Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART III

PROVISIONS RELATING TO THE SCHEDULE C CHARGE AND GENERAL PROVISIONS ABOUT GOVERNMENT SECURITIES

General

44 Income tax: mode of charge

(1) Income tax under Schedule C shall be charged by the Board, and shall be paid on behalf of the persons entitled to the profits, dividends or proceeds which are the subject of the tax—

(a) in the case of tax charged under paragraph 1 of that Schedule, by the persons and bodies of persons respectively entrusted with payment;

(b) in the case of tax charged under paragraph 2 of that Schedule, by the Bank of England;

(c) in the case of tax charged under paragraph 3 or 4 of that Schedule, by the banker or other person, or by the banker or dealer in coupons, as the case may be.

(2) Schedule 3 shall have effect in relation to the assessment, charge and payment of income tax under Schedule C.

45 Interpretation of Part III

In this Part—

"banker" includes a person acting as a banker;

"coupons" and "coupons for any overseas public revenue dividends" include warrants for and bills of exchange purporting to be drawn or made in payment of any overseas public revenue dividends;

"dividends" means any interest, public annuities, dividends or shares of annuities;

"overseas public revenue dividends" means public revenue dividends payable elsewhere than in the United Kingdom (whether they are also payable in the United Kingdom or not) out of any public revenue other than public revenue of the United Kingdom;

"public revenue", except where the context otherwise requires, includes the public revenue of any government whatsoever, and the revenue of any public authority or institution in any country outside the United Kingdom; and

"public revenue dividends" means dividends payable out of any public revenue.

Government securities: exemptions from tax

46 Savings certificates and tax reserve certificates

(1) Subject to subsections (3) to (6) below, income arising from savings certificates shall not be liable to tax.

(2) Tax shall not be chargeable in respect of the interest on tax reserve certificates issued by the Treasury.

(3) Subsection (1) above does not apply to any savings certificates which are purchased by or on behalf of a person in excess of the amount which a person is for the time being authorised to purchase under regulations made by the Treasury or, as respects Ulster Savings Certificates, by the Department of Finance and Personnel.

(4) Subsection (1) above does not apply to Ulster Savings Certificates unless—

(a) the holder is resident and ordinarily resident in Northern Ireland when the certificates are repaid; or

(b) the certificates were purchased by him and he was so resident and ordinarily resident when they were purchased.

(5) A claim under this section in respect of Ulster Savings Certificates shall be made to the Board.

(6) In this section "savings certificates" means savings certificates issued under section 12 of the National Loans Act 1968 or section 7 of the National Debt Act 1958 or section 59 of the Finance Act 1920 and any war savings certificates as defined in section 9(3) of the National Debt Act 1972, together with any savings certificates issued under any corresponding enactment forming part of the law of Northern Ireland.

47 United Kingdom government securities held by non-residents

(1) The interest on securities which—

(a) the Treasury have power to issue for the purpose of raising any money or any loan with a condition that the interest thereon shall not be liable to income tax so long as it is shown that the securities are in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom, and

(b) have been issued with such a condition,

shall, subject to subsection (3) below, be exempt from tax accordingly.

(2) A claim under this section shall be made to the Board.

(3) Where any income of any person is, by virtue of any provision of the Tax Acts (and, in particular, but without prejudice to the generality of the preceding words, by virtue of Chapter III of Part XVII) to be deemed to be income of any other person, that income is not exempt from tax as being derived from a security issued by the Treasury with any condition regulating the treatment of the interest thereon for tax purposes by reason of the first-mentioned person not being ordinarily resident, or being neither domiciled nor ordinarily resident, in the United Kingdom.

48 Securities of foreign states

(1) Subject to subsection (3) below, no tax shall be chargeable in respect of—

(a) dividends payable in the United Kingdom on the securities of any state or territory outside the United Kingdom, or

(b) any dividends or proceeds chargeable apart from this subsection under paragraph 3 or 4 of Schedule C,

if it is proved, on a claim in that behalf made to the Board, that the person owning the securities and entitled to the dividends or proceeds is not resident in the United Kingdom.

(2) Where—

(a) securities are held under a trust, and

(b) the person who is the beneficiary in possession is the sole beneficiary in possession and can, by means either of revocation of the trust or of the exercise of any powers under the trust, call upon the trustees at any time to transfer the securities to him absolutely free from any trust,

that person shall for the purposes of subsection (1) above be deemed to be the person owning the securities.

(3) Where any income of any person is, by virtue of any provision of the Tax Acts (and in particular, but without prejudice to the generality of the preceding words, by virtue of Chapter III of Part XVII) to be deemed to be income of any other person, that income is not exempt from tax by virtue of this section by reason of the first-mentioned person not being resident in the United Kingdom.

(4) Paragraph 1 of Schedule C shall not apply, in the case of dividends payable out of any public revenue other than the public revenue of the United Kingdom, if the securities in respect of which the dividends are payable are held in a recognised clearing system.

49 Stock and dividends in name of Treasury etc

(1) No tax shall be chargeable in respect of the stock or dividends transferred to accounts in the books of the Bank of England in the name of the Treasury or the National Debt Commissioners in pursuance of any Act of Parliament, but the Bank of England shall transmit to the Board an account of the total amount thereof.

(2) No tax shall be chargeable in respect of the stock or dividends belonging to the Crown, in whatever name they may stand in the books of the Bank of England.

Government securities: interest payable without deduction of tax

50 United Kingdom securities: Treasury directions for payment without deduction of tax

(1) The Treasury may direct that any of the following securities, that is to say—

(a) any securities issued under the War Loan Acts 1914 to 1919 or under section 60 of the Finance Act 1916;

(b) any securities issued or deemed to be issued under the National Loans Act 1939 or issued under the National Loans Act 1968;

(c) any government stock issued under section 1 of the Bank of England Act 1946, section 1 of the Cable and Wireless Act 1946, section 65(1) of the Town and Country Planning Act 1947 or section 62(1) of the Town and Country Planning (Scotland) Act 1947; and

(d) any such stock as is mentioned in section 33(1) of the Coal Industry Nationalisation Act 1946 or section 26(1) of the Iron and Steel Act 1967;

shall be issued, or shall be deemed to have been issued, subject to the condition that the interest thereon shall be paid without deduction of income tax; and subject to the provisions of this section the interest shall be so paid accordingly, but shall be chargeable under Case III of Schedule D.

(2) The holder of any registered securities the interest on which is by virtue of directions given under subsection (1) above payable without deduction of tax may make an application to the Bank under this subsection requesting that income tax shall be deducted from the interest on those securities before payment thereof.

(3) Where any such application is made, income tax in respect of the interest on those securities shall, so long as they remain registered in the name of the applicant and subject to the withdrawal of the application under subsection (5) below, be deducted and charged in the same manner as if they were not securities to which subsection (1) above applied.

(4) An application under subsection (2) above shall be made in such form as the Bank with the approval of the Treasury may prescribe, and any application made less than two months before the date on which a payment of interest falls due shall only have effect as regards any payment of interest subsequent to that payment.

(5) An application made under subsection (2) above may at any time be withdrawn by notice to the Bank in such form as the Bank may with the approval of the Treasury prescribe, but an application so withdrawn shall, notwithstanding the withdrawal, continue to have effect as regards any interest payable less than two months after the date the notice is received at the Bank.

(6) Where any securities to which subsection (2) above applies are held on trust, the holders of the securities may make an application under that subsection in respect thereof without the consent of any other person, notwithstanding anything in the instrument creating the trust.

(7) In this section—

“the Bank” means the Bank of England or the Bank of Ireland as the case requires, and

“registered” means entered in the register of the Bank.

51 Treasury directions as respects Northern Ireland securities

(1) The Treasury may, on the application of the Department of Finance and Personnel, as respects any securities to which this section applies, direct that the securities specified in the direction shall be issued, or shall be deemed to have been issued, subject to the condition that the interest thereon shall be paid without deduction of income tax; and in relation to any securities so specified and the interest thereon, section 50 shall have effect as if—

(a) the securities were securities in respect of which a direction had been given by the Treasury under subsection (1) of that section;

(b) references in that section to "the Bank" were (notwithstanding subsection (7) of that section) references to the bank in the books of which the securities are registered or inscribed; and

(c) the references in subsections (4) and (5) of that section to the Treasury were references to the Department of Finance and Personnel.

(2) The securities to which this section applies are securities issued under section 11(1)(c) of the Exchequer and Financial Provisions Act (Northern Ireland) 1950 for money borrowed by the Department of Finance and Personnel for the purposes of making issues from the Consolidated Fund of Northern Ireland.

52 Taxation of interest on converted government securities and interest which becomes subject to deduction

(1) Where the income which any individual is required under the Income Tax Acts to include in a statement of his total income for any year includes both—

(a) interest received without deduction of income tax in respect of government securities ("the original securities") which have been exchanged for any other government securities ("substituted securities"), and

(b) interest taxed by deduction in respect of such substituted securities,

and the amount of the interest so included exceeds the full amount of the interest for a complete year on the original securities, then, if that individual so requires—

(i) the excess shall not be taken into account in ascertaining his total income for that year for the purposes of income tax, but

(ii) the excess shall nevertheless be chargeable to income tax for that year at such rate or rates, and subject to such reliefs, if any, as would be applicable if it constituted the highest part of an income equal, subject to section 833(3), to the amount of his total income exclusive of the excess.

(2) Where an application is made under section 50(2) with respect to any securities, subsection (1) above shall have effect as if—

(a) during the period in which the interest on those securities was paid without deduction of income tax, those securities were original securities, and

(b) during any later period, they were substituted securities.