

Status: Point in time view as at 06/04/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 7. (See end of Document for details)

SCHEDULES

SCHEDULE 7

Section 79.

TRANSFER OF CHARGE UNDER SCHEDULE C TO SCHEDULE D

Amendments of the Taxes Act 1988

1 The Taxes Act 1988 shall be amended in accordance with paragraphs 2 to 28 below.

F12

Textual Amendments

F1 Sch. 7 para. 2 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

3 Section 17 (Schedule C) shall be omitted.

4 (1) In section 18 (Schedule D), in subsection (1), in paragraph (b) of Schedule D, for “not charged under Schedule A, C or E” there shall be substituted “not charged under Schedule A or E”.

(2) In subsection (3) of that section—

- (a) in Case III, in paragraph (c) for the words from “except income charged under Schedule C” to the end of the paragraph there shall be substituted “from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland”;
- (b) in Case IV, the words “except such income as is charged under Schedule C” shall be omitted; and
- (c) in Case VI, for “Schedule A, C or E” there shall be substituted “Schedule A or E”.

(3) Immediately before subsection (4) of section 18, there shall be inserted the following subsections—

“(3B) The references in Case IV of Schedule D to income arising from securities out of the United Kingdom, and in Case V of Schedule D to income arising from possessions out of the United Kingdom, shall be taken, in the case of relevant foreign holdings, to include references to the following—

- (a) any proceeds of such a sale or other realisation of coupons for foreign dividends as is effected by a bank in the United Kingdom which pays the proceeds over or carries them into an account;
- (b) any proceeds of a sale of such coupons to a dealer in coupons in the United Kingdom by a person who is not a bank or another dealer in coupons.

(3C) In this section “relevant foreign holdings” means—

- (a) any securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom; or

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(b) any shares or securities issued by or on behalf of a body of persons not resident in the United Kingdom; and “securities” here includes loan stock and similar securities.

(3D) In this section “foreign dividends” means—

- (a) in relation to relevant foreign holdings falling within subsection (3C)(a) above, interest or annual payments payable out of the revenue of the government or authority in question; and
- (b) in relation to relevant foreign holdings falling within subsection (3C)(b) above, any dividends, interest or annual payments payable in respect of the holdings in question.

(3E) In this section—

- (a) “bank” has the meaning given by section 840A; and
- (b) references to coupons include, in relation to any foreign dividends, warrants for and bills of exchange purporting to be drawn or made in payment of those dividends.”

(4) In subsection (5) of that section, for “Part IV contains” there shall be substituted “Parts III and IV contain ”.

F25

Textual Amendments

F2 Sch. 7 para. 5 repealed (with effect in accordance with s. 723(1)(a)(b) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), s. 723, [Sch. 8 Pt. 1](#) (with [Sch. 7](#))

- 6 For the heading to Part III there shall be substituted the following heading— “Government Securities ”
- 7 Section 44 (mode of charge of tax under Schedule C) shall be omitted.
- 8 Section 45 (interpretation of Part III) shall be omitted.
- 9 Section 48 (securities of foreign states) shall be omitted.
- 10 In section 49 (stock and dividends in name of Treasury etc.), after subsection (2) there shall be inserted the following subsection—
 - “(3) In this section “dividends” means any interest, public annuities, dividends or shares of annuities.”
- 11 In sections 50(1) and 51A(1) (which provide for interest on certain securities to be paid without deduction of tax), the words “but shall be chargeable to tax under Case III of Schedule D” shall in each case be omitted.
- 12 Section 52 (taxation of interest on converted securities and interest which becomes subject to deduction) shall be omitted.
- 13 Section 123 (foreign dividends) shall be omitted.
- 14 In section 124—
 - (a) in subsection (6) (definitions in connection with quoted Eurobonds), the definitions of “recognised clearing system” and “relevant foreign securities”, and the word “and” immediately preceding those definitions, and

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(b) subsection (7),
shall be omitted.

^{F3}15

Textual Amendments

F3 Sch. 7 para. 15 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 3](#) (with Sch. 2)

16 In section 398 (transactions in deposits with and without certificates or in debts), in paragraph (b), the words “C or” shall be omitted.

^{F4}17

Textual Amendments

F4 Sch. 7 para. 17 repealed (with effect in accordance with Sch. 43 Pt. 5(3) Note of the amending Act) by [Finance Act 2003 \(c. 14\), Sch. 43 Pt. 5\(3\)](#)

18 In section 474 (treatment of tax-free income), subsections (1) and (3) shall be omitted.

19 (1) In section 505 (exemptions for charities), in subsection (1), in paragraph (c), subparagraph (i) shall be omitted.

(2) For paragraph (d) of that subsection there shall be substituted the following paragraph—

“(d) exemption from tax under Schedule D in respect of public revenue dividends on securities which are in the name of trustees, to the extent that the dividends are applicable and applied only for the repair of—

- (i) any cathedral, college, church or chapel, or
- (ii) any building used only for the purposes of divine worship;”.

(3) After that subsection there shall be inserted the following subsection—

“(1A) In subsection (1)(d) above “public revenue dividends” means—

- (a) income from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland;
- (b) income from securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom.”

20 (1) In section 512 (exemption from income tax for Atomic Energy Authority and National Radiological Protection Board)—

- (a) in subsection (1)(a), for “Schedules A and C” there shall be substituted “Schedule A”; and
- (b) in subsection (1)(b), after “annual payment” there shall be inserted “ or in respect of public revenue dividends ”.

(2) After subsection (2) of that section there shall be inserted the following subsection—

“(3) In subsection (1) above “public revenue dividends” means—

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- (a) income from securities which is payable out of the public revenue of the United Kingdom or Northern Ireland;
 - (b) income from securities issued by or on behalf of a government or a public or local authority in a country outside the United Kingdom.”
- 21 (1) In section 516 (government securities held by non-resident central banks), in subsection (1), for “dividends (within the meaning of Schedule C) paid out of the public revenue of the United Kingdom where they are” there shall be substituted “income from securities which is payable out of the public revenue of the United Kingdom and which is ”.
- (2) In subsection (2) of that section, for “such dividends” there shall be substituted “such income ”.
- 22 In section 582A (designated international organisations), subsection (3) shall be omitted.
- 23 In section 730 (transfers of income arising from securities)—
- (a) in subsections (2)^{F5} ... and (6), for “under Schedule C or under section 123(3)”, and
 - (b) in subsection (8), for “under Schedule C or section 123(3)”,
- there shall in each case be substituted “ by virtue of section 18(3B) ”.

Textual Amendments

F5 Words in [Sch. 7 para. 23\(a\)](#) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

- 24 In section 828(2) (orders and regulations not required to be made by statutory instrument), for “section 124(6) or 841(1)(b) or paragraph 15(4) of Schedule 3” there shall be substituted “ section 841(1)(b) or 841A ”.
- 25 In section 832(1) (interpretation of the Tax Acts), the definition of “recognised clearing system” shall be omitted.
- 26 After section 841 there shall be inserted the following section—

“841A Recognised clearing systems.

- (1) In the Tax Acts, “recognised clearing system” means any system for clearing—
- (a) quoted Eurobonds (as defined by section 124), or
 - (b) relevant foreign holdings (as defined by section 18(3C)),
- which is for the time being designated for the purposes of this section as a recognised clearing system by an order made by the Board.
- (2) An order under this section—
- (a) may contain such transitional and other supplemental provision as appears to the Board to be necessary or expedient; and
 - (b) may be varied or revoked by a subsequent order.”
- 27 Schedule 3 (machinery for payment of income tax under Schedule C and, in certain cases, Schedule D) shall be omitted.

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F⁶28

Textual Amendments

F6 Sch. 7 para. 28 repealed (28.7.2000) by 2000 c. 17, s. 156, Sch. 40 Pt. II(17)

Other amendments

- 29 In the Table in section 98 of the ^{M1}Taxes Management Act 1970 (penalties in respect of certain information provisions)—
- (a) in the first column, the entry relating to paragraph 13(1) of Schedule 3 to the Taxes Act 1988, and
 - (b) in the second column, the entry relating to paragraph 6C of that Schedule, shall be omitted.

Marginal Citations

M1 1970 c. 9.

- 30 In section 178(2)(m) of the ^{M2}Finance Act 1989 (provisions to which power to set rates of interest applies), the words “and paragraph 6B of Schedule 3 to” shall be omitted.

Marginal Citations

M2 1989 c. 26.

- 31 In section 128 of the ^{M3}Finance Act 1995 (limit on income chargeable on non-residents: income tax), in subsection (3)(a), the words “Schedule C,” shall be omitted.

Marginal Citations

M3 1995 c. 4.

Commencement, etc.

- 32 Subject to paragraphs 33 and 34 below, this Schedule has effect—
- (a) for the purposes of income tax, for the year 1996-97 and subsequent years of assessment;
 - (b) for the purposes of corporation tax, for accounting periods ending after 31st March 1996.

Position of paying and collecting agents

- 33 (1) Subject to the following provisions of this paragraph and paragraph 34 below—
- (a) nothing in section 79 of this Act or this Schedule shall affect the obligations of any person under Schedule 3, in relation to times to which this paragraph applies, to set apart, retain or pay any amount of tax; and

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- (b) Schedule 3 shall have effect accordingly in relation to amounts set apart, retained or paid in pursuance of those obligations.
- (2) The repeal of Schedule 3 shall not affect the operation of paragraph 6B of that Schedule in relation to any amount—
- (a) which became due and payable in relation to a transaction occurring before the day on which this Act was passed; but
- (b) which remains unpaid at any time on or after that day.
- (3) The Board may by regulations make provision with respect to returns to be made for the quarter which includes both times before the day on which this Act was passed and times on and after that day.
- (4) Regulations under sub-paragraph (3) above may, in particular, provide that section 98 of the ^{M4}Taxes Management Act 1970 shall have effect as if it included a reference in the second column of the Table to any specified provision of the regulations.
- (5) In this paragraph “Schedule 3” means Schedule 3 to the Taxes Act 1988.

Marginal Citations

M4 1970 c. 9.

Position of taxpayers

- 34 (1) Transitional payments of tax made on a person’s behalf in relation to times to which this paragraph applies shall be treated as made only for the purpose of being applied in the discharge of that person’s liability to tax charged under Schedule D.
- (2) If a transitional payment of tax has been made on a person’s behalf, but it appears to the Board that—
- (a) that person was not liable to tax, or
- (b) the sum paid exceeded his liability,
- the Board shall make or allow such repayments, adjustments or set-offs against unpaid tax as they think appropriate.
- (3) In this paragraph “transitional payment of tax” means a payment to which paragraph 33 above applies.

Times to which paragraphs 33 and 34 apply

- 35 Paragraphs 33 and 34 above apply in relation to times falling—
- (a) within a year of assessment or an accounting period mentioned in paragraph 32 above, but
- (b) before the day on which this Act was passed.

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