



# Finance (No. 2) Act 1997

## 1997 CHAPTER 58

### PART III

#### INCOME TAX AND CORPORATION TAX

##### *Reliefs for interest and private medical insurance*

#### [<sup>F1</sup>15 Mortgage interest payments.

<sup>F2</sup>(1) .....

(2) In section 369 of that Act (deduction at source of mortgage interest relief), in subsection (1A) (percentage of interest deductible), for paragraph (a) there shall be substituted—

“(a) in relation to so much of any payment of relevant loan interest as is not a payment in relation to which paragraph (b) below has effect, means 10 per cent; and”.

(3) Subsection (1) above has effect in relation to any payment of interest (whenever falling due) made in the year 1998-99 or any subsequent year of assessment; and subsection (2) above has effect in relation to any payment of interest which becomes due in the year 1998-99 or any subsequent year of assessment.]

#### Textual Amendments

**F1** S. 15 repealed (27.7.1999 with effect as mentioned in s. 38(3)(4) of the amending Act) by 1999 c. 16, s. 139, Sch. 20 Pt. III(7) Note 4

**F2** S. 15(1) repealed (6.4.2007) by Income Tax Act 2007 (c. 3), s. 1034(1), Sch. 3 Pt. 1 (with Sch. 2)

#### <sup>F3</sup>16 Limit on relief for interest for 1998-99.

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*Status: Point in time view as at 01/04/2010.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Part III. (See end of Document for details)*

### Textual Amendments

**F3** S. 16 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

## 17 Withdrawal of relief on medical insurance premiums.

- (1) Subject to subsections (2) and (3) below, relief under section 54 of the <sup>M1</sup>Finance Act 1989 (medical insurance) shall not be given in respect of any payment where either—
  - (a) the premium in respect of which the payment is made is a premium under a contract entered into on or after 2nd July 1997; or
  - (b) the payment is received by the insurer on or after 6th April 1999.
- (2) Subsection (1) above shall not affect the giving of relief in respect of a payment received by an insurer before 6th April 1999 where—
  - (a) the premium in respect of which the payment is made is a premium under a contract entered into on or after 2nd July 1997 but before 1st August 1997;
  - (b) the contract is one entered into in pursuance of a written proposal received by or on behalf of the insurer before 2nd July 1997;
  - (c) the contract is not a contract entered into by way of the renewal of an earlier contract; and
  - (d) if the payment is not itself a payment received before 1st August 1997, the insurer had before 1st August 1997 received an earlier payment in respect of a premium under the contract in question.
- (3) Subsection (1) above shall not affect the giving of relief in respect of a payment received by an insurer before 6th April 1999 where—
  - (a) the premium in respect of which the payment is made is a premium under a contract entered into on or after 2nd July 1997 but before 1st August 1997;
  - (b) that contract is one entered into by way of the renewal of an earlier contract;
  - (c) the period of insurance under the earlier contract ended before 2nd July 1997; and
  - (d) if the payment is not itself a payment received before 1st August 1997, the insurer had before 1st August 1997 received an earlier payment in respect of a premium under the renewal contract.
- (4) For the purposes of the preceding provisions of this section a contract shall be taken to have been entered into by way of the renewal of an earlier contract only if—
  - (a) it was entered into by way of the renewal of a contract which was an eligible contract for the purposes of section 54 of the <sup>M2</sup>Finance Act 1989 when that earlier contract was entered into;
  - (b) the insurer under the earlier contract and the insurer under the contract by which it has been renewed are the same; and
  - (c) the period of insurance under the earlier contract ended immediately before the beginning of the period of insurance under the contract by which it has been renewed.
- (5) This section has effect for the year 1997-98 and subsequent years of assessment.

*Status: Point in time view as at 01/04/2010.*

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#### Marginal Citations

- M1 1989 c. 26.  
M2 1989 c. 26.

### Corporation tax

#### 18 Rates for financial year 1997.

- (1) The rate at which corporation tax is charged for the financial year 1997 shall be, and shall be deemed always to have been, 31 per cent. (and not 33 per cent. as provided by section 58 of the <sup>M3</sup>Finance Act 1997).

<sup>F4</sup>(2) .....

- (3) All such adjustments shall be made, whether by way of discharge or repayment of tax or otherwise, as may be required in consequence of the provisions of this section.

#### Textual Amendments

- F4 S. 18(2) repealed (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), Sch. 3 Pt. 1 (with Sch. 2)

#### Marginal Citations

- M3 1997 c. 16.

### Distributions, tax credits etc on and after 2nd July 1997

#### [<sup>F5</sup>19 Pension funds no longer entitled to payment of tax credits.

- (1) In section 231 of the Taxes Act 1988 (tax credits for certain recipients of qualifying distributions)—

- (a) in subsection (2) (payment of tax credits to companies resident in the United Kingdom) for “Subject to section 241(5)” there shall be substituted “ Subject to sections 231A and 241(5) ”; and  
(b) at the beginning of subsection (3) (claims by other persons to set tax credits against income tax liability and to receive payment of any excess of tax credit over that liability) there shall be inserted “ Subject to section 231A, ”.

- (2) After section 231 of the Taxes Act 1988 there shall be inserted—

#### “ Restrictions on the use of tax credits by pension funds.

- (1) No claim shall be made under section 231(2) for payment of the amount of a tax credit if or to the extent that the qualifying distribution to which the credit relates is income of a pension fund.  
(2) In the case of any pension fund, for any year of assessment the aggregate amount of the tax credits in respect of which claims are made under section 231(3) must not exceed the aggregate amount of the tax credits in

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respect of the qualifying distributions comprised in the income of the pension fund and brought into charge to tax.

(3) Accordingly, no payment shall be made under section 231(3) in respect of so much of the excess there mentioned as is referable to a tax credit in respect of a qualifying distribution if or to the extent that the qualifying distribution is income of a pension fund.

(4) In this section—

“income”, in relation to a pension fund, means income derived from investments or deposits held for the purposes of the pension fund;

“pension fund” means any scheme, fund or other arrangements established and maintained (whether in the United Kingdom or elsewhere) for the purpose of providing pensions, retirement annuities, allowances, lump sums, gratuities or other superannuation benefits (with or without subsidiary benefits);

“scheme” includes any deed, agreement or series of agreements.

(5) For convenience of identification only, the schemes, funds or other arrangements which are “pension funds” for the purposes of this section by virtue of the definition of that expression in subsection (4) above include, in particular, those whose income is, in whole or in part, exempt, or eligible for exemption, from tax under or by virtue of any of the following provisions—

- (a) section 512(2);
- (b) section 592(2);
- (c) section 608(2)(a);
- (d) section 613(4);
- (e) section 614(2), (3), (4) or (5);
- (f) section 620(6);
- (g) section 643(2).

(6) The preceding provisions of this section do not have effect in relation to—

- (a) claims made in respect of tax credits to which entitlement arises by virtue of section 232(3); or
- (b) claims made by virtue of arrangements having effect under section 788.”

(3) This section has effect in relation to qualifying distributions made on or after 2nd July 1997.]

#### **Textual Amendments**

**F5** S. 19 repealed (with effect in relation to distributions made on or after 6.4.1999) by [1997 c. 58, s. 52, Sch. 8 Pt. II\(9\)](#) Note 3 (with s. 3(3))

## **20 Losses etc not to be set against surplus franked investment income.**

(1) No claim shall be made under section 242 or 243 of the Taxes Act 1988 (set off of losses etc against surplus of franked investment income) for any accounting period

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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Part III. (See end of Document for details)*

beginning on or after 2nd July 1997; and section 244(1) of that Act shall cease to have effect accordingly.

- (2) Sections 242(5) and (6) and 243(4) of the Taxes Act 1988 (restoration of loss etc in later accounting period for which there is a surplus of franked payments) shall not have effect where the later accounting period mentioned in section 242(5)(b) begins on or after 2nd July 1997.
- (3) No amount shall be deducted under paragraph (a), or carried forward and deducted under paragraph (b), of section 244(2) (deduction of tax credit paid from ACT subsequently available for set off or surrender) for any accounting period beginning on or after 2nd July 1997.
- (4) For the purposes of sections 242 and 243 of the Taxes Act 1988, if—
  - (a) a company has a surplus of franked investment income for an accounting period beginning before 2nd July 1997 and ending on or after that date, and
  - (b) that surplus exceeds the surplus of franked investment income which the company would have had for that accounting period had it ended on 1st July 1997,the surplus shall be treated as reduced by the excess.
- (5) Sections 242 to 244 of the Taxes Act 1988 cease to have effect in consequence of, and in accordance with, the foregoing provisions of this section.
- (6) In section 237(4) of the Taxes Act 1988 (bonus issue and related tax credit not to be franked investment income for the purposes of sections 241 and 244) for “sections 241 and 244” there shall be substituted “ section 241 ”.
- (7) Subsection (6) above has effect in accordance with subsection (5) above.

**<sup>F6</sup>21 Estates in administration: distributions to which s.233(1) applies.**

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**Textual Amendments**

- F6** S. 21 repealed (1.4.2009) (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**22 Lloyd’s underwriters.**

- (1) In section 171 of the <sup>M4</sup>Finance Act 1993 (taxation of profits, and allowance of losses, of non-corporate members) after subsection (2A) there shall be inserted—

“(2B) Section 231(1) of the Taxes Act 1988 (entitlement to tax credit) shall not apply where the distribution there mentioned is a distribution in respect of any asset of a member’s premiums trust fund.”

<sup>F7</sup>(2) .....

- (3) In subsection (4) of that section (subsection (2) applies in relation to distributions and associated tax credits notwithstanding section 11(2)(a) or 208 of the Taxes Act 1988)

<sup>F8</sup>(a) .....

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(b) the words “(and any associated tax credits)” shall cease to have effect.

(4) After that subsection there shall be inserted—

“(4A) Notwithstanding anything in section 11(2)(a) or 208 of the Taxes Act 1988, UK distributions in respect of any assets of a corporate member which are mentioned in paragraph (a) or (b) of subsection (3) above—

- (a) shall be taken into account in computing profits of the corporate member for tax purposes; and
- (b) shall be so taken into account under Case I of Schedule D (and not under any other Schedule or any other Case of Schedule D).

(4B) Section 231(1) of the Taxes Act 1988 (entitlement to tax credit) shall not apply where the distribution there mentioned is a distribution in respect of any asset of a corporate member’s premiums trust fund.

(4C) In this section “UK distributions” means dividends or other distributions of a company resident in the United Kingdom.”

<sup>F9</sup>(5) .....

(6) In section 231(1) of the Taxes Act 1988 (recipient of distribution made by UK resident company entitled to tax credit subject to sections 247 and 441A) after “441A,” there shall be inserted “ section 171(2B) of the Finance Act 1993 and section 219(4B) of the Finance Act 1994, ”.

(7) This section has effect in relation to distributions made on or after 2nd July 1997.

<b>Textual Amendments</b>	
<b>F7</b>	S. 22(2) omitted (21.7.2009) (with effect in accordance with Sch. 14 para. 31 of the amending Act) by virtue of <a href="#">Finance Act 2009 (c. 10)</a> , <a href="#">Sch. 14 para. 30(a)</a>
<b>F8</b>	S. 22(3)(a) omitted (21.7.2009) (with effect in accordance with Sch. 14 para. 31 of the amending Act) by virtue of <a href="#">Finance Act 2009 (c. 10)</a> , <a href="#">Sch. 14 para. 30(a)</a>
<b>F9</b>	S. 22(5) repealed (6.4.2005) by <a href="#">Income Tax (Trading and Other Income) Act 2005 (c. 5)</a> , s. 883(1), <a href="#">Sch. 3</a> (with <a href="#">Sch. 2</a> )
<b>Marginal Citations</b>	
<b>M4</b>	<a href="#">1993 c. 34.</a>

**23 Insurance companies and friendly societies.**

Schedule 3 to this Act (which makes provision in relation to insurance companies and friendly societies) shall have effect.

*Distributions, tax credits etc: avoidance*

**24 Taxation of dealers in respect of distributions etc.**

- <sup>F10</sup>(1) .....
- <sup>F10</sup>(2) .....
- <sup>F10</sup>(3) .....

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- F10(4) .....
- F10(5) .....
- F10(6) .....
- F10(7) .....
- F10(8) .....
- F10(9) .....
- F11(10) .....
- (11) In section 234 of the Taxes Act 1988 (information relating to distributions) in subsection (1), the words “but subject to section 95(1A)(c)” shall be omitted.
- (12) In section 246D(1) of the Taxes Act 1988 (individuals entitled to FIDs treated as receiving grossed-up amount) after “that individual shall be treated” there shall be inserted “ (except for the purposes of section 95(1)) ”.
- (13) In Schedule 23A to the Taxes Act 1988 (manufactured dividends and interest) paragraph 2A(2) (which provides that if the dividend manufacturer is a company not resident in the UK no amount shall be deductible in the case of that company in respect of the manufactured dividend) shall be omitted (and accordingly paragraph 2(3)(c) of that Schedule has effect instead).
- (14) In Schedule 7 to the <sup>M5</sup>Finance Act 1997 (special treatment for certain distributions) in paragraph 2 (distributions treated as FIDs) in sub-paragraph (3)—
- (a) paragraph (a) (subjection to section 95(1A)(b)) shall be omitted; and
  - (b) in paragraph (b) (subjection to section 247(5B) to (5D)) for “of that Act” there shall be substituted “ of the Taxes Act 1988 ”.
- (15) This section has effect in relation to—
- (a) any distribution made on or after 2nd July 1997; and
  - (b) any payment which is representative of such a distribution.

**Textual Amendments**

**F10** S. 24(1)-(9) repealed (1.4.2009) (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F11** S. 24(10) repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 3** (with Sch. 2)

**Marginal Citations**

**M5** 1997 c. 16.

**25 Repeal of s.95(5) of the Taxes Act 1988: consequential amendments.**

- (1) In section 246A(9) of the Taxes Act 1988 (which provides that “fixed-rate preference shares” shall be construed in accordance with section 95(5)) for “section 95(5)” there shall be substituted “ paragraph 13(6) of Schedule 28B ”.

F12(2) .....

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<sup>F12</sup>(3) .....

<sup>F12</sup>(4) .....

(5) In Schedule 7 to the <sup>M6</sup>Finance Act 1997 (special treatment for certain distributions) paragraph 5 (fixed-rate preference shares) shall be amended in accordance with subsections (6) and (7) below.

(6) In sub-paragraph (2) (which defines “fixed-rate preference shares” by reference to section 95 of the Taxes Act 1988)—

(a) in paragraph (a) for “section 95 of” there shall be substituted “ paragraph 13 of Schedule 28B to ”; and

(b) in paragraph (b) for “section 95(5)(c)(i) of that Act” there shall be substituted “ paragraph 13(6)(c)(i) of that Schedule ”.

(7) After sub-paragraph (2) there shall be inserted—

“(3) For the purposes of sub-paragraph (2) above, any reference in paragraph 13(6) of Schedule 28B to shares shall be taken as a reference to shares within the meaning of this Schedule.”

(8) This section has effect on and after 2nd July 1997.

**Textual Amendments**

**F12** S. 25(2)(3)(4) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))

**Marginal Citations**

**M6** 1997 c. 16.

<sup>F13</sup>**26 Purchase and sale of securities.**

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**Textual Amendments**

**F13** S. 26 omitted (21.7.2008) (with effect in accordance with s. 66(8) of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), s. 66(4)(i)(i)

<sup>F14</sup>**27 Payments to companies under section 687 of the Taxes Act 1988.**

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**Textual Amendments**

**F14** S. 27 repealed (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))



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## **28 Arrangements to pass on value of tax credit.**

- (1) After section 231A of the Taxes Act 1988 (which is inserted by section 19 of this Act) there shall be inserted—

### **“231B Consequences of certain arrangements to pass on the value of a tax credit.**

- (1) This section applies in any case where—
- (a) a person (“A”) is entitled to a tax credit in respect of a qualifying distribution;
  - (b) arrangements subsist such that another person (“B”) obtains, whether directly or indirectly, a payment representing any of the value of the tax credit;
  - (c) the arrangements (whether or not made directly between A and B) were entered into for an unallowable purpose; and
  - (d) the condition in subsection (2) below is satisfied.
- (2) The condition is that if B had been the person entitled to the tax credit and the qualifying distribution to which it relates, and had received the distribution when it was made, then—
- (a) B would not have been entitled to obtain any payment under section 231(2) or (3) in respect of the tax credit; and
  - (b) if B is a company, B could not have used the income consisting of the distribution to frank a distribution actually made in the accounting period in which it would have received the distribution to which the tax credit relates.
- (3) This section does not apply if and to the extent that any other provision of the Tax Acts has the effect of cancelling or reducing the tax advantage which would otherwise be obtained by virtue of the arrangements.
- (4) Where this section applies—
- (a) no claim shall be made under section 231(2) for payment of the amount of the tax credit;
  - (b) no claim shall be made under section 231(3) or 441A(7) in respect of the tax credit;
  - (c) the income consisting of the distribution in respect of which A is entitled to the tax credit shall not be regarded for the purposes of section 241 as franked investment income; and
  - (d) no claim shall be made under section 35 of the Finance (No. 2) Act 1997 (transitional relief) for payment of an amount determined by reference to that distribution.
- (5) For the purposes of this section, the question whether any arrangements were entered into for an “unallowable purpose” shall be determined in accordance with subsections (6) and (7) below.
- (6) Arrangements are entered into for an unallowable purpose if the purposes for which at least one person is a party to the arrangements include a purpose which is not amongst the business or other commercial purposes of that person.

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- (7) Where one of the purposes for which a person enters into any arrangements is the purpose of securing that that person or another obtains a tax advantage, that purpose shall be regarded as a business or other commercial purpose of the person only if it is neither the main purpose, nor one of the main purposes, for which the person enters into the arrangements.
- (8) Any reference in this section to a person obtaining a tax advantage includes a reference to a person obtaining a payment representing any of the value of a tax credit in circumstances where, had the person obtaining the payment been entitled to the tax credit and the qualifying distribution to which it relates, that person—
- (a) would not have been entitled to obtain any payment under section 231(2) or (3) in respect of the tax credit; and
  - (b) if that person is a company, could not have used the income consisting of the distribution to frank a distribution actually made in the accounting period in which it would have received the distribution to which the tax credit relates.
- (9) If an amount representing any of the value of a tax credit to which a person is entitled is applied at the direction of, or otherwise in favour of, some other person (whether by way of set off or otherwise), the case shall be treated for the purposes of this section as one where that other person obtains a payment representing any of the value of the tax credit.
- (10) In determining for the purposes of subsections (2)(b) and (8)(b) b above whether a company could have used the income consisting of the distribution in question to frank a distribution of the company, the company shall be taken to use its actual franked investment income to frank distributions before using the income consisting of the distribution in question.
- (11) References in this section to using franked investment income to frank a distribution of a company have the same meaning as in Chapter V of Part VI.
- (12) In this section—
- “arrangements” means arrangements of any kind, whether in writing or not (and includes a series of arrangements, whether or not between the same parties);
  - “business or other commercial purposes” includes the efficient management of investments;
  - “franked investment income” has the same meaning as in Chapter V of Part VI and references to income consisting of a distribution shall be construed accordingly;
  - “tax advantage” has the same meaning as in Chapter I of Part XVII.”
- (2) This section has effect in relation to distributions made on or after 2nd July 1997.

**<sup>F15</sup>29 Unauthorised unit trusts.**

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*Status: Point in time view as at 01/04/2010.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Part III. (See end of Document for details)*

### Textual Amendments

**F15** S. 29 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), Sch. 1 para. 378, [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

### *Distributions, tax credits etc in and after 1999-00*

## 30 Tax credits.

(1) Section 231 of the Taxes Act 1988 (tax credits for certain recipients of qualifying distributions) shall be amended in accordance with subsections (2) to (7) below.

<sup>F16</sup>(2) .....

<sup>F16</sup>(3) .....

(4) Subsection (2) (payment of tax credit to company resident in UK) shall cease to have effect.

(5) In subsection (3) (which includes provision for payment of excess of tax credit over income tax liability to person not being a company resident in the UK)—

<sup>F17</sup>(a) .....

(b) the words “and subject to subsections (3A) and (3D) below where the credit exceeds that income tax, to have the excess paid to him” shall cease to have effect.

<sup>F18</sup>(6) .....

(7) In consequence of subsection (5) above, subsections (3A) to (3D) shall cease to have effect.

(8) Section 231A of the Taxes Act 1988 (which is superseded by the foregoing provisions of this section) shall cease to have effect.

(9) The amendments made by subsections (5) and (6) above [<sup>F19</sup>and rewritten in section 397(3) of the Income Tax (Trading and Other Income) Act 2005] do not affect the entitlement of a person who is not resident in the United Kingdom to payment in respect of a tax credit by virtue of arrangements having effect under [<sup>F20</sup>section 2(1) of the Taxation (International and Other Provisions) Act 2010] (relief by agreement with other countries).

(10) Where—

(a) arrangements having effect [<sup>F21</sup>under section 2(1) of the Taxation (International and Other Provisions) Act 2010] confer on a person not resident in the United Kingdom the right to a tax credit under [<sup>F22</sup>section 397 of the Income Tax (Trading and Other Income) Act 2005] in respect of a dividend of a company resident in the United Kingdom, and

(b) the arrangements contain provision for permitting—

(i) tax to be charged or deducted, or

(ii) a reduction in the amount of the tax credit that is paid to be made, by reference to the aggregate of the dividend and the tax credit, and

(c) the amount of that tax or that reduction exceeds the amount of the tax credit,

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that provision shall only have the effect of reducing to nil the amount of the payment to which the person is entitled in respect of the tax credit.

(11) This section has effect in relation to distributions made on or after 6th April 1999.

#### Textual Amendments

- F16** S. 30(2)(3) repealed (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)
- F17** S. 30(5)(a) repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 3** (with Sch. 2)
- F18** S. 30(6) repealed (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 3** (with Sch. 2)
- F19** Words in s. 30(9) inserted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 1 para. 496(a)** (with Sch. 2)
- F20** Words in s. 30(9) substituted (1.4.2010) (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 52(2)** (with Sch. 9 paras. 1-9, 22)
- F21** Words in s. 30(10)(a) substituted (1.4.2010) (with effect in accordance with s. 381(1) of the amending Act) by Taxation (International and Other Provisions) Act 2010 (c. 8), s. 381(1), **Sch. 8 para. 52(3)** (with Sch. 9 paras. 1-9, 22)
- F22** Words in s. 30(10)(a) substituted (6.4.2005) by Income Tax (Trading and Other Income) Act 2005 (c. 5), s. 883(1), **Sch. 1 para. 496(b)** (with Sch. 2)

#### Modifications etc. (not altering text)

- C1** S. 30 modified (31.7.1998 with effect as mentioned in s. 76(1) of the amending Act) by 1998 c. 36, s. **76(1)(2)**
- C2** S. 30(4) excluded (*temp.* from 6.4.1999 to 6.4.2004) by S.I. 1998/1871, **reg. 4(1)**
- C3** S. 30(4) restricted (31.7.1998) by 1998 c. 36, s. **90(1)**
- C4** S. 30(4): Power to modify conferred (31.7.1998) by 1988 c. 1, s. **33B** (as inserted (31.7.1998) by 1998 c. 36, s. **77(1)**)

### <sup>F23</sup> 31 Rates of tax applicable to Schedule F income etc.

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#### Textual Amendments

- F23** S. 31 repealed (6.4.2007) by Income Tax Act 2007 (c. 3), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

### <sup>F24</sup> 32 Trusts.

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#### Textual Amendments

- F24** S. 32 repealed (6.4.2007) by Income Tax Act 2007 (c. 3), s. 1034(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Status: Point in time view as at 01/04/2010.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Part III. (See end of Document for details)*

### 33 Estates of deceased persons in administration.

- F25(1) .....
- F26(2) .....
- F26(3) .....
- F26(4) .....
- F26(5) .....
- F26(6) .....
- F26(7) .....
- F26(8) .....
- F26(9) .....
- F26(10) .....
- F26(11) .....

#### Textual Amendments

- F25** S. 33(1) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 3 Pt. 1** (with [Sch. 2](#))
- F26** S. 33(2)-(11) repealed (1.4.2009) (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with [Sch. 2 Pts. 1, 2](#))

### 34 Tax credits and taxation of distributions: miscellaneous provisions.

Schedule 4 to this Act (which contains provisions relating to tax credits and the taxation of distributions) shall have effect.

### 35 Transitional relief for charities etc.

(1) In any case where—

- (a) a qualifying distribution is made on or after 6th April 1999 and before 6th April 2004 by a company resident in the United Kingdom, and
- (b) the recipient of the distribution is a section 505 body, and
- (c) if the section 505 body falls within neither paragraph (b) nor paragraph (c) of subsection (3) below, entitlement to exemption from tax by virtue of subsection (1)(c)(iii) of section 505 of the Taxes Act 1988 (charities) in respect of the distribution is not prevented by anything in that section,

the section 505 body, on a claim made under this section to the Board, shall be entitled to be paid by the Board out of money provided by Parliament an amount determined in accordance with subsection (2) below.

(2) The amount referred to in subsection (1) above is an amount equal to—

- (a) 21 per cent of the amount or value of the distribution if the distribution is made on or after 6th April 1999 and before 6th April 2000;
- (b) 17 per cent of that amount or value if the distribution is made on or after 6th April 2000 and before 6th April 2001;

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- (c) 13 per cent of that amount or value if the distribution is made on or after 6th April 2001 and before 6th April 2002;
  - (d) 8 per cent of that amount or value if the distribution is made on or after 6th April 2002 and before 6th April 2003;
  - (e) 4 per cent of that amount or value if the distribution is made on or after 6th April 2003 and before 6th April 2004.
- (3) For the purposes of this section each of the following is a section 505 body—
- (a) any [<sup>F27</sup>charitable company] (as defined in section 506(1) of the Taxes Act 1988);
  - (b) each of the bodies mentioned in section 507 of that Act (heritage bodies);
  - (c) any Association of a description specified in section 508 of that Act (scientific research organisations).
- (4) Schedule 5 to this Act shall have effect to remove or restrict entitlement to payment under this section in certain circumstances.
- (5) For the purposes of Chapter I of Part XVII of the Taxes Act 1988 (cancellation of tax advantages) payment of an amount under this section shall be treated as repayment of tax.
- (6) Any entitlement of a section 505 body to a payment under subsection (1) above shall be subject to a power of the Board to determine (whether before or after any payment is made) that, having regard to the operation in relation to the distribution in question of section 703 of the Taxes Act 1988 (cancellation of tax advantages), that body is to be treated as if it had had no entitlement to that payment or to so much of it as they may determine.
- (7) No claim may be made under this section later than two years after the end of the chargeable period of the section 505 body in which the distribution is made.
- (8) An appeal may be brought against any decision of the Board under this section or under Schedule 5 to this Act by giving written notice to the Board within thirty days of receipt of written notice of the decision.
- (9) <sup>F28</sup>... the provisions of the <sup>M7</sup>Taxes Management Act 1970 relating to appeals under the Tax Acts shall apply to an appeal under this section as they apply to those appeals.
- (10) Any payment of an amount under this section shall be treated for the purposes of section 252 of the Taxes Act 1988 (rectification of excessive set-off etc of ACT or tax credit) as a payment of tax credit.

#### Textual Amendments

**F27** Words in s. 35(3)(a) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 379](#) (with [Sch. 2](#))

**F28** Words in s. 35(9) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 246\(2\)](#)

#### Marginal Citations

**M7** 1970 c. 9.

*Status: Point in time view as at 01/04/2010.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Part III. (See end of Document for details)*

### 36 Foreign income dividends.

- (1) No election shall be made under section 246A of the Taxes Act 1988 (election for dividend to be treated as foreign income dividend) in respect of any distributions made on or after 6th April 1999.
- (2) No amount shall be shown as available for distribution as foreign income dividends in the distribution accounts of an authorised unit trust for a distribution period the distribution date for which falls on or after 6th April 1999.
- (3) No distribution made on or after 6th April 1999 shall be treated as a foreign income dividend by virtue of paragraph 2(1) of Schedule 7 to the <sup>M8</sup>Finance Act 1997 (Tax Acts to have effect as if qualifying distributions to which Schedule 7 applies were foreign income dividends).
- (4) Schedule 6 to this Act (which makes provision for and in connection with the repeal of provisions relating to foreign income dividends) shall have effect.
- (5) In subsection (2) above, “distribution accounts”, “distribution date” and “distribution period” shall be construed in accordance with section 468H of the Taxes Act 1988 (interpretation of sections 468I to 468R of that Act).

#### Marginal Citations

M8 1997 c.16.

### *Gilt-edged securities*

### 37 Interest to be paid gross.

- (1) The Taxes Act 1988 shall be amended as follows.
  - <sup>F29</sup>(2) .....
  - <sup>F29</sup>(3) .....
  - <sup>F29</sup>(4) .....
  - (5) Section 51A (interest on gilt-edged securities held under authorised arrangements to be paid without deduction of tax) shall cease to have effect.
    - <sup>F30</sup>(6) .....
    - <sup>F31</sup>(7) .....
    - (8) <sup>F32</sup>... this section has effect in relation to payments of interest falling due on or after 6th April 1998.
      - <sup>F33</sup>(9) .....
      - <sup>F33</sup>(10) .....
      - <sup>F33</sup>(11) .....
      - <sup>F33</sup>(12) .....
      - <sup>F33</sup>(13) .....

*Status: Point in time view as at 01/04/2010.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Part III. (See end of Document for details)*

### Textual Amendments

- F29** S. 37(2)-(4) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F30** S. 37(6) repealed (31.7.1998 with effect as mentioned in [Sch. 27 Pt. III\(3\)](#) Note of the amending Act) by [1998 c. 36](#), ss. [37\(3\)](#), [165](#), [Sch. 27 Pt. III\(3\)](#) Note; S.I. 1999/619, [art. 2](#)
- F31** S. 37(7) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F32** Words in s. [37\(8\)](#) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))
- F33** S. [37\(9\)-\(13\)](#) repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

### [<sup>F34</sup>38 Paying and collecting agents.

- (1) Chapter VIIA of Part IV of the Taxes Act 1988 (paying and collecting agents) shall be amended as follows.
- (2) Section 118A (interpretation of Chapter) shall become subsection (1) of that section and, in paragraph (k) of that subsection (meaning of “international organisation”), for “has the meaning given by section 51A(8)” there shall be substituted “ means an organisation of which two or more sovereign powers, or the governments of two or more sovereign powers, are members ”.
- (3) After that subsection there shall be inserted the following subsection—
  - “(2) If, in any proceedings, any question arises whether a person is an international organisation for the purposes of this Chapter, a certificate issued by or under the authority of the Secretary of State stating any fact relevant to that question shall be conclusive evidence of that fact.”
- (4) In section 118D(4) (payments of interest payable without deduction of tax not to be chargeable payments), after “by virtue of” there shall be inserted “ section 50(A1) or of ”.
- (5) In subsection (3) of section 118G (United Kingdom public revenue dividends excluded from being chargeable payments)—
  - (a) paragraphs (b) and (d) to (f) shall be omitted; and
  - (b) for paragraph (c) there shall be substituted the following paragraph—
    - “(ca) they are payable in respect of a FOTRA security (within the meaning of section 154 of the <sup>M9</sup>Finance Act 1996) which—
      - (i) is not registered (within the meaning of section 50 of this Act); and
      - (ii) is, for the time being, beneficially owned by a person who is not ordinarily resident in the United Kingdom.”
- (6) In section 118G(7), for paragraphs (a) and (b) there shall be substituted “ foreign dividends on foreign holdings held by a nominee approved for the purposes of this subsection ”.
- (7) Section 118G(8) and (10) shall cease to have effect.
- (8) This section has effect in relation to payments falling due on or after 6th April 1998.]



*Status: Point in time view as at 01/04/2010.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Part III. (See end of Document for details)*

**Textual Amendments**

**F34** S. 38 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(17) Note of the amending Act) by 2000 c. 17, s. 156, **Sch. 40 Pt. II(17)**

**Marginal Citations**

**M9** 1996 c. 8.

*Relief for losses etc*

**F35** **39 Carry-back of trading losses.**

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**Textual Amendments**

**F35** S. 39 repealed (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

**F36** **40 Carry-back of loan relationship deficits.**

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**Textual Amendments**

**F36** S. 40 repealed (1.4.2009) (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), Sch. 1 para. 450, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

**F37** **41 Restrictions on group relief.**

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**Textual Amendments**

**F37** S. 41 repealed (1.4.2010) (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 3 Pt. 1** (with Sch. 2)

*Capital allowances for small and medium-sized businesses*

**F38** **42** .....

**Textual Amendments**

**F38** S. 42 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, **Sch. 4**

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*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Part III. (See end of Document for details)*

F39 **43** .....

**Textual Amendments**

**F39** S. 43 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, [Sch. 4](#)

*Capital allowances and finance leases*

F40 **44** .....

**Textual Amendments**

**F40** S. 44 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, [Sch. 4](#)

F41 **45** .....

**Textual Amendments**

**F41** S. 45 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, [Sch. 4](#)

F42 **46** .....

**Textual Amendments**

**F42** S. 46 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, [Sch. 4](#)

F43 **47** .....

**Textual Amendments**

**F43** S. 47 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, [Sch. 4](#)

*Films*

F44 **48** **Relief for expenditure on production and acquisition.**

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*Status: Point in time view as at 01/04/2010.*

*Changes to legislation: There are currently no known outstanding effects  
for the Finance (No. 2) Act 1997, Part III. (See end of Document for details)*

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**Textual Amendments**

**F44** S. 48 repealed (19.7.2006) (with effect in accordance with Sch. 26 Pt. 3(4) Note 1 of the amending Act) by [Finance Act 2006 \(c. 25\)](#), **Sch. 26 Pt. 3(4)**

**Status:**

Point in time view as at 01/04/2010.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance (No. 2) Act 1997, Part III.