



Finance (No. 2) Act 1983

1983 CHAPTER 49

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance. [26th July 1983]

Most Gracious Sovereign

WE, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and to grant unto your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART I

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

1 Basic rate limit, higher rate bands and investment income threshold

For the year 1983-84 income tax shall be charged—

- (a) in respect of so much of an individual's total income as exceeds £14,600 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 £7,100 at the additional rate of 15 per cent.

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TABLE

<i>Part of excess over £14,600</i>	<i>Higher rate</i>
The first £2,600	40 per cent.
The next £4,600	45 per cent.
The next £7,100	50 per cent.
The next £7,100	55 per cent.
The remainder	60 per cent.;

and subsection (1) of section 32 of the Finance Act 1971 (charge of income tax) shall have effect accordingly.

2 Corporation tax: small companies

- (1) In section 13 of the Finance Act 1983, for the words "seventy-fifths" there shall be substituted the words " two-hundredths ".
- (2) For the financial year 1982 and subsequent financial years subsection (3) of section 95 of the Finance Act 1972 (marginal relief for small companies) shall have effect with the substitution for any reference to £90,000 of a reference to £100,000 and with the substitution for any reference to £225,000 of a reference to £500,000.
- (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.

3 Relief for interest

- (1) For the year 1983-84, the limit referred to in sub-paragraph (1) of paragraph 5 of Schedule 1 to the Finance Act 1974 (limit on relief for interest on certain loans for the purchase or improvement of land) shall be £30,000, subject to any reduction falling to be made under that paragraph; and accordingly, for that year, for any reference in that sub-paragraph to £25,000 there shall be substituted a reference to £30,000.
- (2) For the year 1983-84, in paragraph 24(3) of that Schedule (loans to purchase life annuities) for any reference to £25,000 there shall be substituted a reference to £30,000.

4 Loans obtained by reason of employment

At the end of Part III of Schedule 8 to the Finance Act 1976 (taxation of benefit from loans obtained by reason of employment: exceptions where interest eligible for relief) there shall be added the following paragraphs: —

- “12 (1) If, in the year 1983-84 or any subsequent year of assessment.—
- (a) a person has a loan on which no interest is paid and of which the benefit was obtained by reason of his or any other person's

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employment (in this paragraph referred to as " the employer's loan "), and

- (b) that person or his wife or husband has another loan which was made later than, or at the same time as, the employer's loan and interest on which is, in whole or in part, eligible for relief,

then, for the purposes of determining whether, had interest been paid on the employer's loan at the official rate, the whole or any part of that interest would have been eligible for relief, Schedule 1 to the Finance Act 1974 shall have effect as if the employer's loan were made after any other loan which falls within paragraph (b) above and which, in the context of the application of Part I of Schedule 9 to the Finance Act 1972, relates to the same land, caravan or house boat as does the employer's loan.

- (2) Where such a loan is made as is mentioned in paragraph (b) of sub-paragraph (1) above, Schedule 1 to the Finance Act 1974 has effect in accordance with that sub-paragraph with respect to so much of the interest referred to therein as would be paid on and after the day on which the loan is made; and paragraph 11(3) above shall have effect for the purpose of determining how much of that interest would have been eligible for relief.

- 13 (1) Where in any year a person has, alone or together with his wife or husband, two or more loans—

- (a) on which no interest is paid, and
- (b) which, assuming the application of Part I of Schedule 9 to the Finance Act 1972, would relate, in the context of that Part, to the same land, caravan or house boat,

then, for the purpose of determining whether, had interest been paid on any of those loans, it would, in whole or in part, have been eligible for relief, it shall be assumed in the first instance that those loans constitute a single loan (equal in amount to the aggregate of the actual loans) and to the extent that, had interest been paid on that single loan, it would have been eligible for relief, the relief shall then be attributed first to the earliest of the actual loans and, if all the relief is not thereby attributed, the balance shall be attributed to the next in time and so on with any of the balance remaining until the relief is wholly attributed.

- (2) Nothing in sub-paragraph (1) above affects the operation of paragraph 12 above in relation to the priority which it gives to a loan falling within sub-paragraph (1)(b) of that paragraph, but any question which of two or more loans falling within sub-paragraph (1) above is the earlier shall be determined without regard to that paragraph.

- 14 References in paragraphs 12 and 13 above to a husband or wife do not include references to a separated husband or wife.”

5 Relief for investment in corporate trades

- (1) Schedule 1 to this Act shall have effect for the purpose of making miscellaneous amendments of Part I of Schedule 5 to the Finance Act 1983 (relief for investment in corporate trades).
- (2) The amendments made by Schedule 1 to this Act shall be deemed to have been incorporated in Part I of Schedule 5 as originally enacted.

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6 Allowances for dwelling-houses let on assured tenancies

- (1) In Schedule 12 to the Finance Act 1982 (capital allowances for dwelling-houses let on assured tenancies) in paragraph 4(5)(c) for the words from " there were " to " both " there shall be substituted the words " and the word 'if preceding them there were substituted the words ' unless both " .
- (2) The amendment made by subsection (1) above shall be deemed always to have had effect, except that it shall not affect the validity of any election under paragraph 4 of Schedule 7 to the Capital Allowances Act 1968 which was made before 1st April 1983 in reliance on the provisions of paragraph 4(5)(c) of Schedule 12 to the Finance Act 1982, as originally enacted.
- (3) In subsection (4) of section 34 of the Capital Gains Tax Act 1979 (definition of "capital allowance") at the end of paragraph (a) there shall be inserted the following paragraph: —
 - “(aa) an allowance under Schedule 12 to the Finance Act 1982”.
- (4) The amendment made by subsection (3) above shall be deemed always to have had effect, except that it shall not affect the computation under Chapter II of Part II of the Capital Gains Tax Act 1979 of the amount of any loss accruing on a disposal before 1st April 1983.
- (5) In paragraph 3 of Schedule 12 to the Finance Act 1982 (definition of "qualifying dwelling-house") in sub-paragraph (3)(a) after the words " unless the landlord " there shall be inserted the words " is a company and either " .
- (6) The amendment made by subsection (5) above shall have effect in relation to—
 - (a) expenditure incurred on or after 5th May 1983 otherwise than pursuant to a contract entered into before that date by the person incurring the expenditure, and
 - (b) expenditure which, by virtue of paragraph 8 of Schedule 12 to the Finance Act 1982, is deemed to be incurred on or after that date,
 and also in any case where a person other than a company becomes entitled to the relevant interest, within the meaning of that Schedule, on or after that date.

7 Relief for local constituency associations of political parties on reorganisation of constituencies

- (1) In this section " relevant date " means the date of coming into operation of an Order in Council under section 3 of the House of Commons (Redistribution of Seats) Act 1949 (orders specifying new parliamentary constituencies) and, in relation to any relevant date.—
 - (a) " former parliamentary constituency" means an area which, for the purposes of parliamentary elections, was a constituency immediately before that date but is no longer such a constituency after that date ; and
 - (b) " new parliamentary constituency" means an area which, for the purposes of parliamentary elections, is a constituency immediately after that date but was not such a constituency before that date.
- (2) In this section " local constituency association " means an unincorporated association (whether described as an association, a branch or otherwise) whose primary purpose is to further the aims of a political party in an area which at any time is or was (he

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same or substantially the same as the area of a parliamentary constituency or two or more parliamentary constituencies and, in relation to any relevant date.—

- (a) "existing association" means a local constituency association whose area was the same, or substantially the same, as the area of a former parliamentary constituency or two or more such constituencies ; and
- (b) " new association " means a local constituency association whose area is the same, or substantially the same, as the area of a new parliamentary constituency or two or more such constituencies.

(3) For the purposes of this section, a new association is a successor to an existing association if any part of the existing association's area is comprised in the new association's area.

(4) In any case where, before, on or after a relevant date.—

- (a) an existing association disposes of land to a new association which is a successor to the existing association, or
- (b) an existing association disposes of land to a body (whether corporate or unincorporated) which is an organ of the political party concerned and, as soon as practicable thereafter, that body disposes of the land to a new association which is a successor to the existing association,

the parties to the disposal or, where paragraph (b) above applies, to each of the disposals, shall be treated for the purposes of corporation tax in respect of chargeable gains or, as the case may require, capital gains tax as if the land disposed of were acquired from the existing association or the body making the disposal for a consideration of such an amount as would secure that on the disposal neither a gain nor a loss accrued to that association or body.

(5) In a case falling within subsection (4) above, the new association shall be treated for the purposes of Schedule 5 to the Capital Gains Tax Act 1979 (assets held on 6th April 1965) as if the acquisition by the existing association of the land disposed of as mentioned in that subsection had been the new association's acquisition of it; and in paragraph 3 of Schedule 13 to the Finance Act 1982 (indexation: subsequent disposals following a no gain /no loss disposal) at the end of sub-paragraph (3) there shall be added—

“(d) subsection (4) of section 7 of the Finance (No. 2) Act 1983”.

(6) In any case where—

- (a) before, on or after a relevant date, an existing association disposes of any land which was used and occupied by it for the purposes of its functions, and
- (b) the existing association transfers the whole or part of the proceeds of the disposal to a new association which is a successor to the existing association,

then, subject to subsection (7) below, the Capital Gains Tax Act 1979 (and, in particular, the provisions of sections 115 to 121 providing for roll-over relief on the replacement of business assets) shall have effect as if, since the time it was acquired by the existing association, the land disposed of had been the property of the new association and, accordingly, as if the disposal of it had been by the new association.

(7) If, in a case falling within subsection (6) above, only part of the proceeds of the disposal is transferred to the new association, that subsection shall apply—

- (a) as if there existed in the land disposed of as mentioned in paragraph (a) of that subsection a separate asset in the form of a corresponding undivided share in that land, and subject to any necessary apportionments of consideration for an acquisition or disposal of, or of an interest in, that land ; and

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(b) as if the references in that subsection (other than paragraph (a) thereof) to the land disposed of and the disposal of it were references respectively to the corresponding undivided share referred to in paragraph (a) above and the disposal of that share ;

and for this purpose a corresponding undivided share in the land disposed of is a share which bears to the whole of that land the same proportion as the part of the proceeds transferred bears to the whole of those proceeds.

- (8) In this section " political party " means a political party which qualifies for exemption under paragraph 11 of Schedule 6 to the Finance Act 1975 (gifts to political parties).
- (9) This section applies in any case where the relevant date falls after 1st January 1983 and the disposal referred to in subsection (4) or subsection (6) above is on or after 6th April 1983.

PART II

CAPITAL TRANSFER TAX

8 Reduction of tax

- (1) Section 91(1) of the Finance Act 1982 (indexation of rate bands) shall not apply to chargeable transfers made in the year beginning with 6th April 1983.
- (2) For the Tables in section 37(3) of the Finance Act 1975 there shall be substituted the Tables set out below.

FIRST TABLE

Portion of value		Rate of tax
Lower limit	Upper limit	Per cent.
£	£	
0	60,000	Nil
60,000	80,000	30
80,000	110,000	35
110,000	140,000	40
140,000	175,000	45
175,000	220,000	50
220,000	270,000	55
270,000	700,000	60
700,000	1,325,000	65
1,325,000	2,650,000	70
2,650,000	—	75

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SECOND TABLE

Portion of value		Rate of tax
Lower limit	Upper limit	Per cent.
£	£	
0	60,000	Nil
60,000	80,000	15
80,000	110,000	17½
110,000	140,000	20
140,000	175,000	22½
175,000	220,000	25
220,000	270,000	30
270,000	700,000	35
700,000	1,325,000	40
1,325,000	2,650,000	45
2,650,000	—	50

(3) Subsection (2) above applies to any chargeable transfer made on or after 15th March 1983.

9 Gifts to charities

- (1) In paragraph 10(1) of Schedule 6 to the Finance Act 1975 (exemption from tax for gifts to charities), paragraph (b) (which limits the exemption to £250,000 in respect of gifts on or within one year of the death of the transferor) shall cease to have effect.
- (2) In section 117 of the Finance Act 1976 (modification of exemptions for loans) in subsection (5)—
 - (a) for the words " Paragraphs 10 and 11 (gifts to charities and " there shall be substituted the words " Paragraph 11 (gifts "; and
 - (b) for the words from " those paragraphs " to " 13 (gifts " there shall be substituted the words " that paragraph and paragraphs 10, 12 and 13 (gifts to charities, ".
- (3) This section has effect in relation to transfers of value made on or after 15th March 1983.

10 Relief for business and agricultural property

- (1) The appropriate percentage in the case of property falling within paragraph 3(1) (bb) of Schedule 10 to the Finance Act 1976 (relief for minority shareholdings in unquoted companies) shall be increased from 20 per cent, to 30 per cent, and accordingly in paragraph 2(1 A) of that Schedule—
 - (a) paragraph (b) shall cease to have effect; and
 - (b) in paragraph (c), after the words "3(1)" there shall be inserted the words " (bb), "

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- (2) In sub-paragraphs (2) and (4) of paragraph 2 of Schedule 14 to the Finance Act 1981 (appropriate percentage in relation to relief for agricultural property) for the words " 20 per cent." there shall, in each case, be substituted the words " 30 per cent ".
- (3) This section has effect in relation to transfers of value made, and other events occurring, on or after 15th March 1983.

11 Payment of tax by instalments

- (1) In paragraphs 13(1), 14(1) and 15 of Schedule 4 to the Finance Act 1975 (cases in which tax may be paid by instalments) for the words " at his option either by eight equal yearly instalments or by sixteen equal half-yearly instalments" there shall be substituted the words " by ten equal yearly instalments ".
- (2) In paragraph 13(3) of Schedule 4 (conditions applying in relation to transfers of certain shares) for the words " £5,000 " there shall be substituted the words " £20,000 ".
- (3) This section has effect in relation to chargeable transfers made on or after 15th March 1983.

12 Domicile

- (1) Section 45(1)(c) of the Finance Act 1975 (which treats certain persons who have become domiciled in the Channel Islands or in the Isle of Man as domiciled in the United Kingdom) shall cease to have effect.
- (2) This section has effect in relation to transfers of value made, and other events occurring, on or after 15th March 1983.

13 Burden of tax

- (1) In section 28 of the Finance Act 1975 (burden of tax) the following subsections shall be substituted for subsection (D)—

“(1) Where personal representatives are liable for tax on the value transferred by a chargeable transfer made on death, the tax shall be treated as part of the general testamentary and administration expenses of the estate, but only so far as it is attributable to the value of property in the United Kingdom which—

- (a) vests in the deceased's personal representatives; and
- (b) was not, immediately before the death, comprised in a settlement.

The provision made by this subsection shall have effect subject to any contrary intention shown by the deceased in his will.

(1A) Where any amount of tax paid by personal representatives on the value transferred by a chargeable transfer made on death does not fall to be borne as part of the general testamentary and administration expenses of the estate, that amount shall, where occasion requires, be repaid to them by the person in whom the property to the value of which the tax is attributable is vested.”

- (2) For subsection (8) of that section there shall be substituted—

“(8) References in this section (except subsection (2)) to tax include references to interest on tax and, in subsections (3) to (5), to costs properly incurred in respect of tax.”

- (3) This section has effect where the death or other event on which tax is chargeable occurs on or after the day on which this Act is passed.

PART III

MISCELLANEOUS AND SUPPLEMENTARY

14 Development land tax: certain operations relating to telecommunications not to be development

- (1) In section 47 of the Development Land Tax Act 1976 (interpretation) in subsection (1), in the definition of " development " and " development order " after the word " have " there shall be inserted the words " subject to subsections (1A) and (1B) below ".

- (2) After the said subsection (1) there shall be inserted the following subsections: —

“(1A) In this Act the expression " development " does not include operations which are begun on or before 31st December 1984 and are carried out for the purposes of—

- (a) the laying of telecommunications cables ;
- (b) the installation of troughs to house telecommunications cables;
- (c) the erection or construction of structures to house signal regeneration equipment or the installation of such equipment.

(1B) In subsection (1A) above the expressions " trough " and " structure "—

- (a) do not include any trough or structure the height of which above ground level exceeds three metres ; and
- (b) except in the case of a trough to house telecommunications cables, do not include any structure which covers an area of ground in excess of five square metres.”

15 Relief from stamp duty for local constituency associations of political parties on reorganisation of constituencies

- (1) In a case falling within paragraph (a) or paragraph (b) of subsection (4) of section 7 above

(a) no stamp duty shall be chargeable under section 74 of the Finance (1909-10) Act 1910 (gifts inter vivos) on a conveyance or transfer by which the disposal or, in the case of paragraph (b), either of the disposals referred to in that paragraph is effected; and

(b) section 57 of the Stamp Act 1891 shall not apply in relation to such a conveyance or transfer as is referred to in paragraph (a) above.

- (2) An instrument in respect of which stamp duty under the said section 74 is not chargeable by virtue only of subsection (1) above shall not be treated as duly stamped unless—

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- (a) it has, in accordance with the provisions of section 12 of the Stamp Act 1891, been stamped with a particular stamp denoting either that it is duly stamped or that it is not chargeable with any duty; or
- (b) it is stamped with the duty to which it would but for subsection (1) above be liable.

16 Short title, construction and repeals

- (1) This Act may be cited as the Finance (No. 2) Act 1983.
- (2) Part I of this Act, so far as it relates to income tax, shall be construed as one with the Income Tax Acts, so far as it relates to corporation tax, shall be construed as one with the Corporation Tax Acts and, so far as it relates to capital gains tax, shall be construed as one with the Capital Gains Tax Act 1979.
- (3) Part II of this Act shall be construed as one with Part III of the Finance Act 1975.
- (4) The enactments specified in Schedule 2 to this Act are hereby repealed to the extent specified in the third column of that Schedule, but subject to any provision at the end of any Part of that Schedule.

SCHEDULES

SCHEDULE 1

Section 5.

AMENDMENTS OF PART I OF SCHEDULE 5 TO THE FINANCE ACT 1983

- 1 Schedule 5 to the Finance Act 1983 shall be amended as follows.
- 2 In paragraph 4(1) for the words "throughout the year of assessment in which " there shall be substituted the words " at the time when ".
- 3 In paragraph 5—
 - (a) in sub-paragraph (2)(b)(ii) after the words "carrying on" there shall be inserted the words " wholly or mainly in the United Kingdom "; and
 - (b) after sub-paragraph (10) there shall be inserted the following sub-paragraph—

“(11) In sub-paragraphs (8) and (10) above references to a company's trade include references to the trade of any of its subsidiaries.”
- 4 (1) Paragraph 7 shall be amended as follows.
 - (2) In sub-paragraph (2)—
 - (a) after the words " ordinary shares ", where they first occur, there shall be inserted the words " of any class ";
 - (b) after the word "some" there shall be inserted the words " shares of that class ";
 - (c) after the words "ordinary shares", in the second place where they occur, there shall be inserted the words " of that class ".
 - (3) After sub-paragraph (2) there shall be inserted the following sub-paragraph—

“(2A) Where the relief has been given to an individual in respect of shares of any class in a company which have been issued to him at different times, any disposal by him of shares of that class shall be treated for the purposes of this paragraph as relating to those issued earlier rather than to those issued later.”
 - (4) In sub-paragraph (3) for the words from the beginning to " subsection (4) " there shall be substituted the words " Section 57(4) of Chapter II shall apply but ".
 - (5) After sub-paragraph (3) there shall be inserted the following sub-paragraph—

“(4) Shares in a company shall not be treated for the purposes of this paragraph as being of the same class unless they would be so treated if dealt with on The Stock Exchange.”
- 5 In paragraph 8(3) for the words from " connected " to " Chapter IT)" there shall be substituted the words " who would, for the purposes of paragraph 4 above, be treated as connected with the company ".
- 6 In paragraph 9—

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- (a) in sub-paragraph (1)(a)(i) after the words " carry on " there shall be inserted the words " as its trade or as part of its trade " and for the words " by a person other than " there shall be substituted the words " otherwise than by ";
- (b) in sub-paragraph (2), in paragraphs (a) and (b), and in sub-paragraph (3) (b), for the words " the person or ", in each case where they first occur, there shall be substituted the words " any person or group of ";
- (c) in sub-paragraph (2)(a)—
- (i) for the words " the person or ", in the second place where they occur, there shall be substituted the words " a person or group of " ; and
- (ii) for the words " (as transferred) " there shall be substituted the words " carried on by the company " ;
- (d) in sub-paragraphs (2)(b) and (3)(b) for the words " are the person or " there shall be substituted the words " is or are a person or group of " ; and
- (e) in sub-paragraph (5) for the words " and any part of a trade " there shall be substituted the words " ; and references to a trade previously carried on include references to part of such a trade " .
- 7 In paragraph 10, after sub-paragraph (5) there shall be inserted the following sub-paragraph—
- “(5A) Where, by virtue of section 59(3) of Chapter II and sub-paragraph (5) above, any relief is withheld or withdrawn in the case of an individual to whom ordinary shares in the company have been issued at different times, the relief shall be withheld or withdrawn in respect of shares issued earlier rather than in respect of shares issued later.”
- 8 In paragraph 14(2)(a) after " 6 " there shall be inserted " 9 " .
- 9 Paragraph 17(1)(c), and in paragraph 18(1) the words " within the next four months " , shall be omitted.

SCHEDULE 2

Section 16(4).

REPEALS

PART I

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

Chapter	Short Title	Extent of Repeal
1983 c. 28.	The Finance Act 1983.	In section 10, in subsection (1), the words following " 30 per cent." and subsections (2) and (3). Section 16. In Schedule 5, in paragraph 17(1), paragraph (c) and the word " and " immediately

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Chapter	Short Title	Extent of Repeal
		preceding it and, in paragraph 18(1), the words " within the next four months ".

PART II

CAPITAL TRANSFER TAX

Chapter	Short Title	Extent of Repeal
1925 c. 23.	The Administration of Estates Act 1925.	In the First Schedule, paragraph 8(b).
1955 c. 24 (N.I.).	The Administration of Estates Act (Northern Ireland) 1955.	In the First Schedule, paragraph 8(b).
1975 c. 7.	The Finance Act 1975.	In section 26(3), the words " 10(1)(6) or " given to a charity or property" and " charity or, as the case may be, the " In section 45, in subsection (1), paragraph (c) and the word " or " immediately preceding it, and subsections (2A) and (3). In Schedule 4, in paragraphs 12(3) and 19(2), the words " a charity or only " In Schedule 6, in paragraph 10(1), paragraph (b) and the word " and" immediately preceding it.
1976 c. 40.	The Finance Act 1976.	In Schedule 10, paragraph 2(1A)(b).
1977 c. 36.	The Finance Act 1977.	Section 49.
1982 c. 39.	The Finance Act 1982.	Section 92(2).

- The repeals in the Administration of Estates Act 1925 and the Administration of Estates Act (Northern Ireland) 1955 have effect in relation to deaths on or after the day on which this Act is passed.
- The repeals of—
 - subsections (1)(c), (2A) and (3) of section 45 of the Finance Act 1975,
 - paragraph 2(1A)(b) of Schedule 10 to the Finance Act 1976, and
 - section 49 of the Finance Act 1977, have effect in relation to transfers of value made, and other events occurring, on or after 15th March 1983.
- The remaining repeals have effect in relation to transfers of value made on or after 15th March 1983.