying hotel" has the same meaning as for the purposes of section 38 of the Finance Act 1978; and Chapter I of Part I of the said Act of 1968 shall not by virtue of that section apply to expenditure to which that Chapter applies by virtue of this section.
- (4) In this section "commercial building or structure" means a building or structure, other than an industrial building or structure or a qualifying hotel, which is used for the purposes of a trade, profession or vocation or, whether or not for such a purpose, as an office or offices but does not include any building or structure in use as, or as part of, a dwelling-house.
- (5) For the purposes of subsection (1) above expenditure shall not by reason only of section 1(6) or 5(1) of the said Act of 1968 be treated as having been incurred after the date on which it was in fact incurred.
- (6) Section 14 of the Finance Act 1975 (expenditure on thermal insulations) shall not apply to expenditure to which this section applies; and section 64 above shall not apply to expenditure incurred at any time on the provision of machinery or plant which is to be an integral part of a building or structure if this section would apply to expenditure incurred at that time on the construction of that building or structure.
- (7) The Tax Acts shall have effect as if this section and Schedule 13 to this Act were contained in Chapter I of Part I of the said Act of 1968.

## **75 Small workshops**

- (1) Chapter I of Part I of the Capital Allowances Act 1968 (industrial buildings allowances) shall apply with the modifications specified in paragraphs 1 to 3 of Schedule 13 to this Act in relation to capital expenditure on the construction of an industrial building to which this section applies if the expenditure is incurred after 26th March 1980 and before 27th March 1983.
- (2) This section applies to an industrial building if the gross internal floor space of the whole building will not exceed 2,500 square feet.
- (3) Where the industrial building is part of a larger building the reference in subsection (2) above to the gross internal floor space of the whole of the building shall be construed as a reference to the gross internal floor space of the whole of that part and this section shall not apply unless that part is permanently separated from the remainder of the building, is intended for occupation separately from the remainder of the building and is suitable for being so occupied.
- (4) The reference in subsection (1) above to capital expenditure on the construction of a building includes a reference to capital expenditure on the construction of any ancillary works.
- (5) For the purposes of subsection (1) above expenditure shall not by reason only of section 1(6) or 5(1) of the said Act of 1968 be treated as having been incurred after the date on which it was in fact incurred.
- (6) Section 14 of the Finance Act 1975 (expenditure on thermal insulation) shall not apply to expenditure to which this section applies; and section 64 above shall not apply to

expenditure incurred at any time on the provision of machinery or plant which is to be an integral part of a building if this section would apply to expenditure incurred at that time on the construction of the building.

- (7) The Tax Acts shall have effect as if this section were contained in Chapter I of Part I of the said Act of 1968.

## **76 Tenancies**

- (1) The proviso to section 1(4) of the Capital Allowances Act 1968 (which defers the making of an initial allowance where the building or structure is first used by a tenant) shall cease to have effect.
- (2) This section applies in relation to—
- (a) expenditure incurred on or after 27th March 1980; and
  - (b) expenditure which was incurred before that date but by reason of the said proviso has not before that date become eligible for an initial allowance;
- but expenditure to which this section applies by virtue of paragraph (b) above shall be treated for the purposes of the said section 1(4) as if it had been incurred on that date.

## **CHAPTER III**

### **CAPITAL GAINS**

## **77 Exemption for first £3,000 of gains of individuals**

- (1) Section 5 of the Capital Gains Tax Act 1979 and Schedule 1 to that Act (relief for gains less than £9,500) shall have effect with the following amendments, being amendments which substitute an exemption from tax in respect of the first £3,000 of the net gains accruing to an individual in a year of assessment.
- (2) For subsections (1) to (3) of section 5 there shall be substituted—

### **“5 Exemption for first £3,000 of gains.**

- (1) An individual shall not be chargeable to capital gains tax in respect of so much of his taxable amount for any year of assessment as does not exceed £3,000.”
- (3) In subsections (4) and (5)(a) of section 5 for " £1,000 wherever it occurs, there shall be substituted " £3,000 ".
- (4) In Schedule 1—
- (a) the heading shall be changed to " EXEMPTION FOR FIRST £3,000 OF GAINS " ;
  - (b) in paragraphs 2(1) and (2)(b) for the words " subsections (1) to (4)" there shall be substituted the words " subsections (1) and (4) ";
  - (c) in paragraphs 4 and 5(1) for the words " subsections (1) to (5)" there shall be substituted the words " subsections (1), (4) and (5) ";
  - (d) in paragraph 2(1) for the words " the amounts of £1,000, £5,000 and £600 " there shall be substituted the words " the amount of £3,000 " and in paragraph 2(1)(b) for " £1,000 " there shall be substituted " £3,000 ".

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(5) This section has effect for the year 1980-81 and subsequent years of assessment.

## **78 Exemption for first £1,500 of gains of trusts**

(1) Paragraph 6 of Schedule 1 to the Capital Gains Tax Act 1979 (relief for small gains by trustees) shall have effect with the following amendments, being amendments which extend to trustees, with modifications, the exemption conferred by section 5 of that Act as amended by section 77 above.

(2) In sub-paragraph (1) for the words " subsections (1) to (5)" there shall be substituted the words " subsections (1), (4) and (5) ".

(3) For sub-paragraphs (2) to (5) there shall be substituted—

“(2) In subsections (1) and (4) for ' £3,000' there shall be substituted '£1,500'.

(3) Subsection (5) shall apply only to the trustees of a settlement made before 7th June 1978 and, in relation to such trustees, shall have effect with the substitution for £3,000' and ' £5,000 ' of ' £500 ' and ' £2,500' respectively.

(4) In relation to a settlement which is one of two or more qualifying settlements comprised in a group, sub-paragraph (2) above shall have effect as if for the reference to £1,500 there were substituted a reference to £300 or, if it is more, to such amount as results from dividing £1,500 by the number of settlements in the group.

(5) For the purposes of sub-paragraph (4) above—

(a) a qualifying settlement is any settlement (other than an excluded settlement) which is made after 6th June 1978 and to the trustees of which this paragraph applies for the year of assessment; and

(b) all qualifying settlements in relation to which the same person is the settlor constitute a group.

(6) If, in consequence of two or more persons being settlors in relation to it, a settlement is comprised in two or more groups comprising different numbers of settlements, sub-paragraph (4) above shall apply to it as if the number by which the amount of £1,500 is to be divided were the number of settlements in the largest group.

(7) In this paragraph ' settlor' has the meaning given by section 454(3) of the Taxes Act and includes, in the case of a settlement arising under a will or intestacy, the testator or intestate and ' excluded settlement' means—

(a) any settlement the trustees of which are not for the whole or any part of the year of assessment treated under section 52(1) of this Act as resident and ordinarily resident in the United Kingdom; and

(b) any settlement the property comprised in which—

(i) is held for charitable purposes only and cannot become applicable for other purposes ; or

(ii) is held for the purposes of any such scheme or fund as is mentioned in sub-paragraph (8) below (retirement benefits and compensation funds).

(8) The schemes and funds referred to in sub-paragraph (7)(b)(ii) above are funds to which section 218 of the Taxes Act applies, schemes and funds



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approved under section 226 or 226A of that Act, sponsored superannuation schemes as defined in section 226(11) of that Act, exempt approved schemes and statutory schemes as defined in Chapter II of Part II of the Finance Act 1970 and any such fund as is mentioned in paragraph 21 of Schedule 5 to the Finance Act 1975.

- (9) An inspector may by notice in writing require any person, being a party to a settlement, to furnish him within such time as he may direct (not being less than twenty-eight days) with such particulars as he thinks necessary for the purposes of this paragraph. " (4) This section has effect for the year 1980-81 and subsequent years of assessment."

## 79 General relief for gifts

- (1) If after 5th April 1980 an individual (in this section referred to as " the transferor ") makes a disposal, otherwise than under a bargain at arm's length, to an individual resident or ordinarily resident in the United Kingdom (in this section referred to as " the transferee ") and the transferor and transferee make a claim for relief under this section—

- (a) the amount of any chargeable gain which, apart from this section, would accrue to the transferor on the disposal ; and
- (b) the amount of the consideration for which, apart from this section, the transferee would be regarded for the purposes of capital gains tax as having acquired the asset in question,

shall each be reduced by an amount equal to the held-over gain on the disposal.

- (2) Subject to subsection (3) below, the reference in subsection (1) above to the held-over gain on a disposal is a reference to the chargeable gain which would have accrued on that disposal apart from this section.

- (3) In any case where—

- (a) there is actual consideration (as opposed to the consideration equal to the market value which is deemed to be given by virtue of section 19(3) of the Capital Gains Tax Act 1979) for a disposal in respect of which a claim for relief is made under this section ; and
- (b) that actual consideration exceeds the sums allowable as a deduction under section 32 of that Act,

the held-over gain on the disposal shall be reduced by the excess referred to in paragraph (b) above or, if part of the gain on the disposal is relieved under section 124 of the said Act of 1979 (retirement relief), by so much, if any, of that excess as exceeds the part so relieved.

- (4) Section 126 of the said Act of 1979 (relief for gifts of business assets) shall not apply to a disposal to an individual; but this subsection shall not be construed as affecting the operation of that section in a case where by virtue of section 46(1) of that Act an individual is treated as acquiring an asset on a disposal under section 54(1) of that Act.
- (5) Where a disposal in respect of which a claim is made under this section is a chargeable transfer (for capital transfer tax purposes) there shall be allowed as a deduction in computing (for capital gains tax purposes) the chargeable gain accruing to the transferee on the disposal of the asset in question an amount equal to whichever is the lesser of—

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- (a) the capital transfer tax chargeable on the value transferred which is attributable to the value of the asset as ascertained for capital transfer tax purposes; and
  - (b) the amount of the chargeable gain as computed apart from this subsection;
- and where the capital transfer tax chargeable on the value transferred which is attributable to the value of the asset is paid by the transferor the reference in paragraph (a) above to the value transferred which is so attributable includes a reference to the value transferred which is attributable to that tax.

- (6) Where an amount of capital transfer tax—
- (a) falls to be re-determined in consequence of the transferor's death within three years of making the chargeable transfer in question ; or
  - (b) is otherwise varied,
- after it has been taken into account under subsection (5) above, all necessary adjustments shall be made, whether by the making of an assessment to capital gains tax or by the discharge or repayment of such tax.

## **80 Exemption for private residences**

- (1) Where a gain to which section 101 of the Capital Gains Tax Act 1979 (disposals of private residences) applies accrues to any individual and the dwelling-house in question or any part of it is or has at any time in his period of ownership been wholly or partly let by him as residential accommodation the part of the gain, if any, which, apart from this section, would be a chargeable gain by reason of the letting, shall be such a gain only to the extent, if any, to which it exceeds whichever is the lesser of—
- (a) the part of the gain which is not a chargeable gain by virtue of the provisions of section 102 of that Act or that section as applied by section 104 of that Act; and
  - (b) £10,000.
- (2) In section 102(1) and (2)(a) of that Act (exemption for gain on disposal of dwelling-house which has been an individual's only or main residence throughout the period of ownership or throughout that period except for the last twelve months) for the words " twelve months " there shall be substituted the words " twenty-four months ".
- (3) This section has effect in relation to disposals after 5th April 1980.

## **81 Exemption for authorised unit trusts etc.**

- (1) Gains accruing to an authorised unit trust, an investment trust or a court investment fund shall not be chargeable gains.
- (2) In section 267(3) of the Taxes Act (transfer of assets on company reconstruction etc.), the words " or 97" shall be omitted and at the end there shall be inserted the words " or which is an authorised unit trust within the meaning of Chapter VI of Part XII of this Act or to an investment trust within the meaning of that Chapter. "
- (3) In subsection (1) of section 98 of the Capital Gains Tax Act 1979 (which refers to the said section 267) for the words from " to which at the time of the transfer" to " shall be treated " there shall be substituted the words " or a company which at the time of the transfer was not such a unit trust scheme or investment trust as is mentioned in subsection (3) of that section, then if—
- (a) at any time after the transfer—

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- (i) the unit trust scheme becomes in a year of assessment one which is such as is mentioned in that subsection; or
  - (ii) the company becomes for an accounting period an investment trust such as is there mentioned, and
- (b) at the beginning of that year of assessment or accounting period the unit trust scheme or company still owns any of the assets of the business transferred, the unit trust scheme or company shall be treated "; and in subsection (2) of that section after the words " year of assessment " and " unit trust scheme " there shall be inserted respectively the words " or accounting period " and " or company " .
- (4) In section 273(2) of the Taxes Act (transfers within a group) after paragraph (b) there shall be inserted the words "or
  - (c) a disposal by or to an investment trust within the meaning of Chapter VI of Part XII of this Act;".
- (5) After section 275(2) of the Taxes Act (disposals outside a group) there shall be inserted—
  - “(3) Subsection (2) above does not apply where the asset was acquired on a disposal within section 273(2)(c) above.”
- (6) Section 94 of the said Act of 1979 (reduction of tax on disposal of shares in unit trust etc.) shall cease to have effect.
- (7) Subsections (1), (4) and (5) above have effect in relation to disposals after 31st March 1980, subsections (2) and (3) above have effect where the transfer referred to in section 267(3) is after that date and subsection (6) above has effect in relation to disposals after 5th April 1980.

## **82 Maintenance funds for historic buildings**

In section 148 of the Capital Gains Tax Act 1979 (maintenance funds for historic buildings) after subsection (1) there shall be inserted—

- “(1A) This section applies also where a trustee is deemed by virtue of section 54(1) above to dispose of an asset comprised in a settlement and, as a result of the asset or part of it becoming comprised in another settlement, there is by virtue of section 89(4)(d) or 90(1) of the Finance Act 1980 no charge to capital transfer tax by reference to the value of the asset deemed to be disposed of or a reduced charge to that tax by virtue of section 90(3) of that Act; but—
  - (a) if part only of the asset becomes comprised in the other settlement this subsection applies only to the deemed disposal of that part; and
  - (b) if the trustees of the other settlement give any consideration for the asset or part that becomes comprised in it this subsection applies only if the consideration does not exceed the sums that would be allowable as a deduction in computing the gain accruing on the deemed disposal.”

## **83 Consideration on disposal of assets**

- (1) In section 31(2) of the Capital Gains Tax Act 1979 (consideration on disposal of an asset to include money or money's worth which is taken into account in the making of a balancing charge under the Capital Allowances Act 1968) there shall be inserted at

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the end the words " or which is brought into account as the disposal value of machinery or plant under section 44 of the Finance Act 1971 ".

(2) This section has effect in relation to disposals after 25th March 1980.

## **84 Traded options**

(1) Sections 137 and 138 of the Capital Gains Tax Act 1979 (options) shall have effect with the following amendments, being amendments which exempt traded options to buy or sell shares in a company from the rule that the abandonment of an option is not a disposal and from the restriction of allowable expenditure which applies to wasting assets.

(2) In subsection (4) of section 137 after paragraph (a) there shall be inserted—  
“(aa) a traded option to buy or sell shares in a company, or”.

(3) At the end of subsection (9) of section 137 there shall be inserted the words " and in subsection (4)(aa) above, and in section 138 below, 'traded option' means an option which, at the time of the abandonment or other disposal, is quoted on a recognised stock exchange within the meaning of the said section 535. "

(4) In subsection (1) of section 138 after paragraph (a) there shall be inserted—  
“(aa) to a traded option to buy or sell shares in a company, or”.

(5) In subsection (2) of section 138 for the words in brackets there shall be substituted the words " (other than an option falling within subsection (1)(a) or (aa) above) ".

(6) For subsection (4)(a) of section 138 there shall be substituted—  
“(a) ' quoted option ' and ' traded option' have the meanings given by section 137(9) above.”.

(7) This section has effect in relation to any abandonment or other disposal on or after 6th April 1980.