



Finance Act 1984

1984 CHAPTER 43

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX ETC.

CHAPTER III

CAPITAL GAINS

63 Capital gains tax: small gifts, instalments and monetary limits for reliefs etc.

- (1) In the Capital Gains Tax Act 1979,—
 - (a) section 6 (gains accruing to an individual on gifts of assets not exceeding £100 in any year not to be chargeable gains), and
 - (b) sections 8 and 9 (postponement of payment of tax),shall cease to have effect.
- (2) In section 107 of that Act (small part disposals of land) in each of paragraphs (a) and (b) of subsection (3) (the monetary limits) for " £10,000 " there shall be substituted " £20,000 ".
- (3) In section 80 of the Finance Act 1980 (exemption for gains on letting of private residences) in subsection (1)(b) (the monetary limit) for "£10,000" there shall be substituted " £20,000 ".
- (4) In section 124 of the Capital Gains Tax Act 1979 (relief for transfer of business on retirement) in subsection (3) (the monetary limits)—
 - (a) in paragraph (a) for " £50,000 ", there shall be substituted " £100,000 "; and
 - (b) in paragraph (b) for " £10,000 ", in each place where it occurs, there shall be substituted " £20,000 ".

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- (5) Subsection (1) above has effect with respect to disposals on or after 6th April 1984 and subsections (2) to (4) above have effect with respect to disposals on or after 6th April 1983.

64 Exemption for qualifying corporate bonds

- (1) Part I of Schedule 13 to this Act shall have effect for the purpose of—
- (a) providing, in relation to qualifying corporate bonds, an exemption from capital gains tax and corporation tax on chargeable gains similar to that provided in relation to gilt-edged securities by Part IV of the Capital Gains Tax Act 1979 ; and
 - (b) making corresponding amendments of other enactments.
- (2) For the purposes of this section, a " corporate bond " is a security, as defined in section 82(3) (b) of the Capital Gains Tax Act 1979,—
- (a) which, from the time of its issue, has been quoted on a recognised stock exchange in the United Kingdom or dealt in on the Unlisted Securities Market or which was issued by a body of which, at the time of the issue, any other share, stock or security was so quoted or dealt in; and
 - (b) the debt on which represents and has at all times represented a normal commercial loan, as defined in paragraph 1(5) of Schedule 12 to the Finance Act 1973 ; and
 - (c) which is expressed in sterling and in respect of which no provision is made for conversion into, or redemption in, a currency other than sterling.
- (3) For the purposes of subsection (2)(c) above,—
- (a) a security shall not be regarded as expressed in sterling if the amount of sterling falls to be determined by reference to the value at any time of any other currency or asset; and
 - (b) a provision for redemption in a currency other than sterling but at the rate of exchange prevailing at redemption shall be disregarded.
- (4) Subject to subsection (6) below, for the purposes of this section and Schedule 13 to this Act, a corporate bond—
- (a) is a " qualifying " corporate bond if it is issued after 13th March 1984 ; and
 - (b) becomes a " qualifying " corporate bond if, having been issued on or before that date, it is acquired by any person after that date and that acquisition is not as a result of a disposal which is excluded for the purposes of this subsection.
- (5) Where a person disposes of a corporate bond which was issued on or before 13th March 1984 and, before the disposal, the bond had not become a qualifying corporate bond, the disposal is excluded for the purposes of subsection (4) above if, by virtue of any enactment,—
- (a) the disposal is treated for the purposes of the Capital Gains Tax Act 1979 as one on which neither a gain nor a loss accrues to the person making the disposal; or
 - (b) the consideration for the disposal is treated for the purposes of that Act as reduced by an amount equal to the held-over gain on that disposal, as defined for the purposes of section 126 of that Act or section 79 of the Finance Act 1980.

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- (6) A security which is issued by a member of a group of companies to another member of the same group is not a qualifying corporate bond for the purposes of this section or Schedule 13 to this Act; and references in this subsection to a group of companies or to a member of a group shall be construed in accordance with section 272 of the Taxes Act.
- (7) Part II of Schedule 13 to this Act shall have effect in any case where a transaction occurs of such a description that, apart from the provisions of that Schedule,—
- (a) sections 78 to 81 of the Capital Gains Tax Act 1979 would apply by virtue of any provision of Chapter II of Part IV of that Act; and
 - (b) either the original shares would consist of or include a qualifying corporate bond and the new holding would not, or the original shares would not and the new holding would consist of or include such a bond ;
- and in paragraph (b) above " the original shares " and " the new holding " have the same meaning as they have for the purposes of the said sections 78 to 81.
- (8) For the purposes of this section, in any case where—
- (a) a security is comprised in a letter of allotment or similar instrument, and
 - (b) the right to the security thereby conferred remains provisional until accepted, the security shall not be treated as issued until there has been acceptance.

65 Traded options

- (1) In section 137(4)(aa) of the Capital Gains Tax Act 1979 (abandonment of traded option to buy or sell shares in a company) and section 138(1)(aa) of that Act (restriction of allowable expenditure in relation to such an option) the words " to buy or sell shares in a company " shall be omitted.
- (2) At the end of section 137(9) of that Act (definition of " traded option ") there shall be added the words " or on the London International Financial Futures Exchange ".
- (3) This section has effect in relation to any abandonment or other disposal on or after 6th April 1984.

66 Disposals and acquisitions treated as made at market value: removal of certain exceptions

- (1) In section 29A of the Capital Gains Tax Act 1979 (certain disposals and acquisitions treated as made at market value) in subsection (2) (which, among other things, excludes certain acquisitions where the corresponding disposal is made by an excluded person) the words " Except in the case specified in subsection (4) below " and, in paragraph (a), the words " or the corresponding disposal is made by an excluded person " shall be omitted.
- (2) For subsections (3) and (4) of the said section 29A there shall be substituted the following subsections:—
 - “(3) In any case where—
 - (a) apart from this subsection, subsection (1) above would apply to the acquisition of an asset, and
 - (b) the condition in subsection (2)(b) above is fulfilled with respect to the acquisition, and

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- (c) the corresponding disposal is made on or after 6th April 1983 and before 6th April 1985, and
- (d) the corresponding disposal is made by an excluded person who is within the charge to capital gains tax or corporation tax in respect of any chargeable gain accruing to him on the disposal,

then, if the person acquiring the asset and the excluded person so elect by notice in writing given to the Board within the period of two years beginning at the end of the chargeable period in which the corresponding disposal is made, subsection (1) above shall not apply to the acquisition or the corresponding disposal.

- (4) There shall be made all such adjustments of capital gains tax or corporation tax (in respect of chargeable gains), whether by way of assessment or by way of discharge or repayment of tax, as may be required in consequence of the making of an election under subsection (3) above.”

(3) Subsections (5) and (6) of section 32 of the Capital Gains Tax Act 1979 (special rules as to sums allowable on account of expenditure in certain cases of disposals by non-residents) shall not apply where the disposal by the person who is neither resident nor ordinarily resident in the United Kingdom is made on or after 6th April 1985.

(4) Subsections (1) and (2) above have effect in relation to acquisitions and disposals on or after 6th April 1983.

67 Parallel pooling

(1) Schedule 6 to the Finance Act 1983 (election for pooling) shall have effect, and be deemed always to have had effect, with the amendments set out in the following provisions of this section.

(2) In paragraph 1 (interpretation) at the end of sub-paragraph (2) (which excludes certain assets from being qualifying securities for the purposes of that Schedule) there shall be added the words “nor

- (c) securities which are, or have at any time after the expiry of the period which, in relation to a disposal of them, would be the qualifying period, been material interests in a non-qualifying offshore fund, within the meaning of Chapter VII of Part II of the Finance Act 1984”.

(3) In sub-paragraph (5) of paragraph 3 (effect of election: time when the holding comes into being) in paragraph (b) for the words " on 1st April 1982 " there shall be substituted the words " immediately before 1st April 1982 ".

(4) In paragraph 9 (transfers on a no gain/no loss basis) for sub-paragraphs (2) and (3) there shall be substituted the following sub-paragraphs:—

“(2) The disposal referred to in sub-paragraph (1) above shall be regarded for the purposes of this Schedule as an operative event.

(3) Notwithstanding anything in paragraph 2 of Schedule 13 to the 1982 Act, the amount which, on the disposal referred to in sub-paragraph (1) above, is to be regarded as the consideration given by the second company for the acquisition of the securities (and, accordingly, the amount which is to be added to that company's unindexed pool of expenditure on the disposal) shall not include the indexation allowance on that disposal.

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(4) Nothing in sub-paragraph (3) above affects the amount which, by virtue of paragraph 2(3) of Schedule 13 to the 1982 Act, is to be treated as the consideration received by the first company on the disposal referred to in sub-paragraph (1) above, and it shall be that amount (rather than the smaller amount referred to in sub-paragraph (3) above) which, on that disposal, shall be added to the second company's indexed pool of expenditure.

(5) Paragraph 3 of Schedule 13 to the 1982 Act shall not apply on any subsequent disposal of the holding in which the securities referred to in sub-paragraph (1) above are comprised.”

68 Maintenance funds for historic buildings

In consequence of the operation of section 79 of the Finance Act 1980 (general relief for gifts) section 148 of the Capital Gains Tax Act 1979 (specific relief in the case of certain disposals relating to maintenance funds for historic buildings) shall cease to have effect with respect to disposals made on or after 6th April 1984.

69 Foreign currency accounts

(1) At the end of subsection (4) of section 18 of the Capital Gains Tax Act 1979 (location of assets) there shall be added the following paragraph—

“(j) a debt which—

(i) is owed by a bank, and

(ii) is not in sterling, and

(iii) is represented by a sum standing to the credit of an account in the bank of an individual who is not domiciled in the United Kingdom,

is situated in the United Kingdom if and only if that individual is resident in the United Kingdom and the branch or other place of business of the bank at which the account is maintained is itself situated in the United Kingdom.”

(2) Subsection (1) above shall be deemed to have come into force on 6th April 1983.

70 Postponement of tax due from beneficiaries on gains of non resident trustees

(1) The provisions of Schedule 14 to this Act have effect in any case where,—

(a) before 6th April 1981, a chargeable gain accrued to the trustees of a settlement in such circumstances that section 17 of the Capital Gains Tax Act 1979 (non-resident trust) applies as respects that chargeable gain ; and

(b) by virtue of that section a beneficiary under the settlement is treated for the purposes of that Act as if, in the year 1983-84 or any earlier year of assessment, an amount determined by reference to the chargeable gain which accrued to the trustees or, as the case may be, the whole or part of that gain had been a chargeable gain accruing to the beneficiary; and

(c) at 29th March 1983 some or all of the capital gains tax payable in respect of the chargeable gain accruing to the beneficiary had not been paid.

(2) In subsection (3)(b) of the said section 17 (which relates to capital payments which are made in the exercise of a discretion, which are received at any time and which

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represent a chargeable gain to which that section applies) after the words " after the chargeable gain accrues " there shall be inserted the words " but before 6th April 1984 ".

- (3) In consequence of the amendment made by subsection (2) above, in section 80 of the Finance Act 1981 (new provisions as to gains of non-resident settlements) in subsection (8) (which, among other things, excludes from the scope of that section payments received on or after 10th March 1981 so far as they represent chargeable gains accruing to the trustees before 6th April 1981) after the words "received on or after that date" there shall be inserted the words " and before 6th April 1984 ".
- (4) In this section and Schedule 14 to this Act " settlement", " settlor " and " settled property " have the same meaning as in section 17 of the Capital Gains Tax Act 1979.

71 Non-resident settlements: definition of " settlement " and " settlor "

- (1) At the end of section 83 of the Finance Act 1981 (definitions etc. for provisions relating to gains of non-resident settlements) there shall be added the following subsection—
- “(7) In sections 80 to 82 above and in the preceding provisions of this section—
" settlement " and " settlor " have the meaning given by section 454(3) of the Taxes Act and " settlor " includes, in the case of a settlement arising under a will or intestacy, the testator or intestate ;
and
" settled property " shall be construed accordingly.”
- (2) This section has effect for the year 1984-85 and subsequent years of assessment.