

SCHEDULES

SCHEDULE 1

Section 19.

RELIEF FOR INTEREST

PART I

AMENDMENT OF SCHEDULE 9 TO FINANCE ACT 1972

- 1 In Schedule 9 to the Finance Act 1972, for the words "protected interest" wherever they occur (in paragraph 1, 5, 10, 11, 12, 13 or 15) there shall be substituted the words "eligible for relief under section 75 of this Act"; and the relief referred to in the words so substituted in paragraph 1(c) of that Schedule shall include any relief by virtue of section 19(4) of this Act.
- 2 In paragraph 1 of that Schedule, after the words "this Part of this Schedule" there shall be inserted the words "and to Part II of Schedule 1 to the Finance Act 1974".
- 3 After paragraph 5 of that Schedule there shall be inserted the following paragraph:
—
“5A References in this Part of this Schedule to an estate or interest in land include references to the property in a house boat, that is to say, a boat or similar structure designed or adapted for use as a place of permanent habitation”.

PART II

RESTRICTION ON RELIEF FOR LOANS FOR PURCHASE OR IMPROVEMENT OF LAND

- 4 (1) Subject to the following provisions of this Part of this Schedule, Part I of Schedule 9 to the Finance Act 1972 shall not apply unless the land, caravan or house boat referred to therein either—
 - (a) is at the time the interest is paid used as the only or main residence of the person by whom it is paid (in this Part of this Schedule referred to as "the borrower") or of a dependent relative or former or separated spouse of his, or, if the interest is paid less than twelve months after the date on which the loan is made, is so used within twelve months after that date; or
 - (b) is, in any period of fifty-two weeks comprising the time at which the interest is payable and falling wholly or partly within the year of assessment, let at a commercial rent for more than twenty-six weeks and, when not so let, either available for letting at such a rent or used as mentioned in paragraph (a) above or prevented from being so available or used by any works of construction or repair;and shall, in a case falling within paragraph (a) above, apply only within the limit imposed by paragraph 5 below.

Status: This is the original version (as it was originally enacted).

- (2) If it appears to the Board reasonable to do so, having regard to all the circumstances of a particular case, they may direct that in relation to that case sub-paragraph (1) above shall have effect as if for the references to twelve months there were substituted references to such longer period as meets the circumstances of that case.
- (3) Where the land, caravan or house boat is used as the only or main residence of a dependent relative of the borrower it does not thereby fall within sub-paragraph (1) (a) above unless it is provided rent-free and without any other consideration.
- (4) In this Part of this Schedule—
- (a) " dependent relative " means, in relation to any person, a relative of his, or of his spouse, who is incapacitated by old age or infirmity from maintaining himself, or the mother of that person, or of his spouse, if the mother is widowed or living apart from her husband, or, in consequence or dissolution or annulment of marriage, a single woman; and
 - (b) " separated " means separated under an order of a court of competent jurisdiction or by deed of separation or in such circumstances that the separation is likely to be permanent.
- 5 (1) Where Part I of Schedule 9 to the Finance Act 1972 applies to a loan (in this sub-paragraph referred to as " the limited loan ") by virtue of paragraph 4(1)(a) above interest on it is eligible for relief under section 75 of that Act only to the extent that the amount on which it is payable does not exceed the following limit, that is to say, £25,000 for 1974-75 reduced by the amount on which interest is payable under any loan taken into account under sub-paragraph (2) below ; so that—
- (a) if the amount on which interest is payable under the limited loan exceeds the limit, so much only of that interest is eligible for the relief as bears to the whole of that interest the same proportion as that part of that amount which does not exceed the limit bears to the whole of that amount; and
 - (b) if the amount on which interest is payable under loans taken into account under sub-paragraph (2) below is £25,000 or more none of the interest on the limited loan is eligible for the relief.
- (2) If interest is payable by the borrower—
- (a) on any earlier loan to which Part I of Schedule 9 to the Finance Act 1972 applies by virtue of paragraph 4(1)(a) above ; or
 - (b) on any loan to which that Part as originally enacted applies by virtue of section 19(4) of this Act, other than a loan to which, if it had been raised after 26th March 1974, that Part as amended would have applied by virtue of paragraph 4(1)(b) above; or
 - (c) on any loan which is subsidised under Part II of the Housing Subsidies Act 1967 ;
- that loan shall be taken into account for the purposes of sub-paragraph (1) above.
- (3) Where a loan on which interest is payable by the borrower was made jointly to the borrower and another person, not being the borrower's husband or wife, then, if—
- (a) the land, caravan or house boat concerned is used as the main or only residence of that other person, or of a dependent relative or former or separated spouse of his, and
 - (b) that other person owns an estate or interest in the land or the property in the caravan or house boat, and
 - (c) that other person pays part of the interest payable on the loan,

Status: This is the original version (as it was originally enacted).

the amount on which interest is payable under the loan shall be treated for the purposes of this paragraph as being such part only of that amount as bears to the whole thereof the same proportion as the amount of interest paid by the borrower bears to the whole of the interest paid on the loan.

- (4) For the purposes of this paragraph—
- (a) any interest payable on a loan made to the borrower's husband or wife shall be treated as payable on a loan made to the borrower ; and
 - (b) where interest is payable on more than one loan made or treated as made to the borrower and the loans were made simultaneously it shall be treated as payable on one loan.
- (5) References in this paragraph to the borrower's husband or wife do not include references to a separated husband or wife.
- 6 (1) Where Part I of Schedule 9 to the Finance Act 1972 applies to a loan by reason of the land, caravan or house boat concerned being used as a person's only or main residence, and the borrower raises another loan to defray money to be applied as mentioned in paragraph 1 of that Schedule with a view to the use of other land or another caravan or house boat as that person's only or main residence and the disposal of the first-mentioned land, caravan or house boat, then in relation to interest payable within twelve months from the making of the other loan, that Part of that Schedule—
- (a) shall continue to apply to the first-mentioned loan, whether or not the first-mentioned land, caravan or house boat continues to be so used ; and
 - (b) shall apply to the other loan to the same extent (if any), as if no interest were payable on the first-mentioned loan.
- (2) If it appears to the Board reasonable to do so, having regard to all the circumstances of a particular case, they may direct that in relation to that case sub-paragraph (1) above shall have effect as if for the reference to twelve months there were substituted a reference to such longer period as meets the circumstances of that case.
- 7 Relief under section 75 of the Finance Act 1972 for interest eligible for it by virtue of Part I of Schedule 9 to that Act in a case where the land, caravan or house boat referred to in it falls under paragraph 4(1)(b) above shall be given only against income from the letting of that or any other land, caravan or house boat, but may, if and to the extent that such income for the year of assessment is insufficient, be given against such income for the following year, and so on, provided the first-mentioned land, caravan or house boat continues to fall under that paragraph.
- 8 (1) Where any interest paid by persons as the personal representatives of a deceased person or as trustees of a settlement made by his will would, on the assumptions required by sub-paragraph (2) below, be eligible for relief under section 75 of the Finance Act 1972 by virtue of Part I of Schedule 9 to that Act and, in a case where the condition stated in that sub-paragraph applies, that condition is satisfied, that interest shall be so eligible notwithstanding the preceding provisions of this Part of this Schedule.
- (2) For the purposes of sub-paragraph (1) above it shall be assumed that the deceased would have survived and been the borrower ; and if, at his death, the land, caravan or house boat concerned was used as his only or main residence, it shall be further assumed that he would have continued so to use it and the following condition shall then apply, namely, that the land, caravan or house boat is, at the time the interest is paid, used as the only or main residence of the deceased's widow or widower or of any dependent relative of the deceased.

Status: This is the original version (as it was originally enacted).

- (3) In this paragraph " personal representatives " has the meaning assigned to it by section 432 of the Taxes Act.

PART III

FURTHER CASES OF INTEREST ELIGIBLE FOR RELIEF

Loan applied in acquiring interest in close company

- 9 (1) Subject to the following provisions of this Part of this Schedule, interest is eligible for relief under section 75 of the Finance Act 1972 if it is interest on a loan to an individual to defray money applied—
- (a) in acquiring any part of the ordinary share capital of a close company satisfying any of the conditions of paragraph 3A(2) of Schedule 16 to the Finance Act 1972 ; or
 - (b) in lending money to such a close company which is used wholly and exclusively for the purposes of the business of the company or of any associated company of it which is a close company satisfying any of those conditions ; or
 - (c) in paying off another loan interest on which would have been eligible for relief under section 75 of the Finance Act 1972 had the loan not been paid off (on the assumption, if the loan was free of interest, that it carried interest);
- and the conditions stated in paragraph 10 below are satisfied.
- (2) The relief referred to in sub-paragraph (1)(c) above includes any relief by virtue of section 19(4) of this Act.

- 10 The conditions referred to in paragraph 9 above are—
- (a) that, when the interest is paid, the company continues to satisfy any of the conditions of paragraph 3A(2) of Schedule 16 to the Finance Act 1972 and the individual has a material interest in the company, and
 - (b) that in the period from the application of the proceeds of the loan to the payment of the interest 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, and
 - (c) that he shows that in that period he has not recovered any capital from the company, apart from any amount taken into account under paragraph 13 below.

Loan applied in acquiring interest in partnership

- 11 (1) Subject to the following provisions of this Part of this Schedule, interest is eligible for relief under section 75 of the Finance Act 1972 if it is interest on a loan to an individual to defray money applied—
- (a) in purchasing a share in a partnership ; or
 - (b) in contributing money to a partnership by way of capital or premium, or in advancing money to a partnership, where the money contributed or advanced is used wholly for the purposes of the trade, profession or vocation carried on by the partnership; or

Status: This is the original version (as it was originally enacted).

(c) in paying off another loan interest on which would have been eligible for relief under that section had the loan not been paid off (on the assumption, if the loan was free of interest, that it carried interest) ;
and the conditions stated in paragraph 12 below are satisfied.

(2) The relief referred to in sub-paragraph (1)(c) above includes any relief by virtue of section 19(4) of this Act.

12 The conditions referred to in paragraph 11 above are—

- (a) that, throughout the period from the application of the proceeds of the loan until the interest was paid, the individual has personally acted in the conduct of the trade, profession or vocation carried on by the partnership ; and
- (b) that he shows that in that period he has not recovered any capital from the partnership, apart from any amount taken into account under paragraph 13 below.

Provisions supplementary to paragraphs 9 to 12

13 If at any time after the application of the proceeds of the loan the individual has recovered any amount of capital from the close company or partnership without using that amount in repayment of the loan, he shall be treated for the purposes of section 75 of the Finance Act 1972 and this Part of this Schedule as if he had at that time repaid that amount out of the loan, so that out of the interest otherwise eligible for relief (or, where paragraph 15 of Schedule 9 to that Act applies, out of the proportion so eligible) and payable for any period after that time there shall be deducted an amount equal to interest on the amount of capital so recovered.

14 (1) The individual shall be treated as having recovered an amount of capital from the close company or partnership if—

- (a) he receives consideration of that amount or value for the sale, exchange or assignment of any part of the ordinary share capital of the company or of his interest in the partnership, or any consideration of that amount or value by way of repayment of any part of that ordinary share capital; or
- (b) the close company or partnership repays that amount of a loan or advance from him or the partnership returns that amount of capital to him ; or
- (c) he receives consideration of that amount or value for assigning any debt due to him from the close company or partnership ;

and where a sale or assignment is not a bargain made at arm's length, the sale or assignment shall be deemed to be for a consideration of an amount equal to the market value of what is disposed of.

(2) In the application of this paragraph to Scotland for the word " assignment ", wherever it occurs, there shall be substituted the word "" assignation " .

15 Paragraph 10 or, as the case may be, 12 and paragraphs 13 and 14 above shall apply to a loan within paragraph 9(c) or 11(c) above as if it, and any loan it replaces, were one loan, and so that—

- (a) references to the application of the proceeds of the loan are references to the application of the proceeds of the original loan; and
- (b) any restriction under paragraph 13 above which applies to any loan which has been replaced shall apply to the loan which replaces it.

16 In paragraphs 9 and 10 above expressions to which a meaning is assigned by Chapter III or Part XI of the Taxes Act have that meaning.

Status: This is the original version (as it was originally enacted).

Loan to pay estate duty

- 17 (1) Interest is eligible for relief under section 75 of the Finance Act 1972 if it is interest on a loan to the personal representatives of a deceased person, the proceeds of which are applied—
- (a) in paying, before the grant of representation or confirmation, estate duty in accordance with section 6(2) of the Finance Act 1894, being estate duty which is payable in respect of the personal property of which the deceased was competent to dispose at his death and is payable on delivery of the Inland Revenue affidavit; or
 - (b) in paying off another loan interest on which would have been eligible for that relief by virtue of this paragraph if the loan had not been paid off (on the assumption, if the loan was free of interest, that it carried interest);
- and the interest is paid in respect of a period ending within one year from the making of the loan within sub-paragraph (a) above.
- (2) The reference in sub-paragraph (1)(b) above to relief by virtue of this paragraph shall be construed as including any relief by virtue of section 19(4) of this Act.
- 18 If or to the extent that any relief in respect of interest eligible for it under paragraph 17 above cannot be given against income of the year in which the interest is paid because of an insufficiency of income in that year, it may instead be given against income of the preceding year of assessment, and so on ; and if or to the extent that it cannot be so given it may instead be given against income of the year following that in which the interest is paid, and so on.
- 19 Paragraph 17 above does not apply to interest on so much of any loan as is applied in paying estate duty in respect of property situate in Great Britain which did not pass to the personal representatives as such, or in respect of property situate elsewhere which, had it been situate in Great Britain, would not have passed to the personal representatives as such.
- 20 Sufficient evidence of the amount of estate duty paid in accordance with section 6(2) of the Finance Act 1894 in respect of any particular description of property, and of any statements relevant to its computation in the Inland Revenue affidavit, may be given by the production of a document purporting to be a certificate from the Board.
- 21 For the purposes of the preceding paragraphs—
- (a) " estate duty " means estate duty leviable under the law in force in Great Britain or the law in force in Northern Ireland together with any interest payable on the duty; and
 - (b) references to interest in respect of a period ending within a given time apply whether or not interest continues to run after that time.
- 22 The preceding paragraphs shall apply to estate duty leviable under the law of Northern Ireland with the substitution for the estate duty enactments mentioned therein of the corresponding enactments forming part of the law of Northern Ireland and with the substitution in paragraph 19 of " Northern Ireland " for " Great Britain ".

Supplementary

- 23 Paragraphs 2, 14 and 15 of Schedule 9 to the Finance Act 1972 shall (with the necessary modifications) apply for the purposes of the preceding provisions of this Part of this Schedule.

Loan to purchase life annuity

- 24 (1) Subject to the following provisions of this paragraph, interest is eligible for relief under section 75 of the Finance Act 1972 if it is interest on a loan in respect of which the following conditions are satisfied—
- (a) that the loan was made as part of a scheme under which not less than nine-tenths of the proceeds of the loan were applied to the purchase by the person to whom it was made of an annuity ending with his life or with the life of the survivor of two or more persons (in this paragraph referred to as " the annuitants ") who include the person to whom the loan was made ;
 - (b) that at the time the loan was made the person to whom it was made or each of the annuitants had attained the age of sixty-five years ;
 - (c) that the loan was secured on land in the United Kingdom or the Republic of Ireland and the person to whom it was made or one of the annuitants owns an estate or interest in that land ; and
 - (d) that, if the loan was made after 26th March 1974, the person to whom it was made or each of the annuitants uses the land on which it was secured as his only or main residence at the time the interest is paid.
- (2) Interest is not eligible for relief by virtue of this paragraph unless it is payable by the person to whom the loan was made or by one of the annuitants.
- (3) If the loan was made after 26th March 1974, interest on it is eligible for relief by virtue of this paragraph only to the extent that the amount on which it is payable does not exceed £25,000 ; and if the interest is payable by two or more persons the interest payable by each of them is so eligible only to the extent that the amount on which it is payable does not exceed such amount as bears to £25,000 the same proportion as the interest payable by him bears to the interest payable by both or all of them.

PART IV

AMENDMENT OF SCHEDULE 10 PARAGRAPH 7 OF FINANCE ACT 1972

- 25 (1) In paragraph 7 of Schedule 10 to the Finance Act 1972 for sub-paragraphs (a) and (b) and the word " which" preceding them there shall be substituted the words " showing—
- (a) the date when the debt was incurred,
 - (b) the amount of the debt when incurred,
 - (c) the interest paid in the year of assessment for which the claim is made (or in the case of relief by virtue of paragraph 7 or 18 of Schedule 1 to the Finance Act 1974 the year of assessment for which the claim would be made but for an insufficiency of income), and
 - (d) the name and address of the debtor."
- (2) In relation to claims for relief in respect of interest excepted from subsection (3) of section 19 of this Act by subsection (4)(a) of that section the statement to be furnished under paragraph 7 of Schedule 10 to the Finance Act 1972 shall be a statement showing—
- (a) the debit balance of the account on 26th March 1974 ;
 - (b) the amount of interest that would have been payable on that balance after 26th March 1974 and before 6th April 1975 at the rate at which interest on that balance was chargeable on 26th March 1974 ;

Status: This is the original version (as it was originally enacted).

- (c) so much of the interest paid in the year of assessment for which the claim is made as was payable after 26th March 1974 and before 6th April 1975 ; and
- (d) the name and address of the claimant.

PART V

AMENDMENT OF SCHEDULE 16 TO FINANCE ACT 1972

26 In Schedule 16 to the Finance Act 1972, in paragraph 1(2) for the words " paragraphs 2 and 3 " there shall be substituted the words " paragraphs 2 to 3A ", in paragraph 5(7) after the words " paragraph 3 " there shall be inserted the words " or 3A " and after paragraph 3 there shall be inserted the following paragraph:—

- “3A (1) Subject to the following provisions of this paragraph, there may be apportioned under paragraph 1 above as if it were income of a close company for an accounting period any interest paid by the company in that period.
- (2) Sub-paragraph (1) above does not apply to a company—
- (a) if it is a trading company, or
 - (b) if it is a member of a trading group, or
 - (c) if more than 75 per cent, of its income is of one or more of the following descriptions, that is—
 - (i) estate or trading income,
 - (ii) interest, and dividends or other distributions, received from a 51 per cent, subsidiary of it (both companies being bodies corporate) if the subsidiary is itself within any of paragraphs (a), (b) and (c) of this sub-paragraph ;
 and for the purposes of paragraph (c) above no account shall be taken of any deduction from the company's profits for charges on income, expenses of management or other amounts which can be deducted from or set against or treated as reducing profits of more than one description.
- (3) Sub-paragraph (1) above shall not apply—
- (a) to interest which would be eligible for relief under section 75 of this Act if paid by an individual; or
 - (b) to interest which is money wholly and exclusively laid out or expended for the purposes of a trade carried on by the company.
- (4) If any amount of interest apportionable by virtue of this paragraph is interest paid to a participator in the close company or is (apart from this paragraph) treated for the purposes of income tax as the income of such a participator, the amount so apportionable to that participator shall be reduced by the first-mentioned amount (and without requiring the reduction to be reflected in the amount apportioned to any other person).
- (5) Any amount apportionable by virtue of this paragraph shall be in addition to the amount (if any) apportionable under paragraph 1 above without this paragraph, and nothing in sub-paragraph (2) of that paragraph shall apply to any apportionment made by virtue of this paragraph.

Status: This is the original version (as it was originally enacted).

- (6) In determining for the purposes of this Schedule the person to whom any amount is to be apportionable by virtue of this paragraph, any interest which any person possesses as a loan creditor shall be disregarded (but without prejudice to the making of an apportionment to him in any other capacity).
- (7) In determining for the purposes of sub-paragraph (2)(c)(ii) above whether one body corporate is a 51 per cent, subsidiary of another, that other shall be treated as not being the owner—
- (a) of any share capital which it owns directly or indirectly in a body corporate not resident in the United Kingdom, or
 - (b) of any share capital which it owns indirectly and which is owned directly by a body corporate for which a profit on the sale of the shares would be a trading receipt.”

PART VI

AMENDMENT OF TAXES ACT

27 The provisions of the Taxes Act specified in the first column of the following Table shall have effect—

- (a) so far as they were amended by paragraph 2, 4 or 9 of Schedule 11 to the Finance Act 1972, as if those amendments had not been made ; and
- (b) so far as they or any words contained in them were repealed by the Finance Act 1972, as if those repeals had not been made;

but subject to any amendment specified in the second column of that Table.

TABLE

<i>Provisions of Taxes Act restored</i>	<i>Amendment</i>
Section 64A. Section 122(1)	For paragraph (c) there shall be substituted:— “(c) to a deduction on account of any annual interest payable out of the income to a person not resident in the United Kingdom, being interest payable before 6th April 1980 on a debt incurred on or before 26th March 1974”.
Section 248	In subsection (6) the following shall be substituted for paragraph (d):— “(d) the payment of interest would, on the assumptions made

Status: This is the original version (as it was originally enacted).

<i>Provisions of Taxes Act restored</i>	<i>Amendment</i>
<p>Section 440.</p> <p>Section 455.</p> <p>Section 456.</p> <p>Section 469(6).</p> <p>Section 496(3) to (7).</p> <p>Schedule 12, Part III paragraph 2(1).</p>	<p>below, be eligible for relief under section 75 of the Finance Act 1972 by virtue of Part I of Schedule 9 to that Act if it were made by an individual”,</p> <p>and after that paragraph there shall be inserted the words</p> <p>“For the purposes of paragraph (d) above it shall be assumed that if the land concerned is occupied by the company the conditions of paragraph 4(1) of Schedule 1 to the Finance Act 1974 are satisfied if the land either—</p> <p style="padding-left: 40px;">(i) is not used as a residence, or</p> <p style="padding-left: 40px;">(ii) is used as an individual's main or only residence;</p> <p>but the limit imposed by paragraph 5 of that Schedule shall apply only in a case falling within paragraph (ii) above and shall then apply without regard to any loan made in connection with any other land.”.</p> <p>For paragraph (c) there shall be substituted:—</p> <p style="padding-left: 40px;">“(c) to a deduction on account of any annual interest payable out of the income to a person not resident in the United Kingdom, being interest payable before 6th April 1980 on a debt incurred on or before 26th March 1974”.</p>

Status: This is the original version (as it was originally enacted).

<i>Provisions of Taxes Act restored</i>	<i>Amendment</i>
Schedule 12, Part III paragraph 3(1).	At the end there shall be inserted the words " and to a deduction on account of any annual interest so payable to such a person before 6th April 1980 which is interest on a debt incurred on or before 26th March 1974 ".
28	In section 175(2)(a) of the Taxes Act for the word " relief" there shall be substituted the words " payments of interest eligible for relief ".
29	In paragraph 2(2) of Part III of Schedule 12 to the Taxes Act, for the words " annual interest or any annuity or other annual payment" there shall be substituted the words " annuity or other annual payment (not being interest) " and after the words " resident in the United Kingdom" there shall be added the words " and to a deduction on account of any annual interest so payable to such a person before 6th April 1980 which is interest on a debt incurred on or before 26th March 1974 ".