



# Finance Act 1999

## 1999 CHAPTER 16

### PART I

#### EXCISE DUTIES

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

- C1** Pt. 1 excluded by 1990 c. 19, s. 61(3) (as substituted (11.2.2005) by [The Stamp Duty Land Tax \(Consequential Amendment of Enactments\) Regulations 2005 \(S.I. 2005/82\)](#), regs. 1, **2(2)**)

#### *Alcoholic liquor duties*

### **1** Rate of duty on sparkling cider.

- (1) In section 62(1A)(a) of the <sup>M1</sup>Alcoholic Liquor Duties Act 1979 (rate of duty per hectolitre on sparkling cider of a strength exceeding 5.5 per cent.), for “£45.05” there shall be substituted “ £161.20 ”.
- (2) This section shall be deemed to have come into force at 6 o’clock in the evening of 9th March 1999.

##### Marginal Citations

- M1** 1979 c.4.

#### *Hydrocarbon oil duties*

### **2** Rates of duty and rebate on hydrocarbon oil.

- (1) In section 6(1A) of the <sup>M2</sup>Hydrocarbon Oil Duties Act 1979 (rates of duty on hydrocarbon oil)—

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- (a) in paragraph (a) (light oil), for “£0.4926” there shall be substituted “ £0.5288 ”;
  - (b) in paragraph (b) (ultra low sulphur diesel), for “£0.4299” there shall be substituted “ £0.4721 ”; and
  - (c) in paragraph (c) (heavy oil which is not ultra low sulphur diesel), for “£0.4499” there shall be substituted “ £0.5021 ”.
- (2) In section 8(3) of that Act (road fuel gas), for “£0.2113” there shall be substituted “ £0.1500 ”.
- (3) In section 11(1) of that Act (rebate on heavy oil)—
- (a) in paragraph (a) (fuel oil), for “£0.0218” there shall be substituted “ £0.0265 ”; and
  - (b) in each of paragraphs (b) and (ba) (gas oil which is not ultra low sulphur diesel and ultra low sulphur diesel), for “£0.0282” there shall be substituted “ £0.0303 ”.
- (4) In section 13A(1A) of that Act (rebate on unleaded petrol)—
- (a) in paragraph (a) (higher octane unleaded petrol), for “£0.0050” there shall be substituted “ £0.0055 ”; and
  - (b) in paragraph (b) (other unleaded petrol), for “£0.0527” there shall be substituted “ £0.0567 ”.
- (5) In section 14(1) of that Act (rebate on light oil for use as furnace fuel), for “£0.0218” there shall be substituted “ £0.0265 ”.
- (6) This section shall be deemed to have come into force at 6 o’clock in the evening of 9th March 1999.

#### Marginal Citations

M2 1979 c.5

### 3 Increased rebate on higher octane unleaded petrol.

- (1) In section 13A(1A)(a) of the Hydrocarbon Oil Duties Act 1979 (rebate on higher octane unleaded petrol), for “£0.0055” there shall be substituted “ £0.0367 ”.
- (2) This section comes into force on 1st October 1999.

### 4 Drawback of duty on exportation.

- (1) In section 15(1) of the <sup>M3</sup>Hydrocarbon Oil Duties Act 1979 (drawback of duty on exportation, shipment as stores or warehousing of hydrocarbon oil and related articles), the word “exportation,” shall be omitted.
- (2) This section has effect in relation to any exportation on or after the day on which this Act is passed.

#### Marginal Citations

M3 1979 c.5.

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### *Tobacco products duty*

#### **5 Rates of tobacco products duty.**

- (1) For the Table of rates of duty in Schedule 1 to the <sup>M4</sup>Tobacco Products Duty Act 1979 there shall be substituted—

1. Cigarettes	An amount equal to 22 per cent. of the retail price plus £82.59 per thousand cigarettes.
2. Cigars	£122.06 per kilogram.
3. Hand-rolling tobacco	£87.74 per kilogram.
4. Other smoking tobacco and chewing tobacco	£53.66 per kilogram.

- (2) This section shall be deemed to have come into force at 6 o'clock in the evening of 9th March 1999.

#### **Marginal Citations**

**M4** [1979 c.7](#)

### *Betting and gaming duties*

#### **6 Rate of pool betting duty.**

- (1) In section 7(1) of the <sup>M5</sup>Betting and Gaming Duties Act 1981 (rate of pool betting duty), for “26.50 per cent.” there shall be substituted “ 17.50 per cent. ”
- (2) This section has effect in relation to bets the stake money on which is or has been paid on or after 28th March 1999.

#### **Marginal Citations**

**M5** [1981 c.63](#)

#### **7 Rates of gaming duty.**

- (1) For the Table in section 11(2) of the <sup>M6</sup>Finance Act 1997 (rates of gaming duty) there shall be substituted—

“ Table

<i>Part of gross gaming yield</i>	<i>Rate</i>
The first £462,500	2½ per cent.
The next £1,027,500	12½ per cent.
The next £1,027,500	20 per cent.

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The next £1,798,500	30 per cent.
The remainder	40 per cent.”

- (2) This section has effect in relation to accounting periods beginning on or after 1st April 1999.

#### Marginal Citations

M6 1997 c.16

### *Vehicle excise duty*

#### **8 The general rate of vehicle excise duty.**

- (1) In sub-paragraph (2) of paragraph 1 of Schedule 1 to the <sup>M7</sup>Vehicle Excise and Registration Act 1994 (the general rate), for “£150” there shall be substituted “£155”.
- (2) For the word “The” at the beginning of that sub-paragraph there shall be substituted “Except in the case of a vehicle having an engine with a cylinder capacity not exceeding 1,100 cubic centimetres, the”.
- (3) After that sub-paragraph there shall be inserted the following sub-paragraph—
- “(2A) In the case of a vehicle having an engine with a cylinder capacity not exceeding 1,100 cubic centimetres, the general rate is £100.”
- (4) In sections 13(3)(b), 35A(5)(b) and 36(3)(b) of that Act, and in section 13(4)(b) of that Act as substituted under paragraph 8 of Schedule 4 to that Act, (which refer to the rate of duty applicable under paragraph 1 of Schedule 1), for the words “paragraph 1 of Schedule 1”, in each place where they occur, there shall be substituted “paragraph 1(2) of Schedule 1”.
- (5) Subsection (1) above has effect in relation to any licence issued after 9th March 1999; and subsections (2) to (4) above have effect in relation to any licence taken out for a period beginning on or after 1st June 1999.

#### Marginal Citations

M7 1944 c.22

#### **9 Rates of duty for goods vehicles.**

Schedule 1 to this Act (which makes provision for new rates of vehicle excise duty for goods vehicles etc.) shall have effect.

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### *Goods shipped etc. as stores*

## **10 Goods for sale on board ships or aircraft.**

(1) For subsection (4) of section 1 of the <sup>M8</sup>Customs and Excise Management Act 1979 (goods for sale on board ships or aircraft to be treated as stores) there shall be substituted the following subsections—

“(4) Goods for use in a ship or aircraft as merchandise for sale to persons carried in the ship or aircraft shall be treated for the purposes of the customs and excise Acts as stores if, and only if—

(a) the goods are to be sold by retail either—

- (i) in the course of a relevant journey, or
- (ii) for consumption on board;

and

(b) the goods are not treated as exported by virtue of regulations under section 12 of the <sup>M9</sup>Customs and Excise Duties (General Reliefs) Act 1979 (goods for use in naval ships or establishments).

(4A) For the purposes of subsection (4) above a relevant journey is any journey beginning in the United Kingdom and having an immediate destination outside the member States.

(4B) In relation to goods treated as stores by virtue of subsection (4) above, any reference in the customs and excise Acts to the consumption of stores shall be construed as referring to the sale of the goods as mentioned in paragraph (a) of that subsection.”

(2) This section shall be deemed to have come into force on 1st July 1999 but shall not have effect in relation to any shipment of goods before that date.

#### **Marginal Citations**

**M8** 1979 c.2.

**M9** 1979 c.3.

## **11 Drawback of duty on shipment.**

(1) In section 2 of the <sup>M10</sup>Finance (No. 2) Act 1992 (power to provide for drawback of excise duty), in subsection (1), after “provision” there shall be inserted “ (a) ”, and after “Kingdom” there shall be inserted “; and

(b) conferring an entitlement to drawback of duty, in prescribed cases, on the shipment as stores, or warehousing in an excise warehouse for use as stores, of goods chargeable with duty”.

(2) In subsection (5) of that section, for “ “goods” has the same meaning” there shall be substituted “excise warehouse”, “goods”, “shipment”, “stores” and “warehousing” have the same meanings ”.

(3) Section 132 of the Customs and Excise Management Act 1979 (extension of drawback to shipment, and warehousing for use, as stores) shall cease to have effect.

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- (4) Subsection (3) above shall come into force on such day as the Commissioners of Customs and Excise may by order made by statutory instrument appoint.

**Commencement Information**

**II** S.11 partly in force; s.11(1)(2)(4) in force at Royal Assent, see s.11(4)

**Marginal Citations**

**M10** 1992 c.48.

**PART II**

VALUE ADDED TAX

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

**C2** Pt. 2 excluded by 1990 c. 19, s. 61(3) (as substituted (11.2.2005) by [The Stamp Duty Land Tax \(Consequential Amendment of Enactments\) Regulations 2005 \(S.I. 2005/82\)](#), regs. 1, **2(2)**)

**12 Works of art, antiques, etc.**

- (1) In subsection (4) of section 21 of the <sup>M11</sup>Value Added Tax Act 1994 (which treats as reduced for VAT purposes the value of goods falling within subsection (5) of that section and imported from outside the EU)—

- (a) at the beginning there shall be inserted “ Subject to subsection (6D) below,  
”; and  
(b) for “14.29 per cent.” there shall be substituted “ 28.58 per cent. ”

- (2) For subsections (5) and (6) of that section there shall be substituted the following subsections—

“(5) The goods that fall within this subsection are—

- (a) any work of art;  
(b) any antique, not falling within paragraph (a) above or (c) below, that is more than one hundred years old;  
(c) any collection or collector’s piece that is of zoological, botanical, mineralogical, anatomical, historical, archaeological, palaeontological, ethnographic, numismatic or philatelic interest.

- (6) In this section “work of art” means, subject to subsections (6A) and (6B) below—

- (a) any mounted or unmounted painting, drawing, collage, decorative plaque or similar picture that was executed by hand;  
(b) any original engraving, lithograph or other print which—  
(i) was produced from one or more plates executed by hand by an individual who executed them without using any mechanical or photomechanical process; and  
(ii) either is the only one produced from the plate or plates or is comprised in a limited edition;

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- (c) any original sculpture or statuary, in any material;
  - (d) any sculpture cast which—
    - (i) was produced by or under the supervision of the individual who made the mould or became entitled to it by succession on the death of that individual; and
    - (ii) either is the only cast produced from the mould or is comprised in a limited edition;
  - (e) any tapestry or other hanging which—
    - (i) was made by hand from an original design; and
    - (ii) either is the only one made from the design or is comprised in a limited edition;
  - (f) any ceramic executed by an individual and signed by him;
  - (g) any enamel on copper which—
    - (i) was executed by hand;
    - (ii) is signed either by the person who executed it or by someone on behalf of the studio where it was executed;
    - (iii) either is the only one made from the design in question or is comprised in a limited edition; and
    - (iv) is not comprised in an article of jewellery or an article of a kind produced by goldsmiths or silversmiths;
  - (h) any mounted or unmounted photograph which—
    - (i) was printed by or under the supervision of the photographer;
    - (ii) is signed by him; and
    - (iii) either is the only print made from the exposure in question or is comprised in a limited edition;
- (6A) The following do not fall within subsection (5) above by virtue of subsection (6)(a) above, that is to say—
- (a) any technical drawing, map or plan;
  - (b) any picture comprised in a manufactured article that has been hand-decorated; or
  - (c) anything in the nature of scenery, including a backcloth.
- (6B) An item comprised in a limited edition shall be taken to be so comprised for the purposes of subsection (6)(d) to (h) above only if—
- (a) in the case of sculpture casts—
    - (i) the edition is limited so that the number produced from the same mould does not exceed eight; or
    - (ii) the edition comprises a limited edition of nine or more casts made before 1st January 1989 which the Commissioners have directed should be treated, in the exceptional circumstances of the case, as a limited edition for the purposes of subsection (6)(d) above;
  - (b) in the case of tapestries and hangings, the edition is limited so that the number produced from the same design does not exceed eight;
  - (c) in the case of enamels on copper—
    - (i) the edition is limited so that the number produced from the same design does not exceed eight; and

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- (ii) each of the enameled pieces in the edition is numbered and is signed as mentioned in subsection (6)(g)(ii) above;
- (d) in the case of photographs—
  - (i) the edition is limited so that the number produced from the same exposure does not exceed thirty; and
  - (ii) each of the prints in the edition is numbered and is signed as mentioned in subsection (6)(h)(ii) above.
- (6C) For the purposes of this section a collector's piece is of philatelic interest if—
  - (a) it is a postage or revenue stamp, a postmark, a first-day cover or an item of pre-stamped stationery; and
  - (b) it is franked or (if unfranked) it is not legal tender and is not intended for use as such.
- (6D) Subsection (4) above does not apply in the case of any goods imported from outside the member States if—
  - (a) the whole of the VAT chargeable on their importation falls to be relieved by virtue of an order under section 37(1); or
  - (b) they were exported from the United Kingdom during the period of twelve months ending with the date of their importation.”
- (3) This section has effect in relation to goods imported at any time on or after the day on which this Act is passed.

#### Marginal Citations

M11 1994 c.23.

### 13 Gold.

- (1) Notwithstanding the words preceding paragraph (a) in section 26(3) of the <sup>M12</sup>Value Added Tax Act 1994 (input tax allowable against output tax), regulations which—
  - (a) are made under section 26(3), and
  - (b) have effect in respect of exempt supplies which relate to gold,
 may provide that input tax is allowable, as being attributable to the supplies, only in relation to specified matters.
- (2) An order under section 31(2) of that Act (exempt supplies and acquisitions) which provides for certain supplies which relate to gold to be exempt supplies may—
  - (a) provide that a supply which would be an exempt supply by virtue of the order shall, if the supplier so chooses, be a taxable supply;
  - (b) make provision by reference to notices to be published by the Commissioners.
- (3) An order under section 37(1) of that Act (relief on importation of goods) which gives relief from VAT on certain importations of gold may make provision by reference to notices to be published by the Commissioners.
- (4) Provision made by virtue of subsection (2) or (3) above may be expressed—
  - (a) to apply only in specified circumstances;
  - (b) to apply subject to compliance with specified conditions (which may include conditions relating to general or specific approval of the Commissioners).



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- (5) Regulations may—
- (a) require specified persons to keep specified records in relation to specified transactions concerning gold;
  - (b) require specified persons to give specified information to the Commissioners about specified transactions concerning gold;
  - (c) provide for paragraph 10(2) of Schedule 11 to that Act (entry and inspection of premises) to apply in relation to specified transactions concerning gold as it applies in relation to the supply of goods under taxable supplies.
- (6) The provisions of that Act (including, in particular, section 97 and paragraph 6(2) to (6) of Schedule 11) shall apply in relation to regulations under subsection (5) above as they apply in relation to regulations under paragraph 6(1) of Schedule 11 to that Act.
- (7) In this section “the Commissioners” means the Commissioners of Customs and Excise.

**Marginal Citations**

M12 1994 c.23.

**14 Preparations etc. of meat, yeast or egg.**

Schedule 8 to the <sup>M13</sup>Value Added Tax Act 1994 (zero-rating) shall have effect, and be deemed always to have had effect, as if in Group 1 (food), in Note (6) (which provides that certain items which override the exceptions listed in that Group relate only to item 4 of the excepted items (non-alcoholic beverages)) for “Items 4 to 6” there were substituted “Items 4 to 7”.

**Marginal Citations**

M13 1994 c.23.

**15 Assignment of debts.**

- (1) In section 36 of the Value Added Tax Act 1994 (bad debts), for subsection (3) there shall be substituted—

“(3) In subsection (2) above “the outstanding amount” means—

- (a) if at the time of the claim no part of the consideration written off in the claimant’s accounts as a bad debt has been received, an amount equal to the amount of the consideration so written off;
- (b) if at that time any part of the consideration so written off has been received, an amount by which that part is exceeded by the amount of the consideration written off;

and in this subsection “received” means received either by the claimant or by a person to whom has been assigned a right to receive the whole or any part of the consideration written off.”

- (2) In subsection (5)(e) of that section, for the words from “where” to the end of the paragraph there shall be substituted “ where any part (or further part) of the

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consideration written off in the claimant's accounts as a bad debt is subsequently received either by the claimant or, except in such circumstances as may be prescribed, by a person to whom has been assigned a right to receive the whole or any part of that consideration; ”.

- (3) At the end of paragraph 7 of Schedule 11 to that Act (furnishing of information etc.) there shall be added—

“(9) For the purposes of this paragraph a person to whom has been assigned a right to receive the whole or any part of the consideration for a supply of goods or services shall be treated as a person concerned in the supply.”

- [<sup>F1</sup>(4) Until such day as the Commissioners may specify in regulations made under section 36 of that Act, Part XIX of the <sup>M14</sup>Value Added Tax Regulations 1995 (bad debt relief), except regulation 171, shall be read as if a reference to a payment being received by the claimant were a reference to a payment being received either by the claimant or by a person to whom a right to receive it has been assigned.]

- (5) Subsections (1) and (4) above have effect for the purposes of the making of any refund or repayment after 9th March 1999, but do not have effect in relation to anything received on or before that day.

#### Textual Amendments

**F1** S. 15(4) ceased to have effect (1.12.1999) by [S.I. 1999/3029, reg. 5](#)

#### Marginal Citations

**M14** S.I 1995/2518.

## 16 Groups of companies.

Schedule 2 to this Act (which makes changes to provisions about the treatment of bodies corporate as members of a group) shall have effect.

## 17 Penalties for incorrect certificates.

- (1) For subsections (1) and (2) of section 62 of the Value Added Tax Act 1994 (incorrect certificates as to zero-rating etc.) there shall be substituted the following subsections—

“(1) Subject to subsections (3) and (4) below, where—

(a) a person to whom one or more supplies are, or are to be, made—

(i) gives to the supplier a certificate that the supply or supplies fall, or will fall, wholly or partly within paragraph 1 of Schedule A1, Group 5 or 6 of Schedule 8 or Group 1 of Schedule 9, or

(ii) gives to the supplier a certificate for the purposes of section 18B(2)(d) or 18C(1)(c),

and

(b) the certificate is incorrect,

the person giving the certificate shall be liable to a penalty.

- (1A) Subject to subsections (3) and (4) below, where—

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- (a) a person who makes, or is to make, an acquisition of goods from another member State prepares a certificate for the purposes of section 18B(1)(d), and
  - (b) the certificate is incorrect,
- the person preparing the certificate shall be liable to a penalty.
- (2) The amount of the penalty shall be equal to—
- (a) in a case where the penalty is imposed by virtue of subsection (1) above, the difference between—
    - (i) the amount of the VAT which would have been chargeable on the supply or supplies if the certificate had been correct; and
    - (ii) the amount of VAT actually chargeable;
  - (b) in a case where it is imposed by virtue of subsection (1A) above, the amount of VAT actually chargeable on the acquisition.”
- (2) Subsection (1) above has effect in relation to certificates given or, as the case may be, prepared on or after the day on which this Act is passed.

## **18 EC sales statements: time limits for assessments to penalties.**

- (1) For section 77(2) of the <sup>M15</sup>Value Added Tax Act 1994 (time limits for assessments under section 76) there shall be substituted the following subsections—

“(2) Subject to subsection (5) below, an assessment under section 76 of an amount due by way of any penalty, interest or surcharge referred to in subsection (3) of that section may be made at any time before the expiry of the period of 2 years beginning with the time when the amount of VAT due for the prescribed accounting period concerned has been finally determined.

(2A) Subject to subsection (5) below, an assessment under section 76 of a penalty under section 65 or 66 may be made at any time before the expiry of the period of 2 years beginning with the time when facts sufficient in the opinion of the Commissioners to indicate, as the case may be—

- (a) that the statement in question contained a material inaccuracy, or
- (b) that there had been a default within the meaning of section 66(1), came to the Commissioners’ knowledge.”

- (2) Subsection (1) above has effect in relation to any amount by way of penalty, interest or surcharge which becomes due on or after the day on which this Act is passed.

### **Marginal Citations**

M15 1994 c.23.

## **19 Period before repayment supplement payable.**

- (1) Section 79 of the <sup>M16</sup>Value Added Tax Act 1994 (repayment supplement) shall be amended as follows.
- (2) In subsection (2)(b), for “the period of 30 days beginning on the date of the receipt by the Commissioners of that return or claim” there shall be substituted “ the relevant period ”.

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(3) After subsection (2) there shall be inserted—

“(2A) The relevant period in relation to a return or claim is the period of 30 days beginning with the later of—

- (a) the day after the last day of the prescribed accounting period to which the return or claim relates, and
- (b) the date of the receipt by the Commissioners of the return or claim.”

(4) In subsections (3) and (7), for “subsection (2)(b)” there shall be substituted “subsection (2A)”; and regulations under subsection (3) shall be construed accordingly.

(5) This section has effect in relation to returns and claims received by the Commissioners on or after 9th March 1999.

#### Marginal Citations

M16 1994 c.23.

## 20 Meaning of “business”.

(1) Section 94(3) of the Value Added Tax Act 1994 (meaning of “business”: public organisations) shall cease to have effect.

(2) This section shall come into force in accordance with such provision as the Commissioners of Customs and Excise may make by order made by statutory instrument.

#### Subordinate Legislation Made

P1 S. 20(2) power fully exercised (12.10.1999): 1.12.1999 appointed by S.I. 1999/2769, art. 2

## F21 .....

#### Textual Amendments

F2 S. 21 repealed (1.4.2001) by 2000 c. 20, ss. 21(4), 29(2), Sch. 2; S.I. 2000/3349, art. 3 (subject to transitional provisions in arts. 4, 5)

## PART III

### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

*Income tax rates and charge etc.*

## 22 Starting rate.

(1) The following shall be substituted for section 1(2)(aa) of the Taxes Act 1988 (the charge to income tax: lower rate)—

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- “(aa) in respect of so much of an individual’s total income as does not exceed £1,500, at such rate as Parliament may determine to be the starting rate for that year;”.
- (2) The following shall be substituted for section 1(2A) of that Act (lower rate limit)—
- “(2A) The amount up to which an individual’s income is by virtue of subsection (2) above chargeable for any year at the starting rate shall be known as the starting rate limit.”
- (3) In section 1(3) of that Act (basic rate limit), for “lower rate” there shall be substituted “starting rate”.
- (4) In section 1(4) of that Act (indexation), for the words from “and, if the result is not a multiple of £100” to the end there shall be substituted “and—
- (a) if the result in the case of the amount specified in subsection (2)(aa) above is not a multiple of £10, rounding it up to the nearest amount which is such a multiple, and
- (b) if the result in the case of the amount specified in subsection (2)(b) above is not a multiple of £100, rounding it up to the nearest amount which is such a multiple.”
- (5) Section 1(4) of that Act (indexation), so far as it relates to section 1(2)(aa), shall not apply for the year 1999-00.
- (6) In section 1(6A) of that Act (repayment), for “lower rate” there shall be substituted “starting rate”.
- (7) In section 1A of that Act (application of lower rate to income from savings and distributions)—
- (a) the following shall be inserted before subsection (2)—
- “(1B) In relation to any year of assessment for which income tax is charged the lower rate is 20 per cent. or such other rate as Parliament may determine.”, and
- (b) the following shall be inserted after subsection (6)—
- “(6A) Where income tax at the basic rate has been borne on income chargeable at the lower rate any necessary repayment of tax shall be made on the making of a claim.”
- <sup>F3</sup>(8) .....
- (9) In the following provisions of that Act, for “at the lower rate by virtue of section 1(2)(aa)” there shall be substituted “at the starting rate”
- <sup>F4</sup>(a) .....
- <sup>F4</sup>(b) .....
- (c) section 819(2) (old references to standard rate tax).
- (10) In section 832(1) of that Act (interpretation of the Tax Acts)—
- (a) the following shall be substituted for the definition of “lower rate”—
- ““lower rate”, in relation to the charging of income tax for any year of assessment, means the rate of income tax specified in or determined in pursuance of section 1A(1B);”, and

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(b) the following shall be inserted after the definition of “Schedule A business”—

““starting rate”, in relation to the charging of income tax for any year of assessment, means the rate of income tax determined in pursuance of section 1(2)(aa), and any reference to the starting rate limit shall be construed in accordance with section 1(2A);”.

(11) In the following provisions of the <sup>M17</sup>Taxes Management Act 1970, for “or the lower rate” there shall be substituted “, the lower rate or the starting rate”

- (a) section 7(6) (notice of liability to income tax and capital gains tax);
- (b) section 91(3)(c) (effect of reliefs on tax charged on income subject to deduction).

(12) Subsections (1) to (3) and (6) to (11) above apply for the year 1999-00 and subsequent years of assessment; and subsection (4) above applies for the year 2000-01 and subsequent years of assessment.

#### Textual Amendments

- F3** S. 22(8) repealed (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))
- F4** S. 22(9)(a)(b) repealed (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

#### Marginal Citations

- M17** 1970 c.9.

### 23 Charge and rates for 1999-00.

Income tax shall be charged for the year 1999-00, and for that year—

- (a) the starting rate shall be 10 per cent.;
- (b) the basic rate shall be 23 per cent.; and
- (c) the higher rate shall be 40 per cent.

### 24 Personal allowances for 1999-00 for those aged 65 or more.

- (1) For the year 1999-00 the amounts specified in subsections (2) and (3) of section 257 of the Taxes Act 1988 (personal allowances for those aged at least 65 but less than 75 and for those aged 75 or more) shall be taken to be £5,720 and £5,980, respectively.
- (2) Accordingly, section 257C(1) of the Taxes Act 1988 (indexation), so far as it relates to the amounts so specified, shall not apply for the year 1999-00.

### 25 Operative date of indexation for PAYE.

- (1) The Taxes Act 1988 shall be amended in accordance with subsections (2) and (3) below.
- (2) In section 1 (charge to income tax), after subsection (4) there shall be inserted—

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“(5A) Subsection (4) above shall not require any change to be made in the amounts deductible or repayable under section 203 during the period beginning with 6th April and ending with 17th May in the year of assessment.”

(3) In section 257C (indexation of allowances), after subsection (1) there shall be inserted—

“(2A) Subsection (1) above shall not require any change to be made in the amounts deductible or repayable under section 203 during the period beginning with 6th April and ending with 17th May in the year of assessment.”

(4) This section has effect for the year 1999-00 and subsequent years of assessment.

### *Rates of capital gains tax*

## **26 Rates of capital gains tax.**

(1) Section 4 of the <sup>M18</sup>Taxation of Chargeable Gains Act 1992 (rates of capital gains tax) shall be amended as follows.

(2) In subsection (1) (link between rate of capital gains tax and rate of income tax), for “basic rate” there shall be substituted “ lower rate ”.

(3) In subsection (1AA) (rate for trusts etc.), for “applicable to trusts under section 686(1) of the Taxes Act” there shall be substituted “ the rate applicable to trusts under section 686 of the Taxes Act ”.

(4) Subsections (1A), (1B), (3A) and (3B) (charge at income tax lower rate in certain cases) shall cease to have effect.

(5) In subsection (4) (definition of “unused part of an individual’s basic rate band”), the words “(disregarding subsection (3B)(a) above)” shall cease to have effect.

(6) This section applies for the year 1999-00 and subsequent years of assessment.

#### **Marginal Citations**

**M18** 1992 c.12.

### *Corporation tax charge and rates*

## **27 Charge and main rate for financial year 2000.**

Corporation tax shall be charged for the financial year 2000 at the rate of 30 per cent.

## **28 Corporation tax starting rate.**

(1) After section 13 of the Taxes Act 1988 there shall be inserted the following section—

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### “13AA Corporation tax starting rate.

- (1) Where in any accounting period the profits of a qualifying company do not exceed the first relevant amount, the company may, instead of making a claim under section 13(1), claim that the corporation tax charged on its basic profits for that period shall be calculated as if the rate of corporation tax were such rate (to be known as the “corporation tax starting rate”), lower than the small companies’ rate, as Parliament may from time to time determine.
- (2) Where in any accounting period the profits of a qualifying company exceed the first relevant amount but do not exceed the second relevant amount, the company may, instead of making a claim under section 13(1), claim that the corporation tax charged on its basic profits for that period shall be—
  - (a) calculated as if the rate of corporation tax were the small companies’ rate; and
  - (b) then reduced by the sum specified in subsection (3) below.
- (3) That sum is the sum equal to such fraction as Parliament may from time to time determine of the following amount—

$$(R2 - P) \times \frac{1}{P}$$

where—

R2 is the second relevant amount;  
P is the amount of the profits; and  
I is the amount of the basic profits.

- (4) The first and second relevant amounts mentioned above shall be determined as follows—
  - (a) where the company has no associated company in the accounting period, those amounts are £10,000 and £50,000 respectively;
  - (b) where the company has one or more associated companies in the accounting period—
    - (i) the first relevant amount is £10,000 divided by one plus the number of those associated companies, and
    - (ii) the second relevant amount is £50,000 divided by one plus the number of those associated companies.
- (5) Subsections (4) and (5) of section 13 shall apply for the purposes of subsection (4) above as they apply for the purposes of subsection (3) of that section.
- (6) For an accounting period of less than 12 months the relevant amounts determined in accordance with subsection (4) above shall be proportionately reduced.
- (7) The profits and the basic profits of a company for an accounting period shall be determined for the purposes of this section as they are for the purposes of section 13.



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- (8) In this section “qualifying company”, in relation to an accounting period, means a company which—
- (a) is resident in the United Kingdom;
  - (b) is not a close investment-holding company (as defined in section 13A) at the end of that period; and
  - (c) is not an investment trust which for that period has any eligible rental income (within the meaning of section 508A).”
- (2) In section 13A(1) of the Taxes Act 1988 (close investment-holding companies), after “section 13(1)” there shall be inserted “ or 13AA(8) ”.
- (3) In section 468(1A) of that Act (taxation of authorised unit trusts), at the end there shall be inserted “ and sections 13 and 13AA shall not apply ”.
- (4) In paragraph 1(a) of Schedule 12 to the <sup>M19</sup>Finance Act 1989 (provision of information for the purposes of close companies provisions), for “13A” there shall be substituted “ 13 to 13A ”.
- (5) In paragraph 8(1) of Schedule 18 to the <sup>M20</sup>Finance Act 1998 (tax calculation in company tax return), after “section 13(2)” there shall be inserted “ or 13AA(2) ”.
- (6) Subsections (1) to (5) above have effect, subject to subsection (7) below, in relation to corporation tax for the financial year 2000 or any subsequent financial year.
- (7) In the case of an accounting period beginning before 1st April 2000 and ending on or after that date—
- (a) section 13AA of the Taxes Act 1988 shall apply as if the different parts of that accounting period falling in the different financial years were separate accounting periods;
  - (b) where a claim is made under section 13AA in relation to the part of that period beginning with 1st April 2000, section 13 of that Act shall also so apply; and
  - (c) for the purposes of treating different parts of an accounting period as separate accounting periods in accordance with paragraphs (a) and (b) above, the profits and basic profits of the company for that period shall be attributed to the different parts of it according to the financial year in which, for the purposes of section 8 of that Act, they are taken to arise.

#### Marginal Citations

M19 1989 c.26.

M20 1998 c.36.

## 29 Rate and fraction for corporation tax starting rate.

For the financial year 2000—

- (a) the corporation tax starting rate shall be 10 per cent.; and
- (b) the fraction mentioned in section 13AA(3) of the Taxes Act 1988 shall be one fortieth.

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*Income tax reductions*

**F<sup>5</sup>30 Children’s tax credit.**

.....

**Textual Amendments**  
**F5** S. 30 repealed (6.4.2003) by [Tax Credits Act 2002 \(c. 21\)](#), s. 61, [Sch. 6](#); S.I. 2003/962, art. 2(3)(e), [Sch. 1](#)

**31 Restriction of MCA to those reaching 65 before 2000-01.**

- (1) Section 257A of the Taxes Act 1988 (income tax reduction for married couples) shall be amended as follows.
- (2) Subsection (1) (reduction where neither spouse is aged 65 or over) shall cease to have effect.
- (3) In subsection (2) (reduction where either spouse is aged 65 or over)—
  - (a) for “is at any time within that year of the age of 65 or upwards” there shall be substituted “ was born before 6th April 1935 ”;
  - (b) the words from “(instead of” to the end shall be omitted.
- (4) In subsection (3) (reduction where either spouse is aged 75 or over)—
  - (a) after “either of them” there shall be inserted “ (a) ”;
  - (b) after “75 or upwards,” there shall be inserted “and
    - (b) was born before 6th April 1935,”;
  - (c) the words “(1) or” shall be omitted.
- (5) In subsection (4) (rule where person dies in year of assessment)—
  - (a) for “subsections (2) and (3)” there shall be substituted “ subsection (3) ”;
  - (b) for “a specified age” there shall be substituted “ the age of 75 ”.
- (6) In subsection (5) (tapering of reduction where claimant’s total income exceeds specified amount), the words from “(but not” to the end shall be omitted.
- (7) After that subsection there shall be inserted the following subsection—
 

“(5A) The amounts specified in subsections (2) and (3) above shall not by virtue of subsection (5) above be treated as reduced below £1,970.”
- (8) In subsection (6) (rule where claimant marries in year of assessment, etc.), for “subsections (1) to (3)” there shall be substituted “ subsections (2) and (3) ”.

F<sup>6</sup>(9) .....

- (10) Subsections (2) to (5) and (8) above have effect for the year 2000-01 and subsequent years of assessment.
- (11) Subject to section 32(5) below, subsections (6) and (7) above have effect for the year 1999-00 and subsequent years of assessment.

F<sup>7</sup>(12) .....

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#### Textual Amendments

- F6** S. 31(9) repealed (6.4.2003) by [Tax Credits Act 2002 \(c. 21\)](#), s. 61, [Sch. 6](#); S.I. 2003/962, art. 2(3)(e), [Sch. 1](#)
- F7** S. 31(12) repealed (6.4.2003) by [Tax Credits Act 2002 \(c. 21\)](#), s. 61, [Sch. 6](#); S.I. 2003/962, art. 2(3)(e), [Sch. 1](#)

### 32 Further provision about married couple's allowance.

- (1) In section 257BA of the Taxes Act 1988 (elections as to transfer of relief under section 257A)—
- (a) in subsections (1)(a), (2)(a), (3)(a) and (6), for “section 257A(1)” there shall be substituted “section 257A(5A)”;
  - (b) in subsection (2), the words from “(to nil” to the end shall be omitted;
  - (c) in subsection (9), for “deduction” there shall be substituted “income tax reduction”.
- (2) Sections 257D to 257F of that Act (transitional relief in connection with married couple's allowance) shall cease to have effect.
- (3) Subsection (1)(a) and (c) above has effect for the year 1999-00 and subsequent years of assessment.
- (4) Subsections (1)(b) and (2) above have effect for the year 2000-01 and subsequent years of assessment.
- (5) Section 257C of the Taxes Act 1988 (indexation) shall apply in relation to subsection (5A) of section 257A of that Act, but only for the year 2000-01 and subsequent years of assessment.

### 33 Abolition of existing relief in respect of children.

- (1) Sections 259 to 261A of the Taxes Act 1988 (additional relief in respect of children) shall cease to have effect.
- (2) This section has effect for the year 2000-01 and subsequent years of assessment.

### 34 Abolition of widow's bereavement allowance.

- (1) Section 262 of the Taxes Act 1988 (income tax reduction for widow in year of bereavement and following year) shall cease to have effect.
- (2) Subsection (1) above has effect in relation to deaths occurring on or after 6th April 2000.
- (3) Where a woman is entitled to an income tax reduction for the year 2000-01 by virtue of paragraph (b) of section 262(1) of the Taxes Act 1988, the reference in that paragraph to the amount specified in section 257A(1) for that year shall be read as a reference to the amount specified in section 257A(5A) for that year.

### 35 Order of income tax reductions etc.

- (1) In section 256(3) of the Taxes Act 1988 (order of income tax reductions etc.)—

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- (a) in paragraph (a), for “section 259 or 261A” there shall be substituted “section 257AA”;
  - (b) paragraph (b) shall cease to have effect;
  - (c) the words after paragraph (c) shall be omitted.
- (2) Subsection (1)(a) and (b) above has effect for the year 2001-02 and subsequent years of assessment.
- (3) Subsection (1)(c) above has effect for the year 2000-01 and subsequent years of assessment.
- (4) For the year 2000-01, section 256(3) of the Taxes Act 1988 shall have effect with the omission of paragraph (a) and, in paragraph (b), of the words “except section 259 or 261A”.

### **36 Maintenance payments.**

- (1) In subsection (1) of section 347B of the Taxes Act 1988 (income tax reduction in respect of qualifying maintenance payments), at the beginning there shall be inserted “Subject to subsection (1A) below”.
- (2) After that subsection there shall be inserted the following subsection—
- “(1A) A periodical payment is not a qualifying maintenance payment unless either of the parties to the marriage mentioned in subsection (1)(b) above was born before 6th April 1935.”
- (3) In subsection (2) of that section, for “subsections (3) and (4)” there shall be substituted “subsection (3)”.
- (4) In subsection (3) of that section, for “section 257A(1)” there shall be substituted “section 257A(5A)”.
- (5) In subsection (5A) of that section, for “subsections (2) to (5)” there shall be substituted “subsections (2) and (3)”.
- (6) In subsection (8) of that section, for “subsections (1)(a) and (5)(a)” there shall be substituted “subsection (1)(a)”.
- (7) Sections 347A and 347B of the Taxes Act 1988 shall have effect, notwithstanding anything in subsection (3) of section 36 of the <sup>M21</sup>Finance Act 1988 (which provides for the application of those sections), in relation to a payment made in pursuance of an existing obligation (within the meaning of that subsection) as they have effect in relation to a payment made otherwise than in pursuance of such an obligation.
- (8) This section has effect in relation to any payment falling due on or after 6th April 2000.

#### **Marginal Citations**

M21 1988 c.39.

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### *Relief for interest payments*

#### **37 Limit on relief for interest.**

For the year 1999-00 the qualifying maximum defined in section 367(5) of the Taxes Act 1988 (limit on relief for interest on certain loans) shall be £30,000.

#### **38 Withdrawal of relief for interest on loans to buy land etc.**

- (1) A payment of interest falling within subsection (3) or (4) below shall not be eligible for relief under section 353 of the Taxes Act 1988 by virtue of section 354 of that Act (interest on loans to buy land etc.).
- (2) Section 369(1) of that Act (mortgage interest payable under deduction of tax) shall not apply to any payment of interest falling within subsection (3) or (4) below which (apart from section 353(2) of that Act and subsection (1) above) would be eligible for relief under section 353 of that Act by virtue of section 354 of that Act.
- (3) A payment of interest falls within this subsection if it is—
  - (a) a payment made on or after 6th April 2000 (whenever falling due); or
  - (b) a payment made before that date, but not before 9th March 1999, of any interest that was not due until on or after 6th April 2000.
- (4) A payment of interest falls within this subsection if it is—
  - (a) made before 6th April 2000 but not before 9th March 1999; and
  - (b) made under or in accordance with any scheme made for a tax-avoidance purpose on or after 9th March 1999 (whether or not before the making of the payment).
- (5) For the purposes of subsection (4) above, a scheme is made for a tax-avoidance purpose if its main purpose, or one of its main purposes, is to secure that a payment of one or more of the following descriptions is a relievable payment, that is to say—
  - (a) a payment discharging an obligation to make a payment which (but for the scheme) might have been expected to be a non-relievable payment;
  - (b) a payment made in pursuance of any obligation which has effect, directly or indirectly, in place of an obligation under which a payment which might have been expected to be a non-relievable payment would have become due;
  - (c) a payment made in pursuance of an obligation which (apart from the purpose of securing that it is a relievable payment) might have been expected to take the form of an obligation—
    - (i) to make a non-relievable payment, or
    - (ii) to make two or more payments at least one of which would have been a non-relievable payment.
- (6) In subsection (5) above—

“non-relievable payment” means a payment falling within subsection (3) above; and

“relievable payment” means a payment which—

  - (a) is eligible for relief under section 353 of the Taxes Act 1988, or
  - (b) is a payment to which section 369(1) of that Act applies.

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- (7) The references in this section to a scheme are references to any scheme, arrangements or understanding of any kind whatever, whether or not legally enforceable.
- (8) Schedule 4 to this Act (which contains amendments consequential on the preceding provisions of this section) shall have effect.

### **39 Withdrawal of relief for interest on new annuity loans.**

- (1) In section 365 of the Taxes Act 1988 (relief for interest on loans to buy life annuities), in subsection (1), before paragraph (a) insert—
  - “(aa) that the loan was made before 9th March 1999;”.
- (2) After subsection (1) of that section insert—
  - “(1AA) Where—
    - (a) a loan made on or after 9th March 1999 was made in pursuance of an offer made by the lender before that date, and
    - (b) the offer was either in writing or evidenced by a note or memorandum made by the lender before that date,
 the loan shall be deemed for the purposes of subsection (1)(aa) above to have been made before that date.”
- (3) This section has effect for the year 1998-99 and subsequent years of assessment.

### **40 Annuity loans: residence requirements and re-mortgages.**

- (1) Section 365 of the Taxes Act 1988 (relief for interest on loans to buy life annuities) is amended as follows.
- (2) In subsection (1)(d) (residence requirement for land on which loan is secured), for “uses the land on which it was secured as his only or main residence at the time the interest is paid” substitute “used the land on which it was secured as his only or main residence immediately before 9th March 1999”.
- (3) After subsection (1AA) (inserted by section 39 of this Act) insert—
  - “(1AB) Subject to subsection (1AC) below, the conditions in paragraphs (aa) and (a) of subsection (1) above shall be treated as satisfied in relation to a loan (“the new loan”) if—
    - (a) the new loan was made on or after the day on which the Finance Act 1999 was passed;
    - (b) the new loan was made as part of a scheme (“the scheme”) under which the whole or any part of the proceeds of the loan was used to defray money applied in paying off another loan (“the old loan”); and
    - (c) the conditions in subsection (1) above were, or were treated by virtue of this subsection as, satisfied with respect to the old loan.
  - (1AC) If only part of the proceeds of the new loan was used to defray money applied in paying off the old loan, subsection (1AB) above applies only if, under the scheme, not less than nine-tenths of the remaining part of the proceeds of the new loan was applied to the purchase by the person to whom it was made of an annuity ending with his life or with the life of the survivor of two or more persons who include him.

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(1AD) In subsection (1AC) above “the remaining part” means the part of the proceeds of the new loan that was not used to defray money applied in paying off the old loan.”

(4) For subsection (1A) substitute—

“(1A) The condition in subsection (1)(d) above shall be treated as satisfied in relation to a loan if—

- (a) the person to whom the loan was made, or any of the annuitants, ceased to use the land as his only or main residence at a time falling within the period of twelve months ending with 8th March 1999, and
- (b) the intention at that time of the person to whom the loan was made, or each of the annuitants owning an estate or interest in the land, was to take steps, before the end of the period of twelve months after the day on which the land ceased to be so used, with a view to the disposal of his estate or interest.”

(5) This section has effect in relation to any payment of interest (whenever falling due) made on or after the day on which this Act is passed.

#### **41 Repayments attracting repayment supplement.**

(1) Section 824 of the Taxes Act 1988 (repayment supplements for individuals) shall have effect, and be deemed always to have had effect, with the following amendments.

(2) Before subsection (3) insert—

“(2B) Subsection (1) above shall apply to a payment made by the Board under section 375(8) (payment of amount which borrower would have been able to deduct from interest payment under section 369(1)) as if the payment were a repayment falling within that subsection.”

(3) In subsection (3), before paragraph (a) insert—

- “(aa) if the repayment is a payment made by the Board under section 375(8), the relevant time is—
  - (i) if the interest payment was made in the year 1996-97 or a subsequent year of assessment, the 31st January next following that year;
  - (ii) if the interest payment was made in an earlier year of assessment, the 5th April next following that year;”.

(4) This section shall be deemed to have had effect in relation to provisions corresponding to section 824 of the Taxes Act 1988 directly or indirectly re-enacted in that section as it has effect in relation to that section, subject to subsections (5) and (6) below.

(5) For the purposes of subsection (4) above the references in the amendments of section 824 of the Taxes Act 1988 made by this section to provisions of that Act shall be taken to include references to any corresponding provision contained in the enactments directly or indirectly re-enacted in those provisions.

(6) Subsection (4) above applies only if the payments corresponding to payments under section 375(8) of the Taxes Act 1988 were made in the year 1984-85 or a subsequent year of assessment.

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*Employee benefits etc.*

**F8 42 Conditional acquisition of shares.**

.....

**Textual Amendments**

**F8** Ss. 42-45 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](#))

**F8 43 Meaning of conditional interests in shares.**

.....

**Textual Amendments**

**F8** Ss. 42-45 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](#))

**F8 44 Exemption for mobile telephones.**

.....

**Textual Amendments**

**F8** Ss. 42-45 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](#))

**F8 45 Limited exemption for computer equipment.**

.....

**Textual Amendments**

**F8** Ss. 42-45 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](#))

**46 PRP and agricultural pay.**

- (1) An application made at any time on or after 28th July 1998 for the registration of a profit-related pay scheme shall not be required to contain, or to have contained, any such undertaking as is mentioned in section 175(1)(c) of the Taxes Act 1988 (undertaking to satisfy minimum wage legislation without taking account of profit-related pay).
- (2) In section 178(1) of the Taxes Act 1988, paragraph (d) (cancellation on grounds of non-compliance with a section 175(1)(c) undertaking) shall be omitted.



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- (3) Subsection (2) above has effect in relation only to failures to comply taking place on or after 28th July 1998; but it shall be deemed so to have had effect at all times on or after that date.

**[<sup>F9</sup>47 Cars available for private use.**

- (1) Schedule 6 to the Taxes Act 1988 (cars available for private use: cash equivalent of car) shall be amended as follows.
- (2) In paragraph 2(1) (reduction for business travel: 18,000 miles and above)—
- (a) for “in the year concerned” substitute “ in a year ”, and
  - (b) for “the amount ascertained under paragraph 1 above, reduced by two thirds” substitute “ 15 per cent. of the price of the car as regards the year ”.
- (3) In paragraph 2(2) (reduction for business travel: 2,500 to 18,000 miles)—
- (a) for “in the year concerned” substitute “ in a year ”, and
  - (b) for “the amount ascertained under paragraph 1 above, reduced by one third” substitute “ 25 per cent. of the price of the car as regards the year ”.
- (4) For paragraph 4(a) (two or more cars) substitute—
- “(a) paragraph 2(1) above shall have effect as if for “15 per cent.” there were substituted “25 per cent.””
- (5) In paragraph 5 (reduction for age of car), for “one third” substitute “ one quarter ”.
- (6) This section has effect for the year 1999-00 and subsequent years of assessment.]

**Textual Amendments**

**F9** S. 47 repealed (28.7.2000 with effect as mentioned in Sch. 40 Pt. II(3) Note of the amending Act) by 2000 c. 17, s. 156, **Sch. 40 Pt. II(3)**

**[<sup>F10</sup>48 Provision and support of bus services.**

.....

**Textual Amendments**

**F10** Ss. 48-51 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)

**[<sup>F10</sup>49 Provision of motor cycle or cycle parking facilities.**

.....

**Textual Amendments**

**F10** Ss. 48-51 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)

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## **F10 50 Cycles and cyclist's safety equipment.**

.....

### **Textual Amendments**

**F10** Ss. 48-51 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](#))

*Members of parliaments and assemblies*

## **F10 51 EU travel expenses.**

.....

### **Textual Amendments**

**F10** Ss. 48-51 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](#))

## **52 Scottish Parliament and devolved assemblies.**

- (1) Schedule 5 to this Act, which makes amendments the effect of which is—
- (a) to treat members of the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly in the same way, for tax purposes, as members of Parliament, and
  - (b) to treat certain office holders under the <sup>M22</sup>Scotland Act 1998, the <sup>M23</sup>Government of Wales Act 1998 and the <sup>M24</sup>Northern Ireland Act 1998 in the same way, for tax purposes, as holders of ministerial and other offices, shall have effect.
- (2) The amendments made by that Schedule have effect for the year 1999-00 and subsequent years of assessment.

### **Marginal Citations**

**M22** [1998 c.46.](#)  
**M23** [1998 c.38.](#)  
**M24** [1998 c.47.](#)

*Sub-contractors in the construction industry*

## **F11 53 Exemption certificates.**

.....

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### Textual Amendments

- F11** S. 53 repealed (with effect in accordance with s. 77 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(7\)](#)

### *Reverse premiums*

#### **54 Tax treatment of reverse premiums.**

- (1) Schedule 6 to this Act (tax treatment of receipts by way of reverse premium) has effect.
- (2) The provisions of that Schedule apply in relation to a reverse premium (within the meaning of that Schedule) received on or after 9th March 1999, unless it is a payment or other benefit to which the recipient was entitled immediately before that date.
- (3) In determining whether a payment or benefit was one to which the recipient was entitled immediately before 9th March 1999, no account shall be taken of any arrangements made on or after that date.

### *Charities*

#### **55 Gifts in kind to charities etc.**

- (1) The following section shall be inserted after section 83 of the Taxes Act 1988—

##### **“83A Gifts in kind to charities etc.**

- (1) This section applies where a person carrying on a trade, profession or vocation gives an article falling within subsection (2) below to—
  - (a) a charity within the meaning of section 506, or
  - (b) a body listed in section 507(1).
- (2) An article falls within this subsection if—
  - (a) it is an article manufactured, or of a class or description sold, by the donor in the course of his trade; or
  - (b) it is an article used by the donor in the course of his trade, profession or vocation which for the purposes of Part II of the 1990 Act constitutes machinery or plant used by him wholly or partly in the course of that trade, profession or vocation.
- (3) Subject to subsection (4) below, where this section applies in the case of the gift of an article—
  - (a) no amount shall be required, in consequence of the donor’s disposal of that article from trading stock, to be brought into account for the purposes of the Tax Acts as a trading receipt of the donor; and
  - (b) section 24(6) of the 1990 Act shall not require the donor to bring into account any disposal value in respect of the article for the purposes of that section.
- (4) In any case where—

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- (a) relief is given under subsection (3) above in respect of the gift of an article, and
- (b) any benefit received in any chargeable period by the donor or any person connected with him is in any way attributable to the making of that gift,

the donor shall in respect of that chargeable period be charged to tax under Case I or Case II of Schedule D or, if he is not chargeable to tax under either of those Cases for that period, under Case VI of Schedule D on an amount equal to the value of that benefit.

(5) Section 839 applies for the purposes of this section.”

- (2) Section 47 of the <sup>M25</sup>Finance Act 1998 (gifts in kind for relief in poor countries) shall cease to have effect.
- (3) Subsections (1) and (2) above have effect in relation to gifts made on or after the day on which this Act is passed.

#### Marginal Citations

M25 1998 c.36.

## 56 Gifts of money to relieve refugee poverty.

- (1) Section 48 of the Finance Act 1998 (gifts of money made for relief in poor countries) shall be amended in accordance with subsections (2) to (4) below.
- (2) In subsection (1)—
  - (a) in paragraph (a), for “the first designation date” there shall be substituted “31st July 1998”;
  - (b) in paragraph (b), for “one or both” there shall be substituted “one or more”.
- (3) In subsection (2)—
  - (a) in paragraphs (a) and (b) for “designated countries or territories” there shall be substituted “countries or territories designated for the purposes of this paragraph,”; and
  - (b) at the end of paragraph (b) there shall be inserted “, and
    - (c) the relief of poverty in the case of persons from any country or territory designated for the purposes of this paragraph who are refugees or who have suffered displacement as a result of organised intimidation or oppression or of war or other armed conflict.”
- (4) In subsection (9), for “this section” there shall be substituted “ paragraph (a), (b) or (c) of subsection (2) above ”.
- (5) Any order made before the passing of this Act under subsection (9) of that section (designation of countries or territories in respect of which section 48 has effect) shall have effect as if made for the purposes only of subsection (2)(a) and (b) of that section.
- (6) Any notification given for the purposes of that section, in relation to a charity, before the passing of this Act shall be treated as a notification given for the purposes of that section as amended by this section.

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- (7) This section has effect in relation to gifts made on or after 6th April 1999.
- (8) An order made under subsection (9) of that section for the purposes of subsection (2)(c) (as inserted by subsection (3)(b) above) may have effect retrospectively in relation to such times falling on or after that date as may be specified in the order.

## **57 Aggregation of money gifts for relief in poor countries.**

- (1) Section 48 of the <sup>M26</sup>Finance Act 1998 (gifts of money made for relief in poor countries) shall have effect, and be deemed always to have had effect, with the following amendments.
- (2) In subsection (4) (aggregated small gifts to be treated as a single payment made at the time of the last of them), after “that section” there shall be inserted “ (but subject to subsection (4A) below) ”.
- (3) After that subsection there shall be inserted the following subsection—

“(4A) Subsection (10) of section 25 of the <sup>M27</sup>Finance Act 1990 (receipts of gifts by a charity to be treated as payments of grossed-up amounts after deduction of basic rate income tax) shall have effect where—

- (a) any aggregated gifts are treated under this section as a single qualifying donation made to a charity, and
- (b) the aggregated gifts include gifts made in different years of assessment,

as if that single qualifying donation had been received by the charity in the year of assessment in which the first of the aggregated gifts was made and as if that were the relevant year of assessment for the purposes of that subsection.”

### **Marginal Citations**

**M26** 1998 c.36.

**M27** 1990 c.29.

## *Education and training*

## **58 Employees seconded to educational establishments.**

- (1) Section 86 of the Taxes Act 1988 (employees seconded to charities and educational establishments) shall be amended as follows.
- (2) In subsection (3) (relief for expenditure attributable to the employment before 1st April 1997 of employees seconded to educational establishments), the words “and before 1st April 1997” shall be omitted.
- (3) In that subsection, for paragraphs (a) to (c) there shall be substituted—
  - “(a) in England and Wales, any body falling within subsection (4) below;
  - (b) in Scotland, any body falling within subsection (5) below;
  - (c) in Northern Ireland, any body falling within subsection (6) below;and”.
- (4) After subsection (3) there shall be inserted—

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- “(4) A body falls within this subsection if it is—
- (a) a local education authority;
  - (b) an educational institution maintained or otherwise supported by such an authority (including a grant-maintained school or a grant-maintained special school within the meaning of the <sup>M28</sup>Education Act 1996);
  - (c) an independent school, within the meaning of the Education Act 1996, whose registration under section 465 of that Act is final; or
  - (d) an institution within the further education sector, or the higher education sector, within the meaning of the <sup>M29</sup>Further and Higher Education Act 1992.
- (5) A body falls within this subsection if it is—
- (a) an education authority;
  - (b) an educational establishment managed by such an authority within the meaning of the <sup>M30</sup>Education (Scotland) Act 1980 (“the 1980 Act”);
  - (c) a public or grant-aided school within the meaning of the 1980 Act;
  - (d) a self-governing school within the meaning of the <sup>M31</sup>Self-Governing Schools etc. (Scotland) Act 1989;
  - (e) an independent school within the meaning of the 1980 Act;
  - (f) a central institution within the meaning of the 1980 Act;
  - (g) an institution within the higher education sector within the meaning of section 56(2) of the <sup>M32</sup>Further and Higher Education (Scotland) Act 1992; or
  - (h) a college of further education within the meaning of section 36(1) of that Act.
- (6) A body falls within this subsection if it is—
- (a) an education or library board within the meaning of the <sup>M33</sup>Education and Libraries (Northern Ireland) Order 1986;
  - (b) a college of education or a controlled, maintained, grant-maintained integrated, controlled integrated, voluntary or independent school within the meaning of that Order; or
  - (c) an institution of further education within the meaning of the <sup>M34</sup>Further Education (Northern Ireland) Order 1997.”
- (5) The amendment made by subsection (2) above shall be deemed always to have had effect.
- (6) The amendments made by subsections (3) and (4) above have effect for the year 1999-00 and subsequent years of assessment.

#### Marginal Citations

- M28** 1996 c.56.
- M29** 1992 c.13.
- M30** 1980 c.44.
- M31** 1989 c.39.
- M32** 1992 c.37.
- M33** S.I. 1986/594 (N.I. 3).

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**M34** [S.I. 1997/1772](#) (N.I. 15).

## 59 Phasing out of vocational training relief.

(1) For subsection (2) of section 32 of the <sup>M35</sup>Finance Act 1991 (vocational training relief) there shall be substituted—

“(2) The individual shall be entitled to relief under this subsection in respect of the payment for the year of assessment in which it is made; but relief under this subsection shall be given only on a claim made for the purpose, except where subsections (3) to (5) below apply.

(2A) Where an individual is entitled to relief under subsection (2) above in respect of any payment made in a year of assessment, the amount of his liability for that year to income tax on his total income shall be the amount to which he would be liable apart from this section less whichever is the smaller of—

- (a) the amount which is equal to such percentage of the amount of the payment as is the basic rate for the year; and
- (b) the amount which reduces his liability to nil.

(2B) In determining for the purposes of subsection (2A) above the amount of income tax to which a person would be liable apart from this section, no account shall be taken of—

- (a) any income tax reduction under Chapter I of Part VII of the Taxes Act 1988 or under section 347B of that Act;
- (b) any income tax reduction under section 353(1A) of the Taxes Act 1988;
- (c) any relief by way of a reduction of liability to tax which is given in accordance with any arrangements having effect by virtue of section 788 of the Taxes Act 1988 or by way of a credit under section 790(1) of that Act;
- (d) any tax at the basic rate on so much of that person’s income as is income the income tax on which he is entitled to charge against any other person or to deduct, retain or satisfy out of any payment.”

(2) That section and section 33 of that Act (provisions supplementary to section 32) shall cease to have effect.

(3) In this section—

- (a) subsection (1) has effect in relation to payments made on or after 6th April 1999; and
- (b) subsection (2) shall have effect in relation to payments made on or after such date after 6th April 2000 as the Treasury may by order appoint.

### Subordinate Legislation Made

**P2** S. 59(3)(b) power fully exercised: 1.9.2000 appointed by [S.I. 2000/2004](#), [art. 2](#)

### Marginal Citations

**M35** [1991 c.31](#)

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**F12 60 Student loans: certain interest to be disregarded.**

.....

**Textual Amendments**

**F12** S. 60 repealed (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*Various other reliefs etc.*

**61 Class 1B National Insurance contributions.**

- (1) In section 617 of the Taxes Act 1988 (social security benefits and contributions), in subsection (4), for “or Class 1A contribution” there shall be substituted “, a Class 1A contribution or a Class 1B contribution”.
- (2) Subsection (1) above has effect in relation to contributions paid on or after 6th April 1999.

**62 Expenditure on film production and acquisition.**

In subsection (2)(a) of section 48 of <sup>M36</sup>the Finance (No. 2) Act 1997 (which provides for favourable tax treatment for certain expenditure on film production and acquisition incurred on or after 2nd July 1997 and before 2nd July 2000), for “2nd July 2000” there shall be substituted “2nd July 2002”.

**Marginal Citations**

**M36** [1997 c.58](#).

**63 Treatment of transfer fees under existing contracts.**

- (1) Subject to subsection (2) below, where—
  - (a) a contract is or has been entered into by a football or other sports club to secure the services of a player; and
  - (b) the contract is or was entered into before the beginning of the first accounting period of the club in relation to which a relevant financial reporting standard has effect (whether by virtue of the adoption of the standard by the club or otherwise),

nothing in the standard shall be taken to affect the manner in which any fee required to be paid by the club under the contract may be taken into account in computing the club’s profits to be charged under Case I of Schedule D [<sup>F13</sup>or, as the case may be, under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005].
- (2) Subsection (1) above shall not apply if the club so elects by a notice given to an officer of the Board within the period of two years beginning immediately after the accounting period described in subsection (1)(b) above.
- (3) The relevant financial reporting standards are—



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- (a) Financial Reporting Standard 10 issued by the Accounting Standards Board on 4th December 1997; and
  - (b) Financial Reporting Standard for Smaller Entities issued by that Board on 10th December 1998.
- (4) All such adjustments shall be made (whether by way of assessment, amendment of an assessment, repayment of tax or otherwise) as may be necessary to give effect to the provisions of this section.
- (5) Subsection (4) above has effect notwithstanding any time limits relating to the making or amendment of an assessment for any accounting period.

**Textual Amendments**

**F13** Words in s. 63(1) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 506](#) (with [Sch. 2](#))

*Settlements*

**<sup>F14</sup>64 Income of unmarried child of settlor.**

.....

**Textual Amendments**

**F14** S. 64 repealed (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 3](#) (with [Sch. 2](#))

*Securities and investments*

**65 Relevant discounted securities.**

<sup>F15</sup>(1) .....

<sup>F15</sup>(2) .....

<sup>F15</sup>(3) .....

<sup>F15</sup>(4) .....

<sup>F15</sup>(5) .....

<sup>F15</sup>(6) .....

<sup>F16</sup>(7) .....

- (8) Subject to subsections (9) to (12) below, [<sup>F17</sup>subsection (7) above has] effect in relation to—
- (a) any transfer of a security on or after 15th February 1999; or
  - (b) any occasion on or after that date on which a person holding a security becomes entitled to any payment on its redemption.

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- (9) For the purposes of section 92 of that Act, [<sup>F18</sup>subsection (7)] above—
- (a) [<sup>F18</sup>has effect] in relation to any accounting period of a company ending on or after 15th February 1999; but
  - (b) [<sup>F18</sup>does not affect] any amount falling to be brought into account in respect of any disposal (in whole or in part) of an asset representing a creditor relationship if the disposal was one completed before that day.
- (10) For the purposes of paragraphs 17 and 18 of Schedule 9 to that Act, [<sup>F18</sup>subsection (7)] above—
- (a) [<sup>F18</sup>has effect] in relation to any accounting period of a company ending on or after 15th February 1999; but
  - (b) [<sup>F18</sup>does not affect] any amount falling to be brought into account in respect of a security representing a debtor relationship of a company if, on that day, the company was no longer subject to any liability under the relationship.
- (11) For the purposes of sections 117(2AA) and 251(8) of the <sup>M37</sup>Taxation of Chargeable Gains Act 1992, [<sup>F19</sup>subsection (7) above has] effect in relation to any disposal (in whole or in part) of an asset on or after 15th February 1999.
- (12) For the purposes of subsection (1)(c) of section 254 of that Act (which, notwithstanding its repeal by the <sup>M38</sup>Finance Act 1998, continues to have effect in relation to loans made before 17th March 1998), [<sup>F19</sup>subsection (7) above has] effect in relation to any claim made on or after 15th February 1999.

#### Textual Amendments

- F15** S. 65(1)-(6) repealed (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 507\(2\), Sch. 3](#) (with [Sch. 2](#))
- F16** S. 65(7) repealed (with effect in accordance with s. 52(3), Sch. 10 para. 9(2)(3) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 42 Pt. 2\(6\)](#)
- F17** Words in s. 65(8) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 507\(3\)](#) (with [Sch. 2](#))
- F18** Words in s. 65(9)(10) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 507\(4\)](#) (with [Sch. 2](#))
- F19** Words in s. 65(11)(12) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 507\(5\)](#) (with [Sch. 2](#))

#### Marginal Citations

- M37** 1992 c.12.  
**M38** 1998 c.36.

## 66 Qualifying corporate bonds: provision consequential on s. 65.

- (1) This section applies where—
- (a) before 15th February 1999 there occurred a transaction (“the relevant transaction”) to which sections 127 to 130 of the Taxation of Chargeable Gains Act 1992 applied; and

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- (b) the new holding (within the meaning given by section 126 of that Act) consisted of or included something (“the new asset”) that—
  - (i) did not fall to be treated as a qualifying corporate bond in relation to the relevant transaction, but
  - (ii) by virtue of section 65 above, does fall to be so treated in relation to a disposal on or after 15th February 1999.
- (2) Section 116 of the Taxation of Chargeable Gains Act 1992 (reorganisations etc. involving qualifying corporate bonds) shall have effect in relation to any disposal of the whole or part of the new asset on or after 15th February 1999 as if—
  - (a) there had been a transaction (“the subsequent transaction”) by which the person holding the new asset had disposed of it and immediately re-acquired it;
  - (b) the subsequent transaction had occurred at the time mentioned in subsection (3) below;
  - (c) the asset re-acquired had been a qualifying corporate bond; and
  - (d) the subsequent transaction had been a transaction to which section 127 of that Act would have applied but for section 116(5) of that Act.
- (3) That time is—
  - (a) where the relevant transaction took place before 5th April 1996, that date;
  - (b) where the relevant transaction took place on or after that date, immediately after the relevant transaction.

## **67 Deep discount and deep gain securities.**

- (1) In paragraph 19 of Schedule 15 to the <sup>M39</sup>Finance Act 1996 (loan relationships: savings and transitional provisions), after sub-paragraph (3) there shall be inserted the following sub-paragraph—

“(3A) Any income that is treated as arising at the time mentioned in subsection (5) of that section, as it applies by virtue of sub-paragraph (3) above, shall be brought into account as a non-trading credit given for the purposes of this Chapter for the accounting period in which that time falls.”
- (2) In paragraph 20 of that Schedule, after sub-paragraph (2) there shall be inserted the following sub-paragraph—

“(2A) Any income that is treated as arising on the day mentioned in subsection (5) of that section, as it applies by virtue of sub-paragraph (2) above, shall be brought into account as a non-trading credit given for the purposes of this Chapter for the accounting period in which that day falls.”
- (3) In paragraph 19(7) of that Schedule, for paragraph (b) there shall be substituted the following paragraph—

“(b) the company did not make any disposal of that security on that date.”
- (4) In subsection (5)(c) of sections 64 and 65 of the <sup>M40</sup>Finance Act 1993 (which have effect, notwithstanding their repeal by the Finance Act 1996, in relation to deep discount and deep gain securities held on and after 31st March 1996), for “it is transferred by the creditor company” there shall be substituted “the creditor company makes a disposal of the security”.

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(5) After subsection (5) of section 65 of that Act there shall be inserted the following subsection—

“(5A) There is a disposal of a security for the purposes of subsection (5)(c) above if there would be such a disposal for the purposes of the <sup>M41</sup>Taxation of Chargeable Gains Act 1992.”

(6) Subsections (1) and (2) above apply in relation to income treated as arising on or after 15th February 1999.

(7) Subsection (3) above applies in any case where the day mentioned in paragraph 19(9) of Schedule 15 to the Finance Act 1996 falls on or after 15th February 1999.

(8) Subsections (4) and (5) above apply for determining whether a time on or after 15th February 1999—

- (a) is a time falling within section 64(5)(c) of the Finance Act 1993; or
- (b) is on a day falling within section 65(5)(c) of that Act.

**Marginal Citations**

**M39** 1996 c.8.

**M40** 1993 c.34.

**M41** 1992 c.12.

**68 Court common investment funds.**

(1) After section 469 of the Taxes Act 1988 there shall be inserted the following section—

**“469A Court common investment funds.**

(1) The Tax Acts shall have effect in relation to any common investment fund established under section 42 of the <sup>M42</sup>Administration of Justice Act 1982 (common investment funds for money paid into court) as if—

- (a) the fund were an authorised unit trust;
- (b) the person who is for the time being the investment manager of the fund were the trustee of that authorised unit trust; and
- (c) the persons whose interests entitle them, as against the Accountant General, to share in the fund’s investments were the unit holders in that authorised unit trust.

(2) In this section “the Accountant General” means (subject to subsection (3) below) the Accountant General of the Supreme Court of Judicature in England and Wales or the Accountant General of the Supreme Court of Judicature of Northern Ireland.

(3) Where in the case of any common investment fund a person other than the Accountant General is authorised by the Lord Chancellor to hold shares in the fund, the reference in subsection (1)(c) above to the Accountant General shall include a reference to that other person.”

(2) Section 328 of the Taxes Act 1988 (agreements with the Board about the taxation regime for common investment funds) shall cease to have effect.

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- (3) Subsections (1) and (2) above have effect in relation to—
- (a) any income arising to a common investment fund on or after 6th April 1999; and
  - (b) any distribution made by such a fund for a distribution period beginning on or after that date.
- (4) For the purposes of the Tax Acts where any common investment fund was in existence on 5th April 1999—
- (a) the distribution period of that fund which was current on that date for the purposes of section 469 of the Taxes Act 1988 shall be taken to have ended with that date; and
  - (b) the fund's first accounting period for the purposes of corporation tax, and its first distribution period for the purposes of the enactments relating to authorised unit trusts, shall each be taken to have begun with 6th April 1999.
- (5) In this section “common investment fund” means any common investment fund established under section 42 of the Administration of Justice Act 1982.

**Marginal Citations**

M42 1982 c.53.

*Venture capital trusts*

**69 Company restructuring and convertible securities.**

- (1) The Taxes Act 1988 shall be amended as follows.
- (2) In Schedule 28B (requirements to be satisfied by qualifying investments of VCTs), after paragraph 10B there shall be inserted the following paragraphs—

**Acquisitions for restructuring purposes**

- “10C (1) This paragraph applies where—
- (a) arrangements are made for a company (“the new company”) to acquire all the shares (“old shares”) in another company (“the old company”);
  - (b) the acquisition provided for by the arrangements falls within subparagraph (2) below; and
  - (c) the Board have, before any exchange of shares takes place under the arrangements, given an approval notification.
- (2) An acquisition of shares falls within this sub-paragraph if—
- (a) the consideration for the old shares consists wholly of the issue of shares (“new shares”) in the new company;
  - (b) new shares are issued in consideration of old shares only at times when there are no issued shares in the new company other than subscriber shares and new shares previously issued in consideration of old shares;

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- (c) the consideration for new shares of each description consists wholly of old shares of the corresponding description; and
  - (d) new shares of each description are issued to the holders of old shares of the corresponding description in respect of, and in proportion to, their holdings.
- (3) For the purposes of sub-paragraph (1)(c) above an approval notification is one which, on an application by either the old company or the new company, is given to the applicant company and states that the Board are satisfied that the exchange of shares under the arrangements—
- (a) will be effected for bona fide commercial reasons; and
  - (b) will not form part of any such scheme or arrangements as are mentioned in section 137(1) of the 1992 Act.
- (4) If the requirements of paragraph 3 above were satisfied in relation to the old company and any old shares immediately before the beginning of the period for giving effect to the arrangements, then (to the extent that it would not otherwise be the case) those requirements shall be deemed to be satisfied in relation to the new company and the matching new shares at all times which—
- (a) fall in that period; and
  - (b) do not fall after a time when (apart from the arrangements) those requirements would have ceased by virtue of—
    - (i) sub-paragraph (4) or (5) of that paragraph, or
    - (ii) any cessation of a trade by any company,
 to be satisfied in relation to the old company and the matching old shares.
- (5) For the purposes of paragraph 3 above the period of two years mentioned in sub-paragraph (4) of that paragraph shall be deemed, in the case of any new shares, to expire at the same time as it would have expired (or by virtue of this sub-paragraph would have been deemed to expire) in the case of the matching old shares.
- (6) Subject to sub-paragraph (7) below, where—
- (a) there is an exchange under the arrangements of any new shares for any old shares, and
  - (b) those old shares are shares in relation to which the requirements of paragraphs 6 and 8 above were (or were deemed to be) satisfied to any extent immediately before the exchange,
- those requirements shall be deemed, at all times after that time, to be satisfied to the same extent in relation to the matching new shares.
- (7) Where there is a time following any exchange under the arrangements of any new shares for any old shares when (apart from the arrangements) the requirements of paragraph 6 above would have ceased under—
- (a) sub-paragraph (2) of that paragraph, or
  - (b) this sub-paragraph,
- to be satisfied in relation to those old shares, those requirements shall cease at that time to be satisfied in relation to the matching new shares.

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- (8) For the purposes of paragraph 7 above any new shares acquired under the arrangements shall be deemed to represent an investment which—
- (a) raised the same amount of money as was raised (or, by virtue of this sub-paragraph, is deemed to have been raised) by the issue of the matching old shares, and
  - (b) raised that amount by an issue of shares in the new company made at the time when the issue of the matching old shares took place (or, as the case may be, is deemed to have taken place).
- (9) In determining whether the requirements of paragraph 9 above are satisfied in relation to the old company or the new company at a time in the period for giving effect to the arrangements, both—
- (a) the arrangements themselves, and
  - (b) any exchange of new shares for old shares that has already taken place under the arrangements,
- shall be disregarded.
- (10) For the purposes of paragraph 10B above the value of the new shares, both immediately after the time of their acquisition and immediately after the time of any subsequent relevant event occurring by virtue of the arrangements, shall be taken to be the same as the value, when last valued in accordance with that paragraph, of the old shares for which they are exchanged.
- (11) Nothing in this paragraph shall deem any of the requirements of this Schedule to be satisfied in relation to any new shares unless the matching old shares were first issued to the trust company and have been held by that company from the time when they were issued until they are acquired by the new company.
- (12) References in this paragraph to the period for giving effect to the arrangements are references to the period which—
- (a) begins with the time when those arrangements first came into existence; and
  - (b) ends with the time when the new company completes its acquisition under the arrangements of all the old shares.
- (13) If, at any time after the arrangements first came into existence and before the new company has acquired all the old shares, the arrangements—
- (a) cease to be arrangements for the acquisition of all the old shares by the new company, or
  - (b) cease to be arrangements for an acquisition falling within sub-paragraph (2) above,
- this paragraph shall not deem any requirement of this Schedule to be satisfied, and sub-paragraph (10) above shall not apply, in the case of any new shares at any time after the arrangements have so ceased.
- (14) Subject to sub-paragraph (15) below, references in this paragraph, except in the expression “subscriber shares”, to shares in a company include references to any securities of that company.
- (15) For the purposes of this paragraph, a relevant security of the old company shall not be treated as a security of that company if—

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- (a) the arrangements do not provide for the acquisition of the security by the new company; or
  - (b) such treatment prevents sub-paragraph (1)(b) above from being satisfied in connection with the arrangements.
- (16) In sub-paragraph (15) above “relevant security” means an instrument which is a security for the purposes of this Schedule by reason only of section 842AA(12).
- (17) For the purposes of this paragraph—
- (a) old shares and new shares are of a corresponding description if, were they shares in the same company, they would be of the same description; and
  - (b) old shares and new shares are matching shares in relation to each other if the old shares are the shares for which those new shares are exchanged under the arrangements.

*Conversion of convertible shares and securities*

- 10D.—(1) This paragraph applies where—
- (a) shares have been issued to the trust company by virtue of the exercise by that company of any right of conversion attached to other shares, or securities, held by that company (“the convertibles”);
  - (b) the shares so issued are in the same company as the convertibles to which the right was attached;
  - (c) the convertibles to which the right was attached were first issued to the trust company and were held by that company from the time they were issued until converted; and
  - (d) the right was attached to the convertibles when they were first so issued and was not varied before it was exercised.
- (2) Sub-paragraphs (5) to (8) of paragraph 10C above shall apply in relation to the exchange of convertibles for shares by virtue of the exercise of the right of conversion as if—
- (a) that exchange were an exchange under any such arrangements as are mentioned in that paragraph of new shares for old shares; and
  - (b) the references in those sub-paragraphs and sub-paragraph (17) (b) of that paragraph to the arrangements were references to the provision conferring the right of conversion.
- (3) For the purposes of paragraph 10B above the value of the new shares immediately after the time of their acquisition by the trust company shall be taken to be the same as the value, when last valued in accordance with that paragraph, of the convertibles for which they are exchanged.”
- (3) In paragraph 13 of Schedule 28B, at the beginning of sub-paragraph (1) there shall be inserted “ Subject to paragraph 10C(15) above, ”.
- (4) In section 842AA (venture capital trusts), after subsection (5) there shall be inserted the following subsections—
- “(5AA) For the purposes of subsection (2)(b) to (d) above where—



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- (a) any shares (“new shares”) are exchanged for other shares (“old shares”) under arrangements in relation to which paragraph 10C of Schedule 28B applies, and
- (b) those arrangements have not ceased by virtue of sub-paragraph (13) of that paragraph to be arrangements by reference to which requirements of that Schedule are deemed to be satisfied,

the value of the new shares, both at the time of their acquisition and immediately after any subsequent addition to a holding of the new shares that is made under those arrangements, shall be taken to be the same as the value, when last valued in accordance with subsection (5) above, of the old shares for which they are exchanged.

(5AB) References in subsection (5AA) above to shares in a company include references to any securities of that company.

(5AC) For the purposes of subsection (2)(b) to (d) above, where—

- (a) shares (“new shares”) are issued to a company by virtue of the exercise by that company of any right of conversion attached to other shares, or securities, held by that company (“convertibles”), and
- (b) paragraph 10D of Schedule 28B applies in relation to the issue of the new shares,

the value of the new shares at the time of their acquisition shall be taken to be the same as the value, when last valued in accordance with subsection (5) above, of the convertibles for which they are exchanged.”

(5) This section—

- (a) shall have effect in relation to any arrangements made, and rights of conversion exercised, on or after 16th June 1999; and
- (b) shall be deemed to have come into force on that date.

## <sup>F20</sup>70 Relief on distributions.

.....

### Textual Amendments

**F20** S. 70 repealed (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

### *Enterprise investment scheme*

## 71 Eligibility for EIS relief.

(1) In section 289 of the Taxes Act 1988 (eligibility for EIS relief), in subsection (1A)—

(a) for paragraph (a) there shall be substituted—

“(a) is a company which—

(i) is such a company as is mentioned in section 293(2) (a), and

(ii) if it is a subsidiary of the qualifying company, is a 90 per cent subsidiary of that company, or”;

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(b) in paragraph (b), for “such a company” there shall be substituted “ a company falling within paragraph (a) above ”.

(2) This section applies in relation to shares issued on or after 6th April 1999.

## 72 **Deferred gains: application of taper relief.**

(1) After section 150C of the <sup>M43</sup>Taxation of Chargeable Gains Act 1992 insert—

### **“150D Enterprise investment scheme: application of taper relief**

Schedule 5BA to this Act (which provides for the application of taper relief in cases where relief under Schedule 5B, or Chapter III of Part VII of the Taxes Act, applies) shall have effect.”

(2) Schedule 7 to this Act (which inserts Schedule 5BA into that Act) shall have effect.

(3) In consequence of the insertion of Schedule 5BA, in that Act—

- (a) in section 2A(8) (qualifying holding period for taper relief), after “that Schedule” insert “ and paragraph 3 of Schedule 5BA ”; and
- (b) in paragraph 2(4) of Schedule A1 (effect of periods not counting for taper relief purposes), after “paragraphs 10 to 12 below” insert “ or paragraph 4 of Schedule 5BA ”.

#### **Marginal Citations**

**M43** [1992 c.12.](#)

## 73 **Deferred gains: gain accruing on part disposal, etc.**

(1) Schedule 8 to this Act (which amends Schedule 5B to the <sup>M44</sup>Taxation of Chargeable Gains Act 1992 in relation to cases where there is a disposal of some, but not all, of the shares to which relief under that Schedule is attributable) shall have effect.

(2) The amendments made by Schedule 8 to this Act have effect in relation to shares issued on or after 6th April 1999.

#### **Marginal Citations**

**M44** [1992 c.12.](#)

### *Chargeable gains*

## 74 **Value shifting: tax-free benefits.**

Schedule 9 to this Act (which makes provision about tax-free benefits in relation to value shifting) shall have effect.

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## 75 Allowable losses where beneficiary absolutely entitled.

(1) For subsection (2) of section 71 of the Taxation of Chargeable Gains Act 1992 (allowable losses of trustees treated as transferred to a person becoming absolutely entitled to settled property) there shall be substituted the following subsections—

“(2) Where, in any case in which a person (“the beneficiary”) becomes absolutely entitled to any settled property as against the trustee, an allowable loss would (apart from this subsection) have accrued to the trustee on the deemed disposal under subsection (1) above of an asset comprised in that property—

- (a) that loss shall be treated, to the extent only that it cannot be deducted from pre-entitlement gains of the trustee, as an allowable loss accruing to the beneficiary (instead of to the trustee); but
- (b) any allowable loss treated as accruing to the beneficiary under this subsection shall be deductible under this Act from chargeable gains accruing to the beneficiary to the extent only that it can be deducted from gains accruing to the beneficiary on the disposal by him of—
  - (i) the asset on the deemed disposal of which the loss accrued; or
  - (ii) where that asset is an estate, interest or right in or over land, that asset or any asset deriving from that asset.

(2A) In subsection (2) above “pre-entitlement gain”, in relation to an allowable loss accruing to a trustee on the deemed disposal of any asset comprised in any settled property, means a chargeable gain accruing to that trustee on—

- (a) a disposal which, on the occasion on which the beneficiary becomes absolutely entitled as against the trustee to that property, is deemed under subsection (1) above to have taken place; or
- (b) any other disposal taking place before that occasion but in the same year of assessment.

(2B) For the purposes of subsection (2)(b)(ii) above an asset (“the relevant asset”) derives from another if, in a case where—

- (a) assets have merged,
- (b) an asset has divided or otherwise changed its nature, or
- (c) different rights or interests in or over any asset have been created or extinguished at different times,

the value of the relevant asset is wholly or partly derived (through one or more successive events falling within paragraphs (a) to (c) above but not otherwise) from the other asset.

(2C) The rules set out in subsection (2D) below shall apply (notwithstanding any other rules contained in this Act or in section 113(2) of the <sup>M45</sup>Finance Act 1995 (order of deduction))—

- (a) for determining for the purposes of this section whether an allowable loss accruing to the trustee, or treated as accruing to the beneficiary, can be deducted from particular chargeable gains for any year of assessment; and
- (b) for the making of deductions of allowable losses from chargeable gains in cases where it has been determined that such an allowable loss can be deducted from particular chargeable gains.

(2D) Those rules are as follows—

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- (a) allowable losses accruing to the trustee on a deemed disposal under subsection (1) above shall be deducted before any deduction is made in respect of any other allowable losses accruing to the trustee in that year;
  - (b) allowable losses treated as accruing to the beneficiary under this section, so far as they cannot be deducted in a year of assessment as mentioned in subsection (2)(b) above, may be carried forward from year to year until they can be so deducted; and
  - (c) allowable losses treated as accruing to the beneficiary for any year of assessment under this section, and allowable losses carried forward to any year of assessment under paragraph (b) above—
    - (i) shall be deducted before any deduction is made in respect of any allowable losses accruing to the beneficiary in that year otherwise than by virtue of this section; and
    - (ii) in the case of losses carried forward to any year, shall be deductible as if they were losses actually accruing in that year.”
- (2) This section applies in relation to any occasion on or after 16th June 1999 on which a person becomes absolutely entitled to settled property as against the trustee.

#### Marginal Citations

M45 1995 c.4.

## 76 Concessions that defer a capital gains charge.

- (1) In Part VIII of the <sup>M46</sup>Taxation of Chargeable Gains Act 1992 (supplemental), after section 284 there shall be inserted the following sections—

### “284A Concessions that defer a charge.

- (1) This section applies where—
- (a) a person (“the original taxpayer”) has at any time obtained for any chargeable period (“the first chargeable period”) the benefit of any capital gains relief to which he had no statutory entitlement;
  - (b) the benefit of the relief was obtained in reliance on any concession;
  - (c) the concession was first published by the Board before 9th March 1999 or (having been published on or after that date) replaced a concession satisfying the requirements of this paragraph with a concession to the same or substantially the same effect; and
  - (d) the concession involved the application (with or without modifications), to a case to which they would not otherwise have applied, of the provisions of any enactment (“the relevant statutory provisions”).
- (2) This section applies only if, at the time when the original taxpayer obtained the benefit of the relief, the concession was one available generally to any person falling within its terms.

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- (3) If the benefit obtained for the first chargeable period by the original taxpayer is repudiated for any later chargeable period (whether by the original taxpayer or by another person), the enactments relating to the taxation of chargeable gains shall have effect as if a chargeable gain equal to the amount of that benefit accrued in the later chargeable period to the person repudiating the benefit.
- (4) For the purposes of this section—
  - (a) a capital gains relief for any chargeable period is a relief (of whatever description) the effect of which is that the amount of the chargeable gains taken to have accrued to that person in that period is less than it otherwise would have been; and
  - (b) the amount of the benefit of any such relief is the amount by which, as a consequence of that relief, those gains are less than they otherwise would have been.
- (5) Where, without applying a specific enactment, any concession has the effect that—
  - (a) any asset is treated as the same as another asset and as acquired as the other asset was acquired,
  - (b) any two or more assets are treated as a single asset, or
  - (c) any disposal is treated as having been a disposal on which neither a gain nor a loss accrued,that concession shall be assumed for the purposes of this section to have involved the application, to a case to which it would not otherwise have applied, of the provisions of an enactment to the corresponding effect.
- (6) For the purposes of this section the benefit of any relief obtained by the original taxpayer for the first chargeable period is repudiated by a person for a later chargeable period if—
  - (a) circumstances arise such that, had the equivalent circumstances arisen in the case of the corresponding relief under the relevant statutory provisions, the whole or a part of the benefit of that relief would have fallen to be recouped from that person in the later chargeable period;
  - (b) apart from this section, the recoupment in the actual circumstances of the whole or a part of the benefit obtained by the original taxpayer is prevented by the fact that the original taxpayer relied on a concession (rather than on the relevant statutory provisions) to obtain that benefit; and
  - (c) the person from whom, in the equivalent circumstances, the amount of the benefit or any part of it would have fallen to be recouped is not precluded by subsection (8) below from relying on that fact in relation to that amount or part.
- (7) For the purposes of this section an amount of the benefit of a capital gains relief is recouped from any person in a chargeable period to the extent that an amount is so brought into account in his case for that period as to secure that—
  - (a) the amount of his chargeable gains for that period is taken to be more than it otherwise would have been by an amount directly or indirectly representing the whole or a part of the amount of the benefit; or
  - (b) the amount of his allowable losses for that period is taken to be less than it otherwise would have been by an amount directly or indirectly representing the whole or a part of the amount of the benefit.

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(8) Where—

- (a) any such circumstances as are mentioned in subsection (6)(a) above have arisen in relation to the relief the benefit of which has been obtained by the original taxpayer,
- (b) the person from whom, in the equivalent circumstances, the whole or any part of the amount of the benefit would have fallen to be recouped has accepted that, in the actual circumstances, the whole or a part of the benefit obtained by the original taxpayer may be recouped from him, and
- (c) that acceptance is indicated in writing to the Board (whether by the making or amendment of a self-assessment or otherwise),

that person's rights subsequently to amend, appeal against or otherwise challenge any assessment shall not be exercised in any manner inconsistent with his acceptance of that matter (which shall be irrevocable).

(9) In this section “concession” includes any practice, interpretation or other statement in the nature of a concession.

#### **284B Provisions supplementary to section 284A.**

- (1) Chargeable gains that are treated as accruing to any person under section 284A(3) shall not be eligible for taper relief.
- (2) The total amount of chargeable gains that are treated as accruing to any person under subsection (3) of section 284A in respect of any such benefit as is referred to in that subsection shall not exceed the amount of that benefit.
- (3) Where, after any assessment to tax has been made on the basis that any chargeable gain is treated as having accrued to any person under section 284A(3)—
  - (a) the person assessed, within any of the periods allowed by subsection (4) below, gives an indication for the purposes of section 284A(8), or
  - (b) a final determination of the original taxpayer's liability to tax for the first chargeable period is made on the basis that the original taxpayer did not, or was not entitled to, rely on the concession in question,

all such adjustments shall be made (whether by way of assessment, amendment of an assessment, repayment of tax or otherwise) as are necessary to secure that no person is subjected to any greater liability by virtue of section 284A(3) than he would have been had the indication been given, or the final determination made, before the making of the assessment.

(4) The periods allowed by this subsection are—

- (a) the period of twelve months beginning with the making of the assessment;
- (b) the period within which the person is entitled to amend his self-assessment or company tax return for the chargeable period in which the chargeable gain under section 284A(3) is treated as having accrued to him;

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(c) where the person makes a claim for any further relief against the amount that may be recouped from him by virtue of his indication under section 284A(8), the period allowed for making that claim.

(5) Subsection (3) above has effect notwithstanding any time limits relating to the making or amendment of an assessment for any chargeable period.”

(2) Sections 284A and 284B of the <sup>M47</sup>Taxation of Chargeable Gains Act 1992 have effect in relation to any case in which the circumstances arising as mentioned in subsection (6)(a) of section 284A are circumstances arising on or after 9th March 1999, whether the benefit mentioned in subsection (1) of that section was obtained as so mentioned before or after the passing of this Act.

**Marginal Citations**

M46 1992 c.12.

M47 1992 c.12.

*Capital allowances*

F21~~77~~ .....

**Textual Amendments**

F21 S. 77 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, Sch. 4

F22~~78~~ .....

**Textual Amendments**

F22 S. 78 repealed (22.3.2001 with effect as mentioned in s. 579(1) of the amending Act) by 2001 c. 2, s. 580, Sch. 4

*Pensions and insurance, etc.*

**79 Sharing of pensions on divorce, etc.**

Schedule 10 to this Act (which, for purposes connected with the sharing of pensions between ex-spouses, makes provision with respect to pensions and annuities) shall have effect.

**80 Purchased life annuities.**

Section 657(2) of the Taxes Act 1988 (annuities not treated as purchased life annuities within section 656) shall have effect, and shall be deemed always to have had effect,

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with the substitution of the following paragraph for the “or” at the end of paragraph (d)

“(da) to any annuity purchased under or for the purposes of a scheme approved by virtue of section 591 or in pursuance of any obligation imposed, or offer or invitation made, under or in connection with any such scheme;”.

## 81 Acquisitions disregarded under insurance companies concession.

- (1) This section applies for the purposes of corporation tax in relation to the disposal by a company (“the relevant company”) of any asset where—
  - (a) the asset is one acquired by the relevant company from an insurance company at a time when the relevant company and that insurance company were both members of the same group of companies;
  - (b) there was an occasion before the disposal (whether the occasion of the transfer of the asset to the relevant company or the occasion of an earlier transfer of the asset) in relation to which the non-statutory arrangements for groups of insurance companies were applied in the case of the transferring company;
  - (c) the application of those arrangements in relation to that occasion had the effect of preventing the cost of the asset’s acquisition by the transferring company (“the previous acquisition”) from being brought into account for tax purposes; and
  - (d) there has not, between that occasion and the making of the disposal, been any relevant event by reference to which the cost of the previous acquisition has been brought into account in computing the profits or losses of any company for tax purposes.
- (2) Subject to subsection (5) below, where the computation of the relevant company’s profits or losses from any trade requires the cost of the acquisition of the asset by that company to be brought into account in the accounting period in which the disposal takes place, that cost shall be brought into account in that period as if it were an amount equal to the cost of the previous acquisition.
- (3) Subject to subsections (4) and (5) below, where—
  - (a) the asset disposed of represents a creditor relationship,
  - (b) the disposal is such that paragraph 6 of Schedule 15 to the <sup>M48</sup>Finance Act 1996 (adjustment for pre-commencement trading relationships) would require an amount to be brought into account in the accounting period in which the disposal takes place in any case in which there is, for that relationship, a difference such as is mentioned in sub-paragraph (1) of that paragraph, and
  - (c) the cost of the previous acquisition is less than the amount which for the purposes of paragraph 5(2) of that Schedule would (apart from this subsection) be the notional closing value of the relationship on 31st March 1996,

the question whether an amount falls to be brought into account in accordance with paragraph 6(2) or (3) of that Schedule, and the amount (if any) falling to be so brought into account, shall be determined as if the notional closing value of the relationship on 31st March 1996 had been equal to the cost of the previous acquisition.
- (4) In any case where the asset represents a creditor relationship in relation to which an election under paragraph 6(4) of Schedule 15 to the <sup>M49</sup>Finance Act 1996 has effect—



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- (a) subsection (3) above and paragraphs (b) and (c) below shall be disregarded in determining the amounts falling to be brought into account under paragraph 6(4) to (7) of that Schedule;
  - (b) paragraph 6(1) and (2) of that Schedule shall be treated as applying, notwithstanding paragraph 6(4)(a), if, in the case of that relationship, the amount referred to in subsection (3)(c) above exceeds the cost of the previous acquisition; and
  - (c) the amount falling by virtue of paragraph (b) above to be brought into account in accordance with paragraph 6(2) of that Schedule shall be determined as if the excess referred to in paragraph 6(2)(a) were the excess mentioned in paragraph (b) above.
- (5) Where—
- (a) there are two or more occasions such as are mentioned in paragraph (b) of subsection (1) above, and
  - (b) paragraph (d) of that subsection is satisfied in relation to each of them,
- subsections (2) to (4) above shall have effect as if the references to the previous acquisition were references to the acquisition which is the previous acquisition in relation to the earliest of those occasions.
- (6) In subsection (1)(d) above “relevant event”, in relation to any asset, means—
- (a) a disposal of the asset; or
  - (b) any event by reference to which the conditions of the non-statutory arrangements for groups of insurance companies has required the cost of the previous acquisition to be brought into account in computing the profits or losses of any company for tax purposes.
- (7) Section 170 of the<sup>M50</sup>Taxation of Chargeable Gains Act 1992 (meaning of groups etc.) shall apply for construing references in the preceding provisions of this section to a group of companies as it applies for the purposes of sections 171 to 181 of that Act.
- (8) In the preceding provisions of this section—
- “creditor relationship” has the same meaning as in Chapter II of Part IV of the Finance Act 1996; and
  - “insurance company” means an insurance company within the meaning of Chapter I of Part XII of the Taxes Act 1988.
- (9) References in this section to an asset shall be construed as if section 473 of the Taxes Act 1988 (cases where different assets are treated as the same) applied for the purposes of this section as it applies for the purposes of that Act; and paragraph 12(2) of Schedule 9 to the<sup>M51</sup>Finance Act 1996 (cases where different companies are treated as the same) shall apply for the purposes of this section as it applies for the purposes of Chapter II of Part IV of that Act of 1996.
- (10) In this section any reference to the non-statutory arrangements for groups of insurance companies is a reference to so much of any arrangements made by the Board otherwise than by virtue of an enactment as—
- (a) in relation to an accounting period beginning before 1st January 2000—
    - (i) provided for a single assessment of the trading profits of a group of insurance companies to be made on the principal company of the group; and
    - (ii) excluded trading profits on intra-group transfers of investments from the group assessment;

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or

- (b) contains transitional provision, in connection with the withdrawal of any arrangements falling within paragraph (a) above, for allowing trading profits on intra-group transfers to be excluded from assessments of members of groups of insurance companies that relate to accounting periods beginning on or after 1st January 1999 and before 1st January 2000.

(11) This section—

- (a) shall not be construed as requiring any amount representing a gain on the disposal of the asset to be brought into account for tax purposes in so far as an amount representing that gain is or has already been brought into account, as an attributed gain, under any regulations made by virtue of Schedule 16 to the <sup>M52</sup>Finance Act 1993 (Forex transitional provisions); and
- (b) shall be without prejudice to any power of the Board apart from this section to enforce any conditions subject to which any relief in accordance with the non-statutory arrangements for groups of insurance companies has been allowed.

(12) This section applies in relation to disposals by the relevant company made in accounting periods beginning on or after 1st January 1999.

[<sup>F23</sup>(13) If the relevant company changes from—

- (a) not recognising a profit or loss on an asset until it is realised, to
- (b) bringing assets into account in each period of account at a fair value,

then, in calculating the amount of any adjustment required under Schedule 22 to the Finance Act 2002 (calculation of adjustment on change of basis), the amount to be taken into account as the cost of the asset in relation to a period of account before the change is the cost of the previous acquisition.]

#### Textual Amendments

**F23** S. 81(13) inserted (24.7.2002 coming into force in accordance with s. 67(4)(b)) by [2002 c. 23, s. 67\(3\)\(4\)\(b\)](#)

#### Marginal Citations

**M48** [1996 c.8.](#)  
**M49** [1996 c.8.](#)  
**M50** [1992 c.12.](#)  
**M51** [1996 c.8.](#)  
**M52** [1993 c.34.](#)

## 82 Lloyd's: members' agent pooling arrangements.

- (1) This section applies where a member has entered into a members' agent pooling arrangement ("the arrangement").
- (2) Subsections (3) to (9) below shall apply for the purpose of determining any liability of the member's to capital gains tax that may arise from transactions effected in pursuance of the arrangement.
- (3) The syndicate rights held by the member under the arrangement shall be treated as a single asset acquired by him at the time when he entered into the arrangement; but,

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subject to subsection (9) below, he shall not be treated as disposing of the asset (in whole or in part) except as mentioned in subsection (6) below.

- (4) The member shall be treated as having given, wholly and exclusively for the acquisition of the asset, consideration equal to any amount paid by him on entering into the arrangement.
- (5) Any other amount paid by the member under the arrangement shall, on a disposal of the asset, be treated as expenditure incurred wholly and exclusively on the asset for the purpose of enhancing its value and reflected in its state or nature at the time of the disposal.
- (6) If an amount is paid to the member at any time under the arrangement, he shall be treated as disposing of the whole asset or, as the case may be, part of the asset at that time for a consideration equal to that amount.
- (7) If syndicate rights held by the member otherwise than under the arrangement become at any time rights held by him under the arrangement, he shall be treated as disposing of those rights at that time for a consideration equal to their market value at that time.
- (8) If syndicate rights held by the member under the arrangement become at any time rights held by him otherwise than under the arrangement, he shall be treated as acquiring those rights at that time for a consideration equal to their market value at that time.
- (9) Nothing in subsection (3) above shall affect the operation of section 24(1) of the <sup>M53</sup>Taxation of Chargeable Gains Act 1992 (disposals where assets extinguished etc.) in relation to the asset.
- (10) Subject to subsection (11) below this section applies to arrangements entered into on or after 6th April 1999 or subsisting on that date.
- (11) In the case of arrangements subsisting on 6th April 1999, this section has effect—
  - (a) as if the time mentioned in subsection (3) above were the earliest time (“the notional time of acquisition”) at which the member acquired any of the syndicate rights held by him under the arrangement immediately before 6th April 1999;
  - (b) as if the consideration referred to in subsection (4) above were the consideration, in money or money’s worth, given by him wholly and exclusively for the acquisition of such of those rights as he acquired at the notional time of acquisition; and
  - (c) in relation to times before 6th April 1999, as if the amount mentioned in subsection (5) above were the amount of any consideration, in money or money’s worth, given by him wholly and exclusively for the acquisition, after the notional time of acquisition, of rights such as are mentioned in paragraph (a) above;

and the incidental costs of any acquisition falling within paragraph (b) or (c) above shall be taken to be incidental costs of the acquisition of the asset.

#### Marginal Citations

M53 1992 c.12.

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### 83 Provisions supplementary to s. 82.

- (1) In section 82 above and this section, except where the context otherwise requires—
- “member” means an individual who is an underwriting member of Lloyd’s;
  - “members’ agent”, in relation to a member, means a person registered as a members’ agent at Lloyd’s who is acting as such an agent for the member;
  - “members’ agent pooling arrangement”, in relation to a member, means an arrangement—
    - (i) under which a members’ agent arranges for the member’s participation in syndicates; and
    - (ii) which satisfies the conditions set out in subsection (2) below;
  - “syndicate” has the same meaning as in Chapter III of Part II of the <sup>M54</sup>Finance Act 1993; and
  - “syndicate rights”, in relation to a member, means rights under a syndicate in which the member participates.
- (2) The conditions mentioned in paragraph (ii) of the above definition of “members’ agent pooling arrangement” are that under the arrangement—
- (a) the member must participate in each of the syndicates to which the arrangement relates; and
  - (b) the extent to which the member participates in each such syndicate is determined—
    - (i) by the members’ agent; or
    - (ii) according to a formula provided for in the arrangement.
- (3) References in section 82 above to the payment of an amount are references to the payment of an amount in money or money’s worth; and to the extent that an amount mentioned in subsection (4), (5) or (6) of that section is paid in money’s worth, the amount of the consideration or expenditure there referred to shall be calculated by reference to the market value of the money’s worth at the time of the payment mentioned in that subsection.
- (4) Section 82 above and this section have effect in relation to a Scottish partnership which is an underwriting member of Lloyd’s as they have effect in relation to a member, but as if the reference in section 82(2) to any liability of the member’s to capital gains tax that may arise from transactions effected in pursuance of the arrangement were a reference to any such liability of members of the partnership that may so arise.

#### Marginal Citations

M54 [1993 c.34.](#)

### 84 Lloyd’s: roll-over relief.

- (1) In section 155 of the <sup>M55</sup>Taxation of Chargeable Gains Act 1992 (classes of assets for the purposes of roll-over relief), after Class 7 there shall be inserted—

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## “CLASS 8

### ASSETS WITHIN HEADS A AND B BELOW.

#### HEAD A

RIGHTS OF A MEMBER OF LLOYD'S UNDER A SYNDICATE WITHIN THE MEANING OF CHAPTER III OF PART II OF THE <sup>M56</sup>FINANCE ACT 1993.

#### HEAD B

AN ASSET WHICH A MEMBER OF LLOYD'S IS TREATED AS HAVING ACQUIRED BY VIRTUE OF SECTION 82 OF THE FINANCE ACT 1999.”

- (2) This section applies to—
- (a) assets (or interests in them) disposed of on or after 6th April 1999;
  - (b) assets (or interests in them) acquired on or after that date.

#### Marginal Citations

M55 1992 c.12.

M56 1993 c.34.

### *Advance pricing agreements and CFCs*

#### 85 Advance pricing agreements etc.

- (1) This section applies in relation to any chargeable period where—
- (a) the Board have made a written agreement with any person (“the taxpayer”);
  - (b) the agreement relates to one or more of the matters mentioned in subsection (2) below and to that chargeable period;
  - (c) the agreement is one made as a consequence of an application by the taxpayer to the Board for the clarification by agreement of the effect in the taxpayer's case of provisions by reference to which questions relating to any one or more of those matters fall, or might fall, to be determined; and
  - (d) the agreement contains a declaration that it is an agreement made for the purposes of this section.
- (2) Those matters are—
- (a) the attribution of income to a branch or agency through which the taxpayer has been carrying on a trade in the United Kingdom, or is proposing so to carry on a trade;
  - (b) the attribution of income to any permanent establishment of the taxpayer (wherever situated) through which he has been carrying on, or is proposing to carry on, any business;

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- (c) the extent to which income which has arisen or may arise to the taxpayer is to be taken for any purpose to be income arising in a country or territory outside the United Kingdom;
  - (d) the treatment for tax purposes of any provision made or imposed (whether before or after the date of the agreement) as between the taxpayer and any associate of his;
  - (e) the treatment for tax purposes of any provision made or imposed (whether before or after the date of the agreement) as between a ring fence trade carried on by the taxpayer and any other activities so carried on.
- (3) Subject to the following provisions of this section and to section 86 below, the Tax Acts shall have effect in the taxpayer's case as if questions relating to the matters mentioned in subsection (2) above were, to the extent provided for in the agreement, to be determined in accordance with the agreement, and without reference to the provisions in accordance with which they would otherwise have fallen to be determined.
- (4) In the case of so much of any question as—
- (a) relates to any matter mentioned in paragraph (d) or (e) of subsection (2) above, and
  - (b) is not comprised in a question falling within another paragraph of that subsection,
- the provisions reference to which is capable of being excluded under subsection (3) above by an agreement made for the purposes of this section shall be confined to those contained in Schedule 28AA to the Taxes Act 1988 (transfer pricing rules).
- (5) Any such application to the Board as is mentioned in subsection (1)(c) above must set out—
- (a) the taxpayer's understanding of what would, in his case, be the effect, in the absence of any agreement, of the provisions in relation to which clarification is sought;
  - (b) the respects in which it appears to the taxpayer that clarification is required in relation to those provisions; and
  - (c) how the taxpayer proposes that matters should be clarified in a manner consistent with the understanding mentioned in paragraph (a) above.
- (6) For the purposes of this section two persons are associates, in relation to provision made or imposed as between them if, within the meaning of Schedule 28AA to the Taxes Act 1988—
- (a) one of them is directly or indirectly participating, at the time of the making or imposition of the provision, in the management, control or capital of the other; or
  - (b) the same person or persons is or are, at that time, directly or indirectly participating in the management, control or capital of each of the two persons;
- and, in the case of provision made or imposed by or in relation to the terms of any sale of oil (within the meaning of paragraph 9 of that Schedule), two persons shall also be treated as associates for the purposes of this section wherever sub-paragraph (2) of that paragraph would require them for the purposes of that Schedule to be treated in relation to that provision as falling within paragraph (b) above.
- (7) In this section "ring fence trade", in relation to the taxpayer, means any activities which—
- (a) are carried on by the taxpayer as, or as part of, a trade; and

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- (b) in accordance with section 492(1) of the Taxes Act 1988 (tax treatment of oil extraction activities) [<sup>F24</sup>or section 16(1) of the Income Tax (Trading and Other Income) Act 2005], either—
- (i) fall to be treated for tax purposes as a separate trade, distinct from all other activities carried on by the taxpayer; or
  - (ii) would so fall if the taxpayer did carry on any other activities as part of that trade.
- (8) This section applies in relation to any chargeable period ending on or after the day on which this Act is passed but only if the agreement is one made on or after that day and in relation to that period.

#### Textual Amendments

**F24** Words in s. 85(7)(b) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 508](#) (with [Sch. 2](#))

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

**C3** S. 85(2)(a) modified (with effect in accordance with s. 153(4) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [s. 153\(2\)\(c\)](#)

## 86 Provisions supplementary to s. 85.

- (1) The chargeable periods in relation to which provision may be made by a section 85 agreement include periods ending before the making of the agreement.
- (2) An agreement shall not have effect in accordance with section 85(3) above in relation to any determination of a question which—
  - (a) relates to a time after a time as from which an officer of the Board has revoked the agreement in accordance with its terms;
  - (b) relates to a time after or in relation to which there has been a failure by a party to the agreement to comply with any provision of the agreement compliance with which is, under the terms of the agreement, to be a condition of its having effect; or
  - (c) relates to any matter as respects which any other conditions which, by the terms of the agreement, are to be conditions of its having effect have not been, or are no longer, satisfied.
- (3) Where—
  - (a) there is a section 85 agreement between the Board and any person, and
  - (b) there is a mutual agreement made under and for the purposes of any double taxation arrangements which is not consistent with the terms of the section 85 agreement,

it shall be the duty of the Board to ensure that all such modifications of the section 85 agreement are made (whether in exercise of powers conferred on the Board by that agreement or otherwise) as may be necessary for enabling effect to be given to the mutual agreement in relation to the subject-matter of the section 85 agreement.
- (4) It shall be the duty of any person who is a party to a section 85 agreement to provide the Board from time to time with all such reports and other information as he may be

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required to provide under the agreement or by virtue of any request made by an officer of the Board in accordance with the terms of the agreement.

(5) Where—

- (a) the Board and any person have purported to enter into a section 85 agreement at any time,
- (b) before that time, that person fraudulently or negligently provided the Board with information which was false or misleading,
- (c) that information was so provided for or in connection with the application to the Board for the making of the agreement or otherwise in connection with its preparation, and
- (d) the Board have notified that person that the agreement is nullified by reason of the misrepresentation,

the agreement shall be deemed never to have been made.

(6) Any provision of a section 85 agreement that provides for the modification or revocation of that agreement by the Board, or by an officer of the Board, may provide for the modification or revocation to take effect as from such time (including a time before the modification is made or the agreement revoked) as the Board or officer may determine.

(7) Where a section 85 agreement—

- (a) relates to a chargeable period beginning or ending before the making of the agreement, and
- (b) provides for the manner in which adjustments are to be made for tax purposes in consequence of that agreement,

the adjustments shall be made for those purposes in the manner provided for in the agreement.

(8) A person shall be liable to a penalty not exceeding £10,000 if he fraudulently or negligently makes any false or misleading statement to the Board or an officer of the Board either—

- (a) for or in connection with any application to the Board for them to enter into a section 85 agreement; or
- (b) otherwise in connection with the preparation of such an agreement.

(9) In section 98 of the <sup>M57</sup>Taxes Management Act 1970 (penalties in connection with returns etc.), in the second column of the table, after the final entry there shall be inserted the following entry—

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“Section 86(4) of the Finance Act 1999.”

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(10) In this section—

“double taxation arrangements” means any arrangements having effect under or by virtue of section 788 of the Taxes Act 1988 (double taxation agreements); and

“section 85 agreement” means an agreement made for the purposes of section 85 above.



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**Marginal Citations**

**M57** [1970 c.9.](#)

**87 Effect of section 85 agreements on non-parties.**

- (1) This section applies where—
- (a) any agreement made for the purposes of section 85 above has effect in relation to any provision (“the actual provision”) made or imposed as between any person (“the taxpayer”) and another (“the other party”); and
  - (b) section 85(3) above has the effect in the taxpayer’s case of requiring a question relating to the actual provision to be determined in accordance with the agreement rather than by reference to rules which would otherwise be applicable by virtue of Schedule 28AA to the Taxes Act 1988.
- (2) Paragraphs 6 and 7 of Schedule 28AA to the Taxes Act 1988 (relief from double counting in the case of disadvantaged persons) shall have effect in the other party’s case on the assumption that any question falling within subsection (3) below is to be determined, to the same extent as in the taxpayer’s case, by reference to the agreement.
- (3) Those questions are—
- (a) whether the taxpayer is a person on whom a potential advantage in relation to United Kingdom taxation is conferred by the actual provision; and
  - (b) what constitutes the arm’s length provision in relation to the actual provision.
- (4) Subsection (2) above shall have effect subject to any agreement made for the purposes of section 85 above between the Board and the other party.
- (5) Section 111 of the <sup>M58</sup>Finance Act 1998 (notice to persons who may be entitled to claim as disadvantaged persons) shall have effect as if the assumptions referred to in subsection (1)(b) of that section included any assumptions falling to be made by virtue of the agreement.

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**Marginal Citations**

**M58** [1998 c.36.](#)

**88 Controlled foreign companies.**

- (1) In Schedule 25 to the Taxes Act 1988 (cases where section 747(3) does not apply), after sub-paragraph (1A) of paragraph 2 (acceptable distribution policy) there shall be inserted the following sub-paragraph—
- “(1B) A dividend paid by a company shall not fall within sub-paragraph (1)(d) above if, and to the extent that, the profits which are the relevant profits in relation to the dividend derive from dividends or other distributions paid to the company at any time which are dividends or other distributions—
- (a) to which section 208 applied; or
  - (b) to which that section would have applied if the company had been resident in the United Kingdom at that time.

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Subsections (3) and (4) of section 799 (double taxation relief: computation of underlying tax) apply for the purposes of this sub-paragraph as they apply for the purposes of subsection (1) of that section.”

- (2) Subsection (1) above applies for the purpose of determining whether dividends paid on or after 9th March 1999 for accounting periods ending on or after that date fall within sub-paragraph (1)(d) of paragraph 2 of that Schedule.

### *Management and enforcement*

## **89 Corporation tax: due and payable date.**

- (1) In the Table in section 98 of the <sup>M59</sup>Taxes Management Act 1970 (penalties for failure to provide information, produce documents etc.), in the first column, after the entry for Part III of the Taxes Management Act 1970 insert “ regulations under section 59E of this Act; ”.
- (2) In section 102(5)(a) of the <sup>M60</sup>Finance Act 1989 (surrender of company tax refund within group), for “section 10 of the Taxes Act 1988” substitute “ section 59D or 59E of the Taxes Management Act 1970 ”.
- (3) This section has effect in relation to accounting periods ending on or after 1st July 1999.

#### **Marginal Citations**

**M59** 1970 c.9.

**M60** 1989 c.26.

## **90 Release or writing off of debt: interest on tax overpaid.**

- (1) In section 826(4) of the Taxes Act 1988 (interest on tax overpaid)—
- (a) for “the repayment of, or of the part in question of, the loan or advance mentioned in section 419(4) was made” substitute “ the event giving rise to entitlement to relief under section 419(4) occurred ”; and
  - (b) in paragraph (a)(i) of that subsection, after “repayment” insert “ , or the release or writing off, ”.
- (2) This section has effect in relation to the release or writing off of the whole or part of a debt on or after 6th April 1999.

## **91 Advance corporation tax: consequences of abolition.**

- (1) Schedule 16 to the Taxes Act 1988 (collection of income tax on company payments) is amended as follows.
- (2) In paragraph 4 (payment of tax), omit—
- (a) in sub-paragraph (1), the words “Subject to sub-paragraph (3) below,”; and
  - (b) sub-paragraph (3).
- (3) In paragraph 8 (items included in return or claim in error)—

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- (a) for “should have been included in a return under Schedule 13” substitute “should not have been so included”; and
  - (b) for “been included in the right return” substitute “not been included in the return or claim in question”.
- (4) In section 32(6) of the <sup>M61</sup>Finance Act 1998 (meaning of “unrelieved surplus advance corporation tax”), for “paragraph 11” substitute “paragraph 12”.
- (5) Subsections (1) to (3) above have effect—
- (a) in relation to periods for which a return is required under paragraph 2 of Schedule 16 to the Taxes Act 1988 beginning on or after 6th April 1999; and
  - (b) in relation to accounting periods beginning on or after that date.
- (6) The amendment made by subsection (4) above shall be deemed always to have had effect.

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**Marginal Citations**

**M61** 1998 c.36.

## 92 Group relief: consequences of reduction in surrenderable amount.

- (1) Part VIII of Schedule 18 to the Finance Act 1998 (claims for group relief) is amended as follows.
- (2) In paragraph 75 (reduction in amount available for surrender by way of group relief)—
- (a) in sub-paragraph (1), for “amount available for relief” substitute “total amount available for surrender”; and
  - (b) in sub-paragraphs (2) and (4), before “amount available for surrender” insert “total”.
- (3) After that paragraph insert—

### “75A Assessment on other claimant companies

- (1) This paragraph applies where, after the surrendering company has given notice of consent to surrender, a claimant company (“the chargeable company”) has become liable to tax in consequence of receiving—
- (a) notice of the withdrawal of consent, or a copy of a new notice of consent, under paragraph 75(3), or
  - (b) a copy of a notice containing directions by the Inland Revenue under paragraph 75(4).
- (2) If any of the tax is unpaid six months after the chargeable company’s time limit for claims, the Inland Revenue may make an assessment to tax in the name of the chargeable company on any other company that has obtained group relief as a result of the surrender.
- (3) The assessment may not be made more than two years after that time limit.
- (4) The amount of the assessment must not exceed—
- (a) the amount of the unpaid tax, or

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- (b) if less, the amount of tax which the other company saves by virtue of the surrender.
- (5) A company assessed to an amount of tax under sub-paragraph (2) is entitled to recover from the chargeable company—
- (a) a sum equal to that amount, and
- (b) any interest on that amount which it has paid under section 87A of the <sup>M62</sup>Taxes Management Act 1970 (interest on unpaid corporation tax).
- (6) For the purposes of this paragraph the chargeable company's time limit for claims is the last of the dates mentioned in paragraph 74(1) on which the chargeable company could make or withdraw a claim for group relief for the accounting period for which the claim in question is made.”
- (4) In paragraph 76 (assessments to recover excessive group relief), after sub-paragraph (2) add—
- “(3) If an assessment under this paragraph is made because a claimant company fails, or is unable, to amend its company tax return under paragraph 75(6), the assessment is not out of time if it is made within one year from—
- (a) the date on which the surrendering company gives notice of the withdrawal of consent, or (if later) sends a copy of a new notice of consent, to the claimant company under paragraph 75(3), or
- (b) the date on which the Inland Revenue send the claimant company a copy of a notice containing their directions under paragraph 75(4).”
- (5) In section 87A(3) of the Taxes Management Act 1970 (interest on unpaid corporation tax assessed on other persons), for “section 96(8) of the <sup>M63</sup>Finance Act 1990” substitute “ paragraph 75A(2) of Schedule 18 to the <sup>M64</sup>Finance Act 1998 ”.
- (6) Section 96 of the Finance Act 1990 shall cease to have effect.
- (7) This section has effect in relation to accounting periods ending on or after 1st July 1999.

#### Marginal Citations

**M62** 1970 c.9.

**M63** 1990 c.29.

**M64** 1998 c.36.

### 93 Company tax returns, etc.

- (1) The enactments mentioned in Schedule 11 to this Act have effect with the amendments specified there, which are minor amendments and amendments consequential on Schedule 18 to the Finance Act 1998 (company tax returns, assessments and claims, etc.).
- (2) The amendments made by Schedule 11 to this Act have effect in relation to accounting periods ending on or after 1st July 1999.

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## PART IV

### OIL TAXATION

#### 94 Excluded oil.

- (1) This section applies where—
- (a) a contract (“the old contract”) provides for the sale by a person (“A”) of oil consisting of gas to the British Gas Corporation or one of its successors (“the purchaser”);
  - (b) the old contract is a contract made, or treated (by virtue of this section) as made, before the end of June 1975;
  - (c) the old contract is replaced by a contract (“the new contract”) for the sale of oil consisting of gas to the purchaser made after the end of June 1975; and
  - (d) any of the rights and liabilities which, under the old contract, were rights and liabilities of A are, under the new contract, rights and liabilities of another person (“B”).
- (2) The new contract shall be treated for the purposes of section 10(1)(a) of the <sup>M65</sup>Oil Taxation Act 1975 as the same contract as the old contract unless the rights and liabilities of B under the new contract are so different from those of A under the old contract that a contract conferring those rights and imposing those liabilities on A could not have been regarded as the same contract as the old contract.
- (3) For the purposes of subsection (1) above the successors of the British Gas Corporation are—
- (a) British Gas plc; and
  - (b) British Gas Trading Limited.
- (4) This section shall be deemed always to have had effect.

#### Marginal Citations

M65 1975 c.22.

#### 95 Sale and lease-back.

- (1) This section applies to a lease (“the lease in question”) of an asset (“the relevant asset”) where—
- (a) a person (“the seller”) who is a participator in an oil field (“the seller’s oil field”) has made a disposal in a chargeable period of the relevant asset or an interest in it;
  - (b) the relevant asset was a qualifying asset in relation to the seller and the seller’s oil field is the chargeable field in relation to it;
  - (c) the relevant asset is used in connection with an oil field (“the lessee’s oil field”) by a participator in that field (“the lessee”) under the lease in question;
  - (d) the seller, or a person connected with him at any time in the relevant period, is the lessee; and
  - (e) the lessee uses the relevant asset before the end of the period of two years beginning with the disposal.

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- (2) Subject to subsection (8) below, to the extent that the expenditure falling within subsection (3) below exceeds the amount of the cap, that expenditure shall not be allowable under section 3 or 4 of the principal Act or section 3 of the <sup>M66</sup>Oil Taxation Act 1983 for the lessee's oil field.
- (3) That expenditure is the aggregate of the following—
- (a) the total expenditure, excluding operating expenditure, incurred by the lessee under the lease in question; and
  - (b) if at any time after the disposal he acquires the relevant asset or an interest in it, the total expenditure (not falling within paragraph (a) above) incurred by him in acquiring the asset or interest.
- (4) Subject to subsections (5) to (7) below—
- (a) if the period in which the disposal was made is one in which the seller has benefitted from safeguard relief, the amount of the cap is the smaller of—
    - (i) the amount given by dividing the marginal tax on the disposal receipts by the applicable rate of tax; and
    - (ii) the amount of the disposal receipts; and
  - (b) in any other case the amount of the cap is the amount of the disposal receipts.
- (5) Subject to subsection (7) below, where at the relevant time there are, in relation to the relevant asset, two or more leases to which this section applies, the amount of the cap for the lease in question shall be the appropriate proportion of the cap found by applying subsection (4) above.
- (6) For the purposes of subsection (5) above the appropriate proportion is the proportion given by the formula—

$$\frac{A}{B}$$

where—

A is the proportion of the total use of the relevant asset during the term of the lease in question that is expected to be use under the lease; and

B is—

- (a) in a case where the seller disposed of the whole of the relevant asset, one; and
  - (b) in any other case, the proportion that the value of the interest disposed of by him bore to the total value of the relevant asset.
- (7) Where at the relevant time the relevant asset is used, or is expected to be used, by the lessee under the lease in question in connection with two or more oil fields, the amount of the cap for each of the fields shall be so much of the cap found by applying subsections (4) to (6) above as accords with the proportion of the use of the asset under the lease that is expected, at that time, to be—
- (a) use in connection with that field; or
  - (b) use giving rise to tariff receipts of the lessee attributable to that field.
- (8) Where—
- (a) expenditure falling within subsection (3) above has been allowed for the lessee's oil field, on a claim under Schedule 5 or 6 to the principal Act, on the basis that the cap was of a particular amount;

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- (b) information later becomes available to the Board which establishes that the cap is not of that amount; and
  - (c) the amount that was allowed exceeds the amount (if any) of the expenditure falling within that subsection that would have been allowed on the claim if the information had been available when the expenditure was allowed,
- the excess shall continue to be allowable.
- (9) Subject to subsection (10) below, this section and sections 96 and 97 below apply to assets, or interests in assets, disposed of on or after 9th March 1999.
- (10) This section and those sections do not apply to assets, or interests in assets, disposed of pursuant to an agreement made before that date if—
- (a) the agreement is not conditional; or
  - (b) the agreement is conditional and the condition is satisfied before that date.

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**Marginal Citations**

**M66** 1983 c.56.

## 96 Transfer of field interest.

- (1) This section applies where—
- (a) section 95 above has applied to a lease;
  - (b) the lessee has transferred the whole or part of his interest in the lessee's oil field; and
  - (c) pursuant to the transfer, the relevant asset is used in connection with that oil field under a lease ("the new participator's lease") by the person who is the new participator in relation to the transfer.
- (2) Subject to subsection (4) below, section 95 above shall have effect as if the new participator were the lessee and the new participator's lease were the lease in question.
- (3) The reference in subsection (1)(b) above to the lessee includes a reference to a successor of his; and subject to subsection (4) below, the expenditure that the new participator is treated by virtue of subsection (2) above as having incurred includes—
- (a) any expenditure, excluding operating expenditure, incurred by the lessee or a successor of his under the lease in question or a lease of the relevant asset; and
  - (b) any expenditure (not falling within paragraph (a) above) incurred by the lessee or a successor of his after the disposal mentioned in section 95(1)(a) above in acquiring the relevant asset or an interest in it.
- (4) Where the transfer mentioned in subsection (1)(b) above, or any antecedent transfer, was a transfer of part of the transferor's interest in the lessee's oil field—
- (a) the amount of the cap which is applicable by virtue of subsection (2) above shall be so much of the cap that would be applicable apart from this subsection as accords with the proportion of the lessee's interest in the field that is represented by the new participator's interest in the field; and
  - (b) the expenditure incurred (as mentioned in subsection (3) above) by the lessee or any successor of his that is treated, by virtue of subsection (2) above, as expenditure incurred by the new participator shall be so much of the expenditure incurred (as so mentioned) by the person concerned as accords

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with the proportion of that person's interest in the field that is represented by the new participator's interest in the field.

- (5) A person is a successor of the lessee for the purposes of this section if and only if—
- (a) this section has applied to an earlier transfer by the lessee or a successor of his of the whole or part of his interest in the lessee's oil field; and
  - (b) that person was the new participator in relation to the earlier transfer and used the relevant asset under the lease in connection with that oil field.
- (6) In this section "antecedent transfer" means a transfer (other than the transfer mentioned in subsection (1)(b) above) by the lessee or a successor of his of the whole or part of his interest in the lessee's oil field, pursuant to which the relevant asset was used as mentioned in subsection (1)(c) above.

## 97 Provisions supplementary to ss. 95 and 96.

- (1) For the purposes of section 95 above the marginal tax on the disposal receipts is the difference between—
- (a) the amount of tax to which the seller is chargeable on the assessable profit accruing to him from the seller's oil field in the period in which the asset or interest was disposed of; and
  - (b) the amount of tax to which the seller would have been so chargeable if the amount or value of the consideration received or receivable by him in respect of the disposal in that period of the asset or interest had been nil.
- (2) For the purposes of that section—
- (a) any question whether a person is connected with the seller shall be determined in accordance with the provisions of section 839 of the Taxes Act 1988;
  - (b) the relevant period is the period beginning with the time of the disposal of the asset or interest and ending with the time when the first claim is made for the allowance, for the lessee's oil field, of expenditure incurred by the lessee or a successor of his under the lease in question or a lease of the relevant asset (and in this paragraph the reference to the lessee includes a reference to a person who is treated as the lessee by virtue of section 96 above);
  - (c) the applicable rate of tax is the rate at which tax is charged under section 1(2) of the principal Act at the time of the disposal of the asset or interest;
  - (d) the amount of the disposal receipts is the aggregate of the amount or value of any consideration received or receivable by the seller in respect of the disposal of the asset or interest;
  - (e) a chargeable period is a period in which the seller benefits from safeguard relief if and only if the tax payable by the seller for that period is less than it would have been if section 9 of the principal Act (safeguard relief) had not been enacted;
  - (f) the relevant time is the end of the earliest claim period for which a claim such as is mentioned in paragraph (b) above is made; and
  - (g) tariff receipts of the lessee shall be taken to be attributable to an oil field if and only if they are attributable to the field for any chargeable period for the purposes of the <sup>M67</sup>Oil Taxation Act 1983.
- (3) In section 96 above references—
- (a) to the transfer by a person of the whole or part of his interest in the lessee's oil field; or



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- (b) in relation to a transfer, to the new participator,  
shall be construed in accordance with Schedule 17 to the <sup>M68</sup>Finance Act 1980.
- (4) The expenditure which for the purposes of sections 95 and 96 above shall be taken to be operating expenditure shall be so much of the expenditure incurred by the lessee or, as the case may be, a successor of his under the lease concerned as appears, on a just and reasonable estimate, to be operating expenditure.
- (5) References in this section to a successor of the lessee shall be construed in accordance with section 96(5) above.
- (6) In this section and sections 95 and 96 above—  
“the chargeable field” has the same meaning as in the Oil Taxation Act 1983;  
“lease”, in relation to an asset, has the same meaning as in sections 781 to 784 of the Taxes Act 1988;  
“the lease in question”, “the lessee”, “the lessee’s oil field”, “the relevant asset”, “the seller” and “the seller’s oil field” shall be construed in accordance with section 95(1) above;  
“operating expenditure” means expenditure (for example, in respect of the provision of staff or crew or the maintenance or operation of the relevant asset) of such a nature that the lessee or, as the case may be, his successor would or might have incurred it, otherwise than under any arrangements to finance his ownership, if he had been the owner of the asset;  
“the new participator’s lease” shall be construed in accordance with section 96(1) above;  
“the principal Act” means the <sup>M69</sup>Oil Taxation Act 1975;  
“qualifying asset” has the same meaning as in the Oil Taxation Act 1983;  
and  
“tariff receipts” has the same meaning as in that Act.
- (7) This section and sections 95 and 96 above shall be construed as one with Part I of the principal Act.

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**Marginal Citations**

**M67** 1983 c.56.

**M68** 1980 c.48.

**M69** 1975 c.22.

## 98 Qualifying assets.

- (1) Subsection (2) below applies where—
- an asset which is not a mobile asset is a qualifying asset for the purposes of the <sup>M70</sup>Oil Taxation Act 1983 in relation to a person (“the taxpayer”) who is a participator in an oil field (“the field”);
  - tariff receipts<sup>[F25]</sup>, tax-exempt tariffing receipts] or disposal receipts of the taxpayer which are referable to the asset are attributable to the field for a chargeable period (“the earlier period”);
  - receipts of the taxpayer which are referable to the asset for a subsequent chargeable period (“the later period”) would not, apart from this section,

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- be tariff receipts<sup>[F25]</sup>, tax-exempt tariffing receipts] or disposal receipts attributable to the field for that period as a result of—
- (i) the taxpayer's ceasing to be a participator in the field; or
  - (ii) his becoming a participator in another oil field; and
- (d) not more than two chargeable periods intervene between the earlier period and the later period.
- (2) The Oil Taxation Acts shall have effect, in relation to the later period and any subsequent chargeable period, as if—
- (a) receipts of the taxpayer which are referable to the asset for the period concerned were tariff receipts<sup>[F25]</sup>, tax-exempt tariffing receipts] or disposal receipts attributable to the field for that period; and
  - (b) in a case falling within subsection (1)(c)(i) above, the taxpayer continued to be a participator in the field.
- (3) Subsection (4) below applies where—
- (a) an asset which is not a mobile asset is a qualifying asset for the purposes of the Oil Taxation Act 1983 in relation to a person (“the taxpayer”) who is a participator in an oil field (“the field”);
  - (b) tariff receipts<sup>[F25]</sup>, tax-exempt tariffing receipts] or disposal receipts of the taxpayer which are referable to the asset are attributable to the field for a chargeable period (“the earlier period”);
  - (c) in a subsequent chargeable period (“the later period”) the taxpayer disposes of—
    - (i) the asset; or
    - (ii) an interest in the asset,
 to another person (“the transferee”) in circumstances such that section 7 of the Oil Taxation Act 1983 does not apply to the disposal; and
  - (d) not more than two chargeable periods intervene between the earlier period and the later period.
- (4) The Oil Taxation Acts shall have effect, in relation to the later period and any subsequent chargeable period, as if—
- (a) receipts of the transferee which are referable to the asset for the period concerned were tariff receipts<sup>[F25]</sup>, tax-exempt tariffing receipts] or disposal receipts attributable to the field for that period; and
  - (b) the transferee were a participator in the field.
- (5) Subject to subsection (6) below, any reference in this section to receipts of any person which are referable to the asset for a period is a reference to any sums which—
- (a) are received or receivable by that person in that period in respect of the use of the asset, or the provision of services or other business facilities of whatever kind in connection with its use; or
  - (b) are received or receivable by that person in respect of the disposal in that period of the asset, or an interest in the asset.
- (6) In a case falling within subsection (3)(c)(ii) above—
- (a) any sums which are received or receivable by the transferee otherwise than by virtue of his acquisition of the interest shall not be regarded for the purposes of subsection (4) above as receipts of his which are referable to the asset for any period; and

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- (b) for the purposes of paragraph (a) above, such apportionments shall be made as may be just and reasonable.

[<sup>F26</sup>(6A) In relation to tax-exempt tariffing receipts, any reference in this section—

- (a) to being attributable to a field for a period, or  
(b) to being referable to an asset,

shall be construed as if tax-exempt tariffing receipts were tariff receipts (and expenditure were or had been allowable accordingly).]

(7) This section shall be construed as one with Part I of the <sup>M71</sup>Oil Taxation Act 1975; and in this section “the Oil Taxation Acts” means—

- (a) the enactments relating to petroleum revenue tax (including this section);  
(b) Chapter V of Part XII of the Taxes Act 1988 (petroleum extraction activities); and  
(c) sections 62 to 65 of the <sup>M72</sup>Finance Act 1991 (oil industry).

(8) Nothing in this section shall be taken to affect the meaning of “participator” in paragraph 4 of Schedule 2 to the principal Act.

(9) Subject to subsection (11) below, subsection (1) above applies where—

- (a) the disposal by virtue of which the taxpayer ceased to be a participator in the field; or  
(b) the acquisition by virtue of which he became a participator in the other oil field,

was made on or after 1st July 1999.

(10) Subject to subsection (11) below, subsection (3) above applies where the asset, or the interest in the asset, was disposed of on or after that date.

(11) Neither subsection (1) nor subsection (3) above applies where the disposal or acquisition concerned was made pursuant to an agreement which was made before 1st July 1999 and either—

- (a) the agreement was not conditional; or  
(b) the agreement was conditional and the condition was satisfied before that date.

#### Textual Amendments

**F25** Words in s. 98 inserted (with effect in accordance with s. 285(8) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 37 para. 12\(2\)](#) (with [Sch. 37 Pt. 2](#))

**F26** S. 98(6A) inserted (with effect in accordance with s. 285(8) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 37 para. 12\(3\)](#) (with [Sch. 37 Pt. 2](#))

#### Marginal Citations

**M70** 1983 c.56.

**M71** 1975 c.22.

**M72** 1991 c.31.

## 99 PRT instalments.

(1) In paragraph 3 of Schedule 19 to the <sup>M73</sup>Finance Act 1982 (months in which instalments may be withheld)—

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- (a) in sub-paragraph (1), at the beginning there shall be inserted “Subject to sub-paragraph (1A) below,” and after “month” there shall be inserted “(the relevant month)”; and
  - (b) after that sub-paragraph there shall be inserted the following sub-paragraph—
    - “(1A) Sub-paragraph (1) above does not apply if the relevant month is a month in which any consideration (whether in the nature of income or capital) is received or receivable by the participator in respect of any such matter as is mentioned in paragraph (a) or (b) of section 6(2) of the <sup>M74</sup>Oil Taxation Act 1983 (chargeable tariff receipts).”
- (2) Subsection (1) above applies for the purpose of determining whether instalments are payable in respect of chargeable periods ending on or after 31st December 1999.

#### Marginal Citations

M73 1982 c.39.

M74 1983 c.56.

## 100 Sale and lease-back: ring fence profits.

- (1) After section 494 of the Taxes Act 1988 there shall be inserted the following section—

### “494AA Sale and lease-back.

- (1) This section applies where—
  - (a) a company (“the seller”) carrying on a trade has disposed of an asset which was used for the purposes of that trade, or an interest in such an asset;
  - (b) the asset is used, under a lease, by the seller or a company associated with the seller (“the lessee”) for the purposes of a ring fence trade carried on by the lessee; and
  - (c) the lessee uses the asset before the end of the period of two years beginning with the disposal.
- (2) Subject to subsection (4) below, subsection (3) below applies to so much (if any) of the expenditure incurred by the lessee under the lease as—
  - (a) falls, in accordance with normal accountancy practice, to be treated in the accounts of the lessee as a finance charge; or
  - (b) would so fall if the lessee were a company incorporated in the United Kingdom.
- (3) The expenditure shall not be allowable in computing for the purposes of Schedule D the profits of the ring fence trade.
- (4) Expenditure shall not be disallowed by virtue of subsection (3) above to the extent that the disposal referred to in subsection (1) above is made for a consideration which—
  - (a) is used to meet expenditure incurred by the seller in carrying on oil extraction activities or in acquiring oil rights otherwise than from a company associated with the seller; or
  - (b) is appropriated to meeting expenditure to be so incurred by the seller.

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(5) Where any expenditure—

(a) would apart from subsection (3) above be allowable in computing for the purposes of Schedule D the profits of the ring fence trade for an accounting period, but

(b) by virtue of that subsection is not so allowable,

that expenditure shall be brought into account for the purposes of Chapter II of Part IV of the <sup>M75</sup>Finance Act 1996 as if it were a non-trading debit in respect of a loan relationship of the lessee for that accounting period.

(6) In this section, “lease”, in relation to an asset, has the same meaning as in sections 781 to 784.”

(2) Subject to subsection (3) below, this section applies to assets, or interests in assets, disposed of on or after 9th March 1999.

(3) This section does not apply to assets, or interests in assets, disposed of pursuant to an agreement made before that date if—

(a) the agreement is not conditional; or

(b) the agreement is conditional and the condition is satisfied before that date.

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**Marginal Citations**

**M75** 1996 c.8.

## 101 Pipe-line elections.

(1) In subsection (1)(b) of section 233 of the <sup>M76</sup>Finance Act 1994 (relief for tariff receipts from participator in non-taxable field)—

(a) for “a participator in a non-taxable field” there shall be substituted “ any person ”, and

(b) for “in connection with that non-taxable field” there shall be substituted “ otherwise than in connection with a taxable field ”.

(2) Subsection (1) above applies to sums received or receivable in any chargeable period ending on or after 31st December 1999.

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**Marginal Citations**

**M76** 1994 c.9.

## 102 PRT returns.

(1) In paragraph 2 of Schedule 2 to the <sup>M77</sup>Oil Taxation Act 1975 (returns by participators)

(a) in sub-paragraph (1) (returns must be delivered within two months of the end of a chargeable period), after “the period” there shall be inserted “ or within such longer period as the Board may allow ”; and

(b) after sub-paragraph (4) there shall be inserted the following sub-paragraph—

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- “(5) The power of the Board to allow an extension of time under sub-paragraph (1) above shall include power—
- (a) to allow an extension for an indefinite period; and
  - (b) to provide for the period of any extension to end at such time as may be stipulated in a notice given by the Board.”
- (2) In paragraph 5 of that Schedule (returns by the responsible person)—
- (a) in sub-paragraph (1) (returns must be delivered within one month of the end of a chargeable period), after “the period” there shall be inserted “ or within such longer period as the Board may allow ”; and
  - (b) after sub-paragraph (3) there shall be inserted the following sub-paragraph—
- “(4) The power of the Board to allow an extension of time under sub-paragraph (1) above shall include power—
- (a) to allow an extension for an indefinite period; and
  - (b) to provide for the period of any extension to end at such time as may be stipulated in a notice given by the Board.”
- (3) After paragraph 12 of that Schedule there shall be inserted the following paragraph—
- “12A (1) Where—
- (a) the Board has extended the period for the delivery of any return that is required under paragraph 2 of this Schedule to be delivered for any chargeable period, and
  - (b) the relevant time falls more than one year after the end of the chargeable period,
- the period within which the Board may make an assessment under this Schedule for that chargeable period shall not expire before the end of the period of five years beginning with the relevant time.
- (2) In this paragraph “the relevant time” means the earlier of—
- (a) the time which, as a result of the extension, is the latest time for the delivery of the return; and
  - (b) the time when the return is delivered.”
- (4) In paragraph 2 of Schedule 5 to that Act, after sub-paragraph (6) there shall be inserted the following sub-paragraphs—
- “(7) Where—
- (a) the claim period in which any expenditure allowable under section 3 or 4 of this Act for an oil field is incurred coincides with or includes a chargeable period, and
  - (b) the Board has extended the period for the delivery of the return that is required under paragraph 5 of Schedule 2 to this Act to be delivered for that chargeable period by the responsible person, and
  - (c) the relevant time falls more than four years after the end of the claim period,
- sub-paragraph (1) above shall have effect as if the reference to six years after the end of the claim period in which the expenditure is incurred were a reference to two years after the relevant time.

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- (8) In sub-paragraph (7) above “the relevant time” means the earlier of—
- (a) the time which, as a result of the extension mentioned in that sub-paragraph, is the latest time for the delivery of the return there mentioned; and
  - (b) the time when that return is delivered.”
- (5) In the Table in paragraph 2 of Schedule 6 to that Act (application of provisions of Schedule 5 to claims under Schedule 6), after the entry relating to paragraph 2(6) of Schedule 5 there shall be inserted the following entries—

“2(7)	For the reference to paragraph 5 of Schedule 2 to this Act substitute a reference to paragraph 2 of that Schedule; for the reference to paragraph 2(1) of Schedule 5 to this Act substitute a reference to paragraph 1(2) of this Schedule.
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2(8)”

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- (6) In subsection (4) of section 62 of the <sup>M78</sup>Finance Act 1987 (returns relating to sales of oil), for the words from the beginning to “additional return” there shall be substituted—

“(4) In any case where paragraph 2 of Schedule 2 to the principal Act requires a participator in any oil field to make a return for any chargeable period (including cases where the latest time for the delivery of that return is deferred), that participator shall also be required, not later than the end of the second month after the end of that chargeable period, to deliver to the Board a return”.

- (7) In subsection (6) of that section, for paragraph (b) (return under subsection (4) not to include details included in return under paragraph 2 of Schedule 2 to the principal Act) there shall be substituted the following paragraph—

“(b) details of which are not included in a return for the period under paragraph 2 of Schedule 2 to the principal Act which is delivered to the Board at the same time as the return required by subsection (4) above or which was delivered to them previously; and”.

- (8) The preceding provisions of this section apply in relation to chargeable periods ending on or after 30th June 1999.

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**Marginal Citations**

**M77** 1975 c.22.

**M78** 1987 c.16.

**103 Business assets: roll-over relief.**

- (1) Section 193 of the <sup>M79</sup>Taxation of Chargeable Gains Act 1992 (roll-over relief not available for gains on oil licences) shall cease to have effect.

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- (2) This section has effect in relation to—
- (a) a disposal of a licence or an interest in a licence which occurs on or after 1st July 1999;
  - (b) an acquisition of a licence or an interest in a licence which occurs on or after 1st July 1999.

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**Marginal Citations**

M79 1992 c.12.

## PART V

### INHERITANCE TAX

#### 104 Gifts.

The following shall be inserted after section 102 of the <sup>M80</sup>Finance Act 1986 (inheritance tax: gifts with reservation)—

**“102A Gifts with reservation: interest in land.**

- (1) This section applies where an individual disposes of an interest in land by way of gift on or after 9th March 1999.
- (2) At any time in the relevant period when the donor or his spouse enjoys a significant right or interest, or is party to a significant arrangement, in relation to the land—
  - (a) the interest disposed of is referred to (in relation to the gift and the donor) as property subject to a reservation; and
  - (b) section 102(3) and (4) above shall apply.
- (3) Subject to subsections (4) and (5) below, a right, interest or arrangement in relation to land is significant for the purposes of subsection (2) above if (and only if) it entitles or enables the donor to occupy all or part of the land, or to enjoy some right in relation to all or part of the land, otherwise than for full consideration in money or money's worth.
- (4) A right, interest or arrangement is not significant for the purposes of subsection (2) above if—
  - (a) it does not and cannot prevent the enjoyment of the land to the entire exclusion, or virtually to the entire exclusion, of the donor; or
  - (b) it does not entitle or enable the donor to occupy all or part of the land immediately after the disposal, but would do so were it not for the interest disposed of.
- (5) A right or interest is not significant for the purposes of subsection (2) above if it was granted or acquired before the period of seven years ending with the date of the gift.



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- (6) Where an individual disposes of more than one interest in land by way of gift, whether or not at the same time or to the same donee, this section shall apply separately in relation to each interest.

### **102B Gifts with reservation: share of interest in land.**

- (1) This section applies where an individual disposes, by way of gift on or after 9th March 1999, of an undivided share of an interest in land.
- (2) At any time in the relevant period, except when subsection (3) or (4) below applies—
- (a) the share disposed of is referred to (in relation to the gift and the donor) as property subject to a reservation; and
  - (b) section 102(3) and (4) above shall apply.
- (3) This subsection applies when the donor—
- (a) does not occupy the land; or
  - (b) occupies the land to the exclusion of the donee for full consideration in money or money's worth.
- (4) This subsection applies when—
- (a) the donor and the donee occupy the land; and
  - (b) the donor does not receive any benefit, other than a negligible one, which is provided by or at the expense of the donee for some reason connected with the gift.

### **102C Sections 102A and 102B: supplemental.**

- (1) In sections 102A and 102B above “the relevant period” has the same meaning as in section 102 above.
- (2) An interest or share disposed of is not property subject to a reservation under section 102A(2) or 102B(2) above if or, as the case may be, to the extent that the disposal is an exempt transfer by virtue of any of the provisions listed in section 102(5) above.
- (3) In applying sections 102A and 102B above no account shall be taken of—
- (a) occupation of land by a donor, or
  - (b) an arrangement which enables land to be occupied by a donor,
- in circumstances where the occupation, or occupation pursuant to the arrangement, would be disregarded in accordance with paragraph 6(1)(b) of Schedule 20 to this Act.
- (4) The provisions of Schedule 20 to this Act, apart from paragraph 6, shall have effect for the purposes of sections 102A and 102B above as they have effect for the purposes of section 102 above; and any question which falls to be answered under section 102A or 102B above in relation to an interest in land shall be determined by reference to the interest which is at that time treated as property comprised in the gift.
- (5) Where property other than an interest in land is treated by virtue of paragraph 2 of that Schedule as property comprised in a gift, the provisions of section 102

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above shall apply to determine whether or not that property is property subject to a reservation.

(6) Sections 102 and 102A above shall not apply to a case to which section 102B above applies.

(7) Section 102A above shall not apply to a case to which section 102 above applies.”

#### Marginal Citations

**M80** 1986 c.41.

### 105 Delivery of accounts.

(1) For subsection (3) of section 216 of the <sup>M81</sup>Inheritance Tax Act 1984 (delivery of accounts) there shall be substituted the following subsections—

“(3) Subject to subsections (3A) and (3B) below, where an account is to be delivered by personal representatives (but not where it is to be delivered by a person who is an executor of the deceased only in respect of settled land in England and Wales), the appropriate property is—

- (a) all property which formed part of the deceased’s estate immediately before his death, other than property which would not, apart from section 102(3) of the <sup>M82</sup>Finance Act 1986, form part of his estate; and
- (b) all property to which was attributable the value transferred by any chargeable transfers made by the deceased within seven years of his death.

(3A) If the personal representatives, after making the fullest enquiries that are reasonably practicable in the circumstances, are unable to ascertain the exact value of any particular property, their account shall in the first instance be sufficient as regards that property if it contains—

- (a) a statement to that effect;
- (b) a provisional estimate of the value of the property; and
- (c) an undertaking to deliver a further account of it as soon as its value is ascertained.

(3B) The Board may from time to time give such general or special directions as they think fit for restricting the property to be specified in pursuance of subsection (3) above by any class of personal representatives.”

(2) This section has effect in relation to deaths occurring on or after 9th March 1999.

#### Marginal Citations

**M81** 1984 c.51.

**M82** 1986 c.41.

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## **106 Power to call for documents etc.**

After section 219 of the <sup>M83</sup>Inheritance Tax Act 1984 there shall be inserted the following sections—

### **“219A Power to call for documents etc.**

- (1) An officer of the Board may by notice in writing require any person who has delivered, or is liable to deliver, an account under section 216 or 217 above, within such time as may be specified in the notice—
  - (a) to produce to the officer such documents as are in the person's possession or power and as the officer may reasonably require for any of the purposes mentioned in subsection (2) below; and
  - (b) to furnish the officer with such accounts or particulars as he may reasonably require for any of those purposes.
- (2) The purposes are—
  - (a) enquiring into an account under section 216 or 217 above (including any claim or election included in the account);
  - (b) determining whether and, if so, the extent to which such an account is incorrect or incomplete; and
  - (c) making a determination for the purposes of a notice under section 221 below.
- (3) To comply with a notice under subsection (1) above, copies of documents may be produced instead of originals; but the copies must be photographic or otherwise by way of facsimile.
- (4) If so required by a notice in writing given by the officer, in the case of any document specified in the notice, the original of any copy produced under subsection (3) above must be produced for inspection by him within such time as may be specified in the notice.
- (5) The time specified in a notice under subsection (1) or (4) above shall not be less than thirty days.
- (6) The officer may take copies of, or make extracts from, any document produced to him under subsection (1) or (4) above.
- (7) A notice under subsection (1) above does not oblige a person to produce documents or furnish accounts or particulars relating to the conduct of any pending appeal by him.

### **219B Appeal against requirement to produce documents etc.**

- (1) An appeal may be brought against any requirement imposed by a notice under section 219A(1) above to produce any document or to furnish any accounts or particulars.
- (2) Subject to the following provisions of this section, the provisions of this Act relating to appeals shall have effect in relation to an appeal under this section as they have effect in relation to an appeal against a determination specified in a notice under section 221 below.

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- (3) An appeal under this section must be brought within the period of thirty days beginning with the date on which the notice under section 219A(1) above is given.
- (4) On an appeal under this section the Special Commissioners may—
- (a) if it appears to them that the production of the document or the furnishing of the accounts or particulars was reasonably required by the officer of the Board for any of the purposes mentioned in section 219A(2) above, confirm the notice under section 219A(1) above so far as relating to the requirement; or
  - (b) if it does not so appear to them, set aside that notice so far as so relating.
- (5) Where, on an appeal under this section, the Special Commissioners confirm the notice under section 219A(1) above so far as relating to any requirement, the notice shall have effect in relation to that requirement as if it had specified thirty days beginning with the determination of the appeal.
- (6) Neither the person required to produce documents or furnish accounts or particulars nor the officer of the Board shall be entitled to appeal under section 225 below against the determination of an appeal under this section.”

#### Marginal Citations

M83 1984 c.51.

### 107 Inland revenue charge.

- (1) In subsection (3) of section 237 of the <sup>M84</sup>Inheritance Tax Act 1984 (imposition of Inland Revenue charge), for “ “personal property” includes leaseholds” there shall be substituted “personal property” does not include leaseholds ”.
- (2) After subsection (3A) of that section there shall be inserted the following subsections—
- “(3B) Subsection (3C) below applies to any tax charged—
- (a) under section 32, 32A or 79(3) above in respect of any property,
  - (b) under paragraph 8 of Schedule 4 to this Act in respect of any property, or
  - (c) under paragraph 1 or 3 of Schedule 5 to this Act with respect to any object or property.
- (3C) Where any tax to which this subsection applies, or any interest on it, is for the time being unpaid, a charge for the amount unpaid is also by virtue of this section imposed in favour of the Board—
- (a) except where the event giving rise to the charge was a disposal to a purchaser of the property or object in question, on that property or object; and
  - (b) in the excepted case, on any property for the time being representing that property or object.”
- (3) Subsection (1) above has effect in relation to deaths occurring on or after 9th March 1999; and subsection (2) above has effect in relation to tax charged on or after that day.

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### Marginal Citations

M84 1984 c.51.

## 108 Penalties.

- (1) For section 245 of the <sup>M85</sup>Inheritance Tax Act 1984 (failure to provide information) there shall be substituted the following sections—

### “245 Failure to deliver accounts.

- (1) This section applies where a person (“the taxpayer”) fails to deliver an account under section 216 or 217 above.
- (2) The taxpayer shall be liable—
- (a) to a penalty not exceeding £100; and
  - (b) to a further penalty not exceeding £60 for every day after the day on which the failure has been declared by a court or the Special Commissioners and before the day on which the account is delivered.
- (3) If—
- (a) proceedings in which the failure could be declared are not commenced before the end of the relevant period, and
  - (b) the taxpayer has not delivered the account by the end of that period, he shall be liable to a further penalty not exceeding £100.
- (4) In subsection (3) above “the relevant period” means the period of six months beginning immediately after the end of the period given by section 216(6) or (7) or section 217 above (whichever is applicable).
- (5) If the taxpayer proves that his liability to tax does not exceed a particular amount, the penalty under subsection (2)(a) above, together with any penalty under subsection (3) above, shall not exceed that amount.
- (6) A person shall not be liable to a penalty under subsection (2)(b) above if he delivers the account required by section 216 or 217 before proceedings in which the failure could be declared are commenced.
- (7) A person who has a reasonable excuse for failing to deliver an account shall not be liable by reason of that failure to a penalty under this section, unless he fails to deliver the account without unreasonable delay after the excuse has ceased.

### 245A Failure to provide information etc.

- (1) A person who fails to make a return under section 218 above shall be liable—
- (a) to a penalty not exceeding £300; and
  - (b) to a further penalty not exceeding £60 for every day after the day on which the failure has been declared by a court or the Special Commissioners and before the day on which the return is made.

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- (2) A person who fails to comply with a notice under section 219 above shall be liable—
- (a) to a penalty not exceeding £300; and
  - (b) to a further penalty not exceeding £60 for every day after the day on which the failure has been declared by a court or the Special Commissioners and before the day on which the notice is complied with.
- (3) A person who fails to comply with a notice under section 219A(1) or (4) above shall be liable—
- (a) to a penalty not exceeding £50; and
  - (b) to a further penalty not exceeding £30 for every day after the day on which the failure has been declared by a court or the Special Commissioners and before the day on which the notice is complied with.
- (4) A person shall not be liable to a penalty under subsection (1)(b), (2)(b) or (3)(b) above if—
- (a) he makes the return required by section 218 above,
  - (b) he complies with the notice under section 219 above, or
  - (c) he complies with the notice under section 219A(1) or (4) above,
- before proceedings in which the failure could be declared are commenced.
- (5) A person who has a reasonable excuse for failing to make a return or to comply with a notice shall not be liable by reason of that failure to a penalty under this section, unless he fails to make the return or to comply with the notice without unreasonable delay after the excuse has ceased.”
- (2) In section 247 of that Act (provision of incorrect information)—
- (a) in subsection (1)—
    - (i) for “£50 and twice the difference” there shall be substituted “ £3,000 and the difference ”; and
    - (ii) for “£50”, in the other place where it occurs, there shall be substituted “ £1,500 ”;
  - (b) in subsection (3), for “£500” and “£250” there shall be substituted “ £3,000 ” and “ £1,500 ” respectively; and
  - (c) in subsection (4), for “£500” there shall be substituted “ £3,000 ”.
- (3) Subsection (1) above does not have effect in relation to a failure by any person—
- (a) to deliver an account under section 216 or 217 of the <sup>M86</sup>Inheritance Tax Act 1984,
  - (b) to make a return under section 218 of that Act, or
  - (c) to comply with a notice under section 219 of that Act,
- where the period within which the person is required to perform the obligation in question expires before the day on which this Act is passed.
- (4) Subsection (2) above has effect in relation to incorrect accounts, information or documents delivered, furnished or produced on or after the day on which this Act is passed.

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### Marginal Citations

**M85** 1984 c.51.

**M86** 1984 c.51.

## PART VI

### STAMP DUTY AND STAMP DUTY RESERVE TAX

#### *Stamp duty*

#### **109 Interest and penalties on late stamping.**

- (1) For section 15 of the <sup>M87</sup>Stamp Act 1891 (penalty upon stamping instruments after execution) substitute—

##### **“15 Stamping after execution.**

- (1) An unstamped or insufficiently stamped instrument may be stamped after being executed on payment of the unpaid duty and any interest or penalty payable.
- (2) Any interest or penalty payable on stamping shall be denoted on the instrument by a particular stamp.

##### **15A Late stamping: interest.**

- (1) Interest is payable on the stamping of an instrument which—
  - (a) is chargeable with *ad valorem* duty, and
  - (b) is not duly stamped within 30 days after the day on which the instrument was executed (whether in the United Kingdom or elsewhere).

- (2) Interest is payable on the amount of the unpaid duty from the end of the period of 30 days mentioned in subsection (1)(b) until the duty is paid.

If an amount is lodged with the Commissioners in respect of the duty, the amount on which interest is payable is reduced by that amount.

- (3) Interest shall be calculated at the rate applicable under section 178 of the <sup>M88</sup>Finance Act 1989 (power of Treasury to prescribe rates of interest).
- (4) The amount of interest shall be rounded down (if necessary) to the nearest multiple of £5.

No interest is payable if that amount is less than £25.

- (5) Interest under this section shall be paid without any deduction of income tax and shall not be taken into account in computing income or profits for any tax purposes.

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### 15B Late stamping: penalties.

- (1) A penalty is payable on the stamping of an instrument which is not presented for stamping within 30 days after—
    - (a) if the instrument is executed in the United Kingdom, the day on which it is so executed;
    - (b) if the instrument is executed outside the United Kingdom, the day on which it is first received in the United Kingdom.
  - (2) If the instrument is presented for stamping within one year after the end of the 30-day period mentioned in subsection (1), the maximum penalty is £300 or the amount of the unpaid duty, whichever is less.
  - (3) If the instrument is not presented for stamping until after the end of the one-year period mentioned in subsection (2), the maximum penalty is £300 or the amount of the unpaid duty, whichever is greater.
  - (4) The Commissioners may, if they think fit, mitigate or remit any penalty payable on stamping.
  - (5) No penalty is payable if there is a reasonable excuse for the delay in presenting the instrument for stamping.”.
- (2) In section 178(2) of the <sup>M89</sup>Finance Act 1989 (enactments for purposes of which Treasury may prescribe rates of interest), before paragraph (a) insert—
 

“(aa) section 15A of the Stamp Act 1891;”.
  - (3) The consequential amendments in Schedule 12 to this Act have effect.
  - (4) This section applies to instruments executed on or after 1st October 1999.

#### Marginal Citations

**M87** 1891 c.39.

**M88** 1989 c.26.

**M89** 1989 c.26.

## 110 Interest on repayment of duty overpaid etc.

- (1) A payment by the Commissioners to which this section applies shall be paid with interest at the rate applicable under section 178 of the Finance Act 1989 for the period between the relevant time (as defined below) and the date on which the order for the payment is issued.
- (2) This section applies to any repayment by the Commissioners of duty, or any penalty on late stamping, under the enactments relating to stamp duty.
 

In that case the relevant time is 30 days after the day on which the instrument in question was executed or, if later, the date on which the payment of duty or penalty was made.
- (3) This section applies to a repayment by the Commissioners of an amount lodged with them in respect of the duty payable on stamping an instrument if—



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- (a) the instrument is presented for stamping,
- (b) the instrument is duly stamped, and
- (c) the repayment is of an amount then repayable.

In that case the relevant time is 30 days after the day on which the instrument was executed or, if later, the date on which the amount was lodged with the Commissioners.

- (4) This section also applies to a money payment made by the Commissioners under section 11 of the <sup>M90</sup>Stamp Duties Management Act 1891 (allowances for spoiled or misused stamps).

In that case the relevant time is the date on which the duty was paid for the stamp in respect of which the allowance is made.

- (5) A payment by the Commissioners under section 12A(2)(b) of that Act (allowances for lost or spoiled instruments) is treated for the purposes of this section as a repayment of the duty or penalty by reference to which it is made.

In that case the relevant time is the date on which the payment of duty or penalty was made.

- (6) No interest is payable under this section if the amount of the payment to which this section applies is less than £25.
- (7) No interest is payable under this section in respect of a payment made in consequence of an order or judgment of a court having power to allow interest on the payment.
- (8) Interest paid to any person under this section is not income of that person for any tax purposes.
- (9) In section 178(2) of the <sup>M91</sup>Finance Act 1989 (enactments for purposes of which Treasury may prescribe rates of interest), after paragraph (o) add—

“, and

(p) section 110 of the Finance Act 1999.”.

- (10) This section applies in relation to instruments executed on or after 1st October 1999.

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

**C4** S. 110 applied (28.7.2000) by 2000 c. 17, s. 117, **Sch. 33 para. 5(2)** (with Sch. 33 para. 9(2))

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**Marginal Citations**

**M90** 1891 c.38.

**M91** 1989 c.26.

[<sup>F27</sup>**111 Stamp duty on conveyance or transfer on sale.**

- (1) Section 55 of the <sup>M92</sup>Finance Act 1963 and section 4 of the <sup>M93</sup>Finance Act (Northern Ireland) 1963 (rates of stamp duty on conveyance or transfer on sale) are each amended as follows.
- (2) In subsection (1)(d) (rate of £2 for every £100 etc. where consideration does not exceed £500,000 and the instrument is certified at that amount) for “£2” substitute “ £2.50p ”.

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- (3) In subsection (1)(e) (rate of £3 for every £100 etc. in cases not otherwise provided for) for “£3” substitute “£3.50p”.
- (4) This section applies to instruments executed on or after 16th March 1999, except where the instrument in question is executed in pursuance of a contract made on or before 9th March 1999.
- (5) This section shall be deemed to have come into force on 16th March 1999.]

#### Textual Amendments

**F27** S. 111 repealed (with effect as mentioned in Sch. 20 Pt. V(2), Notes 1, 2) by 1999 c. 16, s. 139, Sch. 20 Pt. V(2), Notes 1,2

#### Marginal Citations

**M92** 1963 c.25.

**M93** 1963 c.22(N.I.).

## 112 General amendment of charging provisions.

- (1) The amount of any stamp duty chargeable ad valorem—
- (a) shall be a percentage of the amount specified in the relevant charging provision, and
  - (b) shall be rounded up (if necessary) to the nearest multiple of £5.
- (2) The amount of every fixed stamp duty shall be £5.
- (3) The provisions of Schedule 13 to this Act have effect in place of Schedule 1 to the <sup>M94</sup>Stamp Act 1891, and certain related enactments, so far as they relate to the instruments (other than bearer instruments) chargeable to duty and the method of calculation and rates of duty.
- (4) The consequential amendments in Schedule 14 to this Act have effect.
- (5) The percentage rates specified in Schedule 13 and the enactments amended by Schedule 14 correspond to the rates of duty generally in force at the passing of this Act.

In the case of an instrument in relation to which there was then in force transitional provision in connection with an earlier change in the rate of duty having the effect that a different rate applied, the new or amended provisions have effect as if a reference to a percentage corresponding to that different rate were substituted.

- (6) This section has effect in relation to instruments executed on or after 1st October 1999.

#### Marginal Citations

**M94** 1891 c.39(N.I.).

## 113 Bearer instruments.

- (1) The provisions of Schedule 15 to this Act have effect in place of the heading “Bearer Instruments” in Schedule 1 to the Stamp Act 1891, and certain related enactments,

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and incorporate amendments in relation to bearer instruments corresponding to those made by—

section 109 (interest and penalties on late stamping),  
 section 112 (general amendment of charging provisions), and  
 Part I of Schedule 17 to this Act (amendments of penalties other than on late stamping).

- (2) The percentage rates specified in Schedule 15 correspond to the rates of duty generally in force at the passing of this Act.

In the case of an instrument in relation to which there was then in force transitional provision in connection with an earlier change in the rate of duty having the effect that a different rate applied, the new provisions have effect as if a reference to a percentage corresponding to that different rate were substituted.

- (3) The consequential amendments specified in Schedule 16 to this Act have effect.  
 (4) This section applies in relation to bearer instruments issued on or after 1st October 1999.

#### **114 Penalties other than on late stamping.**

- (1) The provisions of Schedule 17 to this Act (stamp duty: penalties other than on late stamping) have effect.  
 (2) The provisions of that Schedule have effect in relation to penalties in respect of things done or omitted on or after 1st October 1999.

#### **115 Minor amendments and repeal of obsolete provisions.**

Schedule 18 to this Act (stamp duty: minor amendments and repeal of obsolete provisions) has effect.

#### *Stamp duty reserve tax*

#### **116 Non-sterling bearer instruments issued in connection with merger or takeover.**

- (1) In section 95 of the <sup>M95</sup>Finance Act 1986 (exceptions from charge on entry into depositary receipt system), for subsection (2) (bearer instruments) substitute—
- “(2) There shall be no charge to tax under section 93 above in respect of a transfer, issue or appropriation of an inland bearer instrument, within the meaning of the heading “Bearer Instrument” in Schedule 1 to the Stamp Act 1891, except in the case of—
- (a) an instrument within exemption 3 in that heading (renounceable letters of allotment etc. where rights are renounceable not later than six months after issue); or
- (b) an instrument within the stamp duty exemption for non-sterling instruments which is issued in connection with a company merger or takeover (whether or not involving the company issuing the instrument).

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In paragraph (b) “the stamp duty exemption for non-sterling instruments” means the exemption from stamp duty provided for by section 30 of the Finance Act 1967 or section 7 of the Finance Act (Northern Ireland) 1967.”.

(2) In section 97 of the Finance Act 1986 (exceptions from charge on entry into clearance system), for subsection (3) (bearer instruments) substitute—

“(3) There shall be no charge to tax under section 96 above in respect of a transfer or issue of an inland bearer instrument, within the meaning of the heading “Bearer Instrument” in Schedule 1 to the Stamp Act 1891, except in the case of—

- (a) an instrument within exemption 3 in that heading (renounceable letters of allotment etc. where rights are renounceable not later than six months after issue); or
- (b) an instrument within the stamp duty exemption for non-sterling instruments which is issued in connection with a company merger or takeover (whether or not involving the company issuing the instrument).

In paragraph (b) “the stamp duty exemption for non-sterling instruments” means the exemption from stamp duty provided for by section 30 of the Finance Act 1967 or section 7 of the Finance Act (Northern Ireland) 1967.”.

(3) This section applies to any instrument issued on or after 30th January 1999, except one giving effect to an agreement for a company merger or takeover entered into in writing by the companies involved before that date.

#### Marginal Citations

M95 1986 c.41.

### 117 Scope of exceptions for certain bearer instruments.

(1) In section 95(2) of the Finance Act 1986 (bearer instruments excepted from charge on entry into depositary receipt system), for paragraph (b) (one of the categories of instrument to which the exception does not apply) substitute—

- “(b) an instrument within the stamp duty exemption for non-sterling instruments which—
- (i) does not raise new capital, and
  - (ii) is not issued in exchange for an instrument raising new capital.”.

(2) After that subsection insert—

“(2A) For the purpose of subsection (2)(b)—

- (a) an instrument is regarded as raising new capital only if the condition in subsection (2B) is met, and
- (b) an instrument is regarded as issued in exchange for an instrument raising new capital only if the conditions in subsection (2C) are met.

(2B) The condition mentioned in subsection (2A)(a) is that the instrument—

- (a) is issued in conjunction with—

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- (i) the issue of relevant securities for which only cash is subscribed, or
    - (ii) the granting of rights to subscribe for relevant securities which are granted for a cash consideration only and exercisable only by means of a cash subscription; or
  - (b) is issued to give effect to the exercise of such rights as are mentioned in paragraph (a)(ii).
- (2C) The conditions mentioned in subsection (2A)(b) are that—
  - (a) the instrument is issued in conjunction with the issue of relevant securities by a company in exchange for relevant securities issued by another company, and
  - (b) immediately before the exchange an instrument relating to those other securities—
    - (i) was regarded for the purposes of subsection (2)(b) as raising new capital or as issued in exchange for an instrument raising new capital, or
    - (ii) would have been so regarded if the amendments made to this section by section 117 of the Finance Act 1999 had been in force at the time of its issue,
 and accordingly was or would have been within the exception conferred by subsection (2).
- (2D) For the purposes of subsections (2B) and (2C) “relevant securities” means chargeable securities which are either—
  - (a) shares the holders of which have a right to a dividend at a fixed rate but have no other right to share in the profits of the company, or
  - (b) loan capital within the meaning of section 78 above,
 and which, in either case, do not carry any rights (of conversion or otherwise) by the exercise of which chargeable securities other than relevant securities may be obtained.”.
- (3) For subsection (6) of that section substitute—
  - “(6) Where an arrangement is entered into under which—
    - (a) a company issues securities to persons in respect of their holdings of securities issued by another company, and
    - (b) the securities issued by the other company are cancelled,
 the issue shall be treated for the purposes of this section as an issue of securities in exchange for securities issued by the other company.”.
- (4) In section 97(3) of that Act (bearer instruments excepted from charge on entry into clearance system), for paragraph (b) (one of the categories of instrument to which the exception does not apply) substitute—
  - “(b) an instrument within the stamp duty exemption for non-sterling instruments which—
    - (i) does not raise new capital, and
    - (ii) is not issued in exchange for an instrument raising new capital.”.
- (5) After that subsection insert—

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- “(3A) For the purpose of subsection (3)(b)—
- (a) an instrument is regarded as raising new capital only if the condition in subsection (3B) is met, and
  - (b) an instrument is regarded as issued in exchange for an instrument raising new capital only if the conditions in subsection (3C) are met.
- (3B) The condition mentioned in subsection (3A)(a) is that the instrument—
- (a) is issued in conjunction with—
    - (i) the issue of relevant securities for which only cash is subscribed, or
    - (ii) the granting of rights to subscribe for relevant securities which are granted for a cash consideration only and exercisable only by means of a cash subscription; or
  - (b) is issued to give effect to the exercise of such rights as are mentioned in paragraph (a)(ii).
- (3C) The conditions mentioned in subsection (3A)(b) are that—
- (a) the instrument is issued in conjunction with the issue of relevant securities by a company in exchange for relevant securities issued by another company, and
  - (b) immediately before the exchange an instrument relating to those other securities—
    - (i) was regarded for the purposes of subsection (3)(b) as raising new capital or as issued in exchange for an instrument raising new capital, or
    - (ii) would have been so regarded if the amendments made to this section by section 117 of the Finance Act 1999 had been in force at the time of its issue,
 and accordingly was or would have been within the exception conferred by subsection (3).
- (3D) For the purposes of subsections (3B) and (3C) “relevant securities” means chargeable securities which are either—
- (a) shares the holders of which have a right to a dividend at a fixed rate but have no other right to share in the profits of the company, or
  - (b) loan capital within the meaning of section 78 above,
- and which, in either case, do not carry any rights (of conversion or otherwise) by the exercise of which chargeable securities other than relevant securities may be obtained.”.
- (6) For subsection (7) of that section substitute—
- “(7) Where an arrangement is entered into under which—
- (a) a company issues securities to persons in respect of their holdings of securities issued by another company, and
  - (b) the securities issued by the other company are cancelled,
- the issue shall be treated for the purposes of this section as an issue of securities in exchange for securities issued by the other company.”.

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- (7) Subsections (1) to (6) above apply in relation to any instrument issued on or after 9th March 1999, except one giving effect to an agreement for a company merger or takeover entered into in writing by the companies involved before 30th January 1999.

## 118 Relief in case of certain replacement securities.

- (1) After section 95 of the <sup>M96</sup>Finance Act 1986 (depository receipts: exceptions) insert—

### “95A Depository receipts: exception for replacement securities.

- (1) There shall be no charge to tax under section 93 above in respect of the transfer, issue or appropriation of chargeable securities (“the new securities”) issued by a company in place of existing securities of the same company (“the old securities”) if the following conditions are met.
  - (2) The first condition is that the old securities are held under a depository receipt scheme.
  - (3) The second condition is that—
    - (a) there was a charge to tax under section 93 above in respect of the transfer, issue or appropriation—
      - (i) of the old securities, or
      - (ii) of earlier securities in relation to which on a previous application of this section those securities were the new securities,
 or there would have been such a charge if that section had been in force; or
    - (b) there would have been such a charge but for section 95(2) or (3) above.
  - (4) The third condition is that there is an arrangement under which—
    - (a) the new securities are transferred, issued or appropriated as mentioned in section 93(1)(b), and
    - (b) the old securities are cancelled.
  - (5) For the purposes of subsection (2) above the cases in which securities are held under a depository receipt scheme are those specified (in relation to shares) in section 95(5) above.
  - (6) The exception provided by this section applies only to the extent that the value of the new securities immediately after their issue does not exceed the value of the old securities immediately before the issue of the new securities.”.
- (2) In section 99(10) of that Act (meaning of “chargeable securities”), after “95,” insert “95A, ”.
- (3) After section 97 of that Act (clearance services: exceptions) insert—

### “97AA Clearance services: further exception.

- (1) There shall be no charge to tax under section 96 above in respect of the transfer or issue of chargeable securities (“the new securities”) issued by a company

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in place of existing securities of the same company (“the old securities”) if the following conditions are met.

- (2) The first condition is that the old securities are held under a clearance services scheme.
  - (3) The second condition is that—
    - (a) there was a charge to tax under section 96 above in respect of the transfer or issue—
      - (i) of the old securities, or
      - (ii) of earlier securities in relation to which on a previous application of this section those securities were the new securities,
 or there would have been such a charge if that section had been in force; or
    - (b) there would have been such a charge but for section 97(3) or (4) above.
  - (4) The third condition is that there is an arrangement under which—
    - (a) the new securities are transferred or issued as mentioned in section 96(1)(b), and
    - (b) the old securities are cancelled.
  - (5) For the purposes of subsection (2) above the cases in which securities are held under a clearance services scheme are those specified (in relation to shares) in section 97(6) above.
  - (6) The exception provided by this section applies only to the extent that the value of the new securities immediately after their issue does not exceed the value of the old securities immediately before the issue of the new securities.”.
- (4) In section 99(10) of that Act (meaning of “chargeable securities”), after “97” insert “, 97AA”.
- (5) This section applies in relation to securities issued on or after 1st May 1998.

#### Marginal Citations

M96 1986 c.41.

### 119 Power to exempt UK depositary interests in foreign securities.

- (1) The Treasury may by regulations make provision excluding from the definition of “chargeable securities” in Part IV of the <sup>M97</sup>Finance Act 1986 such rights in or in relation to securities as, in accordance with the regulations, are to be treated as exempt UK depositary interests in foreign securities.
- (2) Subject to subsection (3), the regulations may—
  - (a) define “depositary interest”, “UK depositary interest” and “foreign securities” for this purpose; and
  - (b) exempt such descriptions of UK depositary interests in foreign securities (as so defined) as may from time to time be specified in the regulations.



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- (3) The regulations shall not make provision for the exemption of a depositary interest unless the terms of issue of the interest are such that it can only be transferred in accordance with regulations under section 207 of the <sup>M98</sup>Companies Act 1989 (transfer of securities without written instrument) or by means of a transfer within section 186(1) of the <sup>M99</sup>Finance Act 1996 (transfer of securities to member of electronic transfer system).
- (4) The regulations may contain such incidental, supplementary, consequential and transitional provision as appears to the Treasury to be appropriate.
 

This may include provision modifying the enactments relating to stamp duty reserve tax for the purpose of giving effect to the exemption conferred by regulations under this section (or, where earlier regulations are varied or revoked, withdrawing an exemption formerly conferred).
- (5) Regulations under this section may make different provision for different cases.
- (6) Regulations under this section shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.

#### Marginal Citations

**M97** 1986 c.41.

**M98** 1989 c.40.

**M99** 1996 c.8.

## 120 Minor amendments of exceptions to general charge.

- (1) Section 90 of the Finance Act 1986 (exceptions from the general charge to stamp duty reserve tax) is amended as follows.
- (2) In subsection (3F)(c) (conditions of exception under subsection (3E)) for “securities which are not listed” substitute “chargeable securities which are not listed”.
- (3) In subsection (5) for “by a person” substitute “for the purposes of a business”; and in subsection (6) for “A person is within this subsection if his business is exclusively” substitute “A business is within this subsection if, or so far as, it consists of”.
- (4) Subsection (2) above applies to instruments issued on or after 9th March 1999.
- (5) Subsection (3) above applies to agreements to transfer securities made on or after 9th March 1999.

## 121 Power to make regulations with respect to administration, etc.

- (1) The following provisions have effect with respect to the power conferred on the Treasury by section 98(1) of the Finance Act 1986 (stamp duty reserve tax: regulations with respect to administration, etc.).
- (2) That power includes power to make provision—
  - (a) applying the provisions of the <sup>M100</sup>Taxes Management Act 1970 relating to penalties and the payment of interest on overdue tax, and
  - (b) requiring information to be provided, or books, documents or other records to be made available for inspection, and imposing a penalty for failure to do so.

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- (3) That power includes, and shall be deemed always to have included, power to make provision requiring specified descriptions of persons to account for and pay tax, and any interest on it, on behalf of the person liable to pay it.

#### Marginal Citations

M100 1970 c.9.

### Units in unit trusts

#### 122 Stamp duty and stamp duty reserve tax: unit trusts.

- (1) The following provisions of this Act (which apply generally to instruments executed on or after 1st October 1999)—
- (a) section 109 and Schedule 12 (interest and penalties on late stamping),
  - (b) section 110 (interest on duty overpaid, etc.), and
  - (c) section 112 and Schedules 13 and 14 (general amendment of charging provisions),
- do not apply to transfers or other instruments relating to units under a unit trust scheme.
- (2) Subsection (1) does not affect the operation of those provisions in relation to stamp duty—
- (a) on a conveyance or transfer on sale of property other than units under a unit trust scheme in relation to which such units form the whole or part of the consideration, or
  - (b) under Schedule 15 to this Act (bearer instruments).
- (3) In subsections (1) and (2) “unit” and “unit trust scheme” have the same meaning as in Part VII of the <sup>M101</sup>Finance Act 1946 or Part III of the <sup>M102</sup>Finance (No.2) Act (Northern Ireland) 1946.
- (4) Schedule 19 to this Act (stamp duty and stamp duty reserve tax: unit trusts) has effect.
- This subsection and that Schedule come into force on 6th February 2000.

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

C5 S. 122 modified (6.2.2000) by S.I. 1997/1156, reg. 4(1)-(5) (as inserted (6.2.2000) by S.I. 1999/3261, reg. 5)

#### Marginal Citations

M101 1946 c.64.

M102 1946 c.17(N.I.).

### Supplementary provisions

#### 123 Construction of this Part and other supplementary provisions.

- (1) This Part—

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- (a) so far as it relates to stamp duty shall be construed as one with the <sup>M103</sup>Stamp Act 1891, and
- (b) so far as it relates to stamp duty reserve tax shall be construed as one with Part IV of the <sup>M104</sup>Finance Act 1986.
- (2) In this Part—
- (a) “the enactments relating to stamp duty” means the Stamp Act 1891 and any enactment amending or which is to be construed as one with that Act; and
- (b) “the enactments relating to stamp duty reserve tax” means Part IV of the <sup>M105</sup>Finance Act 1986 and any enactment amending or which is to be construed as one with that Part.
- (3) The following provisions of this Part shall cease to have effect on the day appointed under section 111(1) of the <sup>M106</sup>Finance Act 1990 (abolition of stamp duty for securities etc.)—
- section 113;
- sections 116 to 121;
- subsections (1)(b) and (2)(b) of this section;
- in Schedule 13—
- paragraph 3,
- in paragraph 4 the words “in the case of any other conveyance or transfer on sale”,
- paragraph 7(1)(b)(ii) to (iv),
- paragraph 24(a), (b) and (d);
- in Schedule 14, paragraphs 5, 8, 12, 13, 16 to 21 and 23;
- Schedule 15;
- in Schedule 16, paragraphs 2 to 11;
- in Schedule 17, paragraphs 6 to 8;
- Parts I to III of Schedule 19;
- in Part IV of that Schedule, the words “and the enactments relating to stamp duty reserve tax” in paragraphs 14(1), 15, 16, 17(1) and 18(1).
- (4) The amendment by this Part, or the repeal in consequence of this Part, of any enactment relating to stamp duty does not affect that enactment as applied for any purpose other than stamp duty.

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**Marginal Citations**

**M103** 1891 c.39.

**M104** 1986 c.41.

**M105** 1986 c.41.

**M106** 1990 c.29.

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## PART VII

### OTHER TAXES

#### *Landfill tax*

#### **124 Rate of landfill tax.**

- (1) In section 42 of the <sup>M107</sup>Finance Act 1996 (amount of landfill tax), in subsections (1) (a) and (2), for “£7”, in each place where it occurs, there shall be substituted “ £10 ”.
- (2) This section has effect in relation to taxable disposals made, or treated as made, on or after 1st April 1999.

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#### **Marginal Citations**

**M107** 1996 c.8.

#### *Insurance premium tax*

#### **125 Rate of insurance premium tax.**

- (1) In section 51(2)(b) of the <sup>M108</sup>Finance Act 1994 (4 per cent. standard rate of insurance premium tax), for “4 per cent.” there shall be substituted “ 5 per cent. ”
- (2) Subsection (1) above has effect in relation to a premium which falls to be regarded for the purposes of Part III of the Finance Act 1994 (insurance premium tax) as received under a taxable insurance contract by an insurer on or after 1st July 1999.
- (3) Subsection (1) above does not have effect in relation to a premium which—
  - (a) is in respect of a contract made before 1st July 1999, and
  - (b) falls to be regarded for the purposes of Part III of that Act as received under the contract by the insurer on a date before 1st January 2000, by virtue of regulations under section 68 of that Act (special accounting schemes).
- (4) Subsection (3) above does not apply in relation to a premium which—
  - (a) is an additional premium under a contract,
  - (b) falls to be regarded for the purposes of Part III of that Act as received under the contract by the insurer on or after 1st July 1999, by virtue of regulations under section 68 of that Act, and
  - (c) is in respect of a risk which was not covered by the contract before 1st July 1999.
- (5) In the application of sections 67A to 67C of that Act (announced increase in rate of insurance premium tax) in relation to the increase under subsection (1) above and the exception under subsection (3) above—
  - (a) the announcement for the purpose of sections 67A(1) and 67B(1) shall be taken to have been made on 9th March 1999,
  - (b) the date of the change is 1st July 1999, and
  - (c) the concessionary date is 1st January 2000.

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### Marginal Citations

M108 1994 c.9.

## Customs duties

### 126 Interest on unpaid customs debts.

- (1) This section applies for the determination and recovery of the amount of any interest charged in accordance with Article 232 of the Community Customs Code (interest on duty not paid within the prescribed period) on arrears of customs duty payable to the Commissioners.
- (2) Subject to subsection (3) below, the interest shall be charged on the amount in arrears at the rate applicable under section 197 of the <sup>M109</sup>Finance Act 1996 (power to fix rates of interest applicable in the case of indirect taxes) for the period which—
  - (a) begins with the latest time for payment of that amount; and
  - (b) ends with the day before that on which payment of that amount is actually made.
- (3) Regulations made for the purposes of this section under section 197 of the Finance Act 1996 may provide that, where the amount of interest computed in any case in accordance with subsection (2) above is less than such minimum amount as may be specified in or determined in accordance with the regulations, the amount of interest charged in that case is (instead of being the amount so computed) to be taken to be equal to that minimum amount.
- (4) Subsections (2) and (3) above have effect subject to Article 232(2) of the Community Customs Code (power to waive interest in certain cases).
- (5) Any interest the amount of which falls to be determined in accordance with this section shall be recoverable by the Commissioners as if it were customs duty; but nothing in this subsection shall be taken to impose any liability to interest on an amount so determined.
- (6) Interest on an amount of customs duty shall not be recoverable from any person at any time more than three years after the latest time for payment of that amount unless a written notice that arrears of customs duty attract interest was given to that person by the Commissioners at a time falling—
  - (a) at or after the time when that amount first became payable; and
  - (b) before the end of that three years.
- (7) In this section—
  - “the Commissioners” means the Commissioners of Customs and Excise;
  - “the Community Customs Code” means Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code;
  - “customs duty” includes any agricultural levy of the European Community; and
  - “the latest time for payment”, in relation to an amount of customs duty, means the end of the period prescribed by the Community Customs Code for the payment of that amount.

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- (8) The preceding provisions of this section—
- (a) shall have effect for periods beginning on or after such day as the Treasury may by order made by statutory instrument appoint; and
  - (b) shall so have effect in relation to interest running from before that day, as well as in relation to interest running from, or from after, that day;
- and different days may be appointed under this subsection for different purposes.

#### Subordinate Legislation Made

**P3** S. 126(8)(a) power fully exercised: 1.4.2000 appointed by S.I. 2000/632, **art. 2**

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

- C6** S. 126 excluded (1.4.2000) by S.I. 1995/2518, **reg. 118(g)** (as inserted (1.4.2000) by S.I. 2000/634, **reg. 3(2)**)
- C7** S. 126(1) applied (with modifications) (1.4.2004) by The Recovery of Duties and Taxes Etc. Due in Other Member States (Corresponding UK Claims, Procedure and Supplementary) Regulations 2004 (S.I. 2004/674), **reg. 1, Sch. 2 para. 2(2)**
- C8** S. 126(2)-(4) excluded (1.4.2004) by The Recovery of Duties and Taxes Etc. Due in Other Member States (Corresponding UK Claims, Procedure and Supplementary) Regulations 2004 (S.I. 2004/674), **reg. 1, Sch. 2 para. 2(1)**
- C9** S. 126(5) modified (1.4.2004) by The Recovery of Duties and Taxes Etc. Due in Other Member States (Corresponding UK Claims, Procedure and Supplementary) Regulations 2004 (S.I. 2004/674), **reg. 1, Sch. 2 para. 2(3)**
- C10** S. 126(6)-(8) excluded (1.4.2004) by The Recovery of Duties and Taxes Etc. Due in Other Member States (Corresponding UK Claims, Procedure and Supplementary) Regulations 2004 (S.I. 2004/674), **reg. 1, Sch. 2 para. 2(1)**

#### Marginal Citations

**M109** 1996 c.8.

## 127 Interest on repayments.

- (1) Subject to the following provisions of this section, where the Commissioners are liable to repay an amount to any person in consequence of—
- (a) the payment to them by way of customs duty of an amount that was not due from that person, or
  - (b) any requirement to repay an amount of customs duty in accordance with the Community Customs Code or <sup>F28</sup>[Commission Regulation No. 2454/93],
- then, if and to the extent that they would not be liable to do so apart from this section, the Commissioners shall pay interest to him on that amount for the applicable period.
- (2) The amounts that carry interest under subsection (1) above—
- (a) include only so much of any amount mentioned in that subsection as is the subject of a claim that the Commissioners are required to satisfy or have satisfied; and
  - (b) do not include any amount of interest under this section.
- <sup>F29</sup>(3) Subject to section 128 below, in relation to any amount that carries interest under subsection (1) above, the applicable period for the purposes of this section is the period which—

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- (a) begins with the thirty-first working day after the making of the claim for repayment of that amount; and
- (b) ends with the date on which the Commissioners issue the repayment of that amount, and in paragraph (a) above “working day” means any day other than a non-business day within the meaning of section 92 of the Bills of Exchange Act 1882 <sup>F30</sup>.]
- (4) The Commissioners shall not be liable to pay interest under this section except on the making of a claim for that purpose.
- (5) A claim under this section must be in writing and must be made not more than three years after the end of the applicable period to which it relates.
- (6) Any reference in this section to the issue by the Commissioners of any repayment of any amount includes a reference to the discharge by way of set-off of the Commissioners' liability to repay that amount.
- (7) Interest under this section shall be payable at the rate applicable under section 197 of the <sup>M110</sup>Finance Act 1996.
- (8) In this section and section 128 below—  
     “the Commissioners” means the Commissioners of Customs and Excise;  
     “the Community Customs Code” means Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code; and  
     “customs duty” includes any agricultural levy of the European Community.
- (9) The Commissioners may by order modify subsection (3) above so as to provide for interest under this section to begin to run from a time before the sixty-first day after the making of the claim for repayment.
- (10) The power of the Commissioners to make an order under subsection (9) above shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.
- (11) This section has effect in relation only to a repayment the claim for which is made on or after such day as the Treasury may by order made by statutory instrument appoint; and different days may be appointed under this subsection for different purposes.

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#### Subordinate Legislation Made

**P4** S. 127(11) power fully exercised: 1.4.2000 appointed by [S.I. 2000/632, art. 2](#)

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#### Textual Amendments

**F28** Words in s. 127(1)(b) substituted (*retrospectively*) by [2000 c. 17, s. 29](#)

**F29** S. 127(3) substituted (1.4.2000) by [SI. 2000/633, art. 2](#)

**F30** [1882 c. 61](#); section 92 was amended by sections 3(1) and (3) and 4(4) of the [Banking and Financial Dealings Act 1971 \(c. 80\)](#).

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

**C11** S. 127 excluded (1.4.2000) by [S.I. 1995/2518, reg. 118\(g\)](#) (as inserted (1.4.2000) by [S.I. 2000/634, reg. 3\(2\)](#))

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#### Marginal Citations

**M110** [1996 c.8](#).



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## **128 Periods to be disregarded in determining interest under s. 127.**

- (1) In determining the applicable period for the purposes of section 127 above in the case of interest on the amount of any repayment there shall be left out of account any period by which the Commissioners' issue of the repayment is delayed as a result of circumstances beyond their control.
- (2) The reference in subsection (1) above to a period by which the Commissioners' issue of a repayment is delayed as a result of circumstances beyond their control includes, in particular, any period which is referable to any one or more of the matters mentioned in subsections (3) to (5) below.
- (3) The first of those matters is any unreasonable delay in the making of any claim for the repayment of the amount on which interest is claimed.
- (4) The second of those matters is any failure by any person to provide the Commissioners—
  - (a) at or before the time of the making of any such claim, or
  - (b) subsequently in response to a request for information by the Commissioners, with all the information required by them to enable the existence and amount of the claimant's entitlement to a repayment to be determined.
- (5) The third of those matters is the making, as part of or in association with such a claim, of a claim to anything to which the person making the claim has no entitlement.
- (6) In determining for the purposes of subsection (4) above whether any period of delay is referable to a failure by any person to provide information in response to a request by the Commissioners, there shall be taken to be so referable any period which—
  - (a) begins with the date on which the Commissioners request that person to provide information which they reasonably consider relevant to the matter to be determined; and
  - (b) ends with the earliest date on which it would be reasonable for the Commissioners to conclude—
    - (i) that they have received a complete answer to their request for information;
    - (ii) that they have received all that they need in answer to that request; or
    - (iii) that it is unnecessary for them to be provided with any information in answer to that request.

## **129 Repayment of overpaid interest etc.**

- (1) Where—
  - (a) the Commissioners have issued an amount to any person by way of—
    - (i) a payment of interest under section 127 above, or
    - (ii) a repayment of customs duty or of interest on arrears of customs duty,
  - (b) that person was not entitled to that amount, and
  - (c) the Commissioners are entitled to recover it,
 the amount shall be recoverable by the Commissioners as if it were customs duty.
- (2) An amount shall not be recoverable from any person in accordance with subsection (1) above at any time more than three years after the payment or repayment was issued



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unless a written notice that the amount is recoverable was given to that person by the Commissioners before the end of those three years.

- (3) Any reference in this section to the issue by the Commissioners of any payment or repayment of any amount includes a reference to the discharge by way of set-off of the Commissioners' liability to pay or, as the case may be, to repay that amount.
- (4) Nothing in this section shall be taken to impose any liability to interest on an amount to which subsection (1) above applies.
- (5) In this section—
  - “the Commissioners” means the Commissioners of Customs and Excise; and
  - “customs duty” includes any agricultural levy of the European Community.
- (6) This section shall have effect in relation to amounts issued on or after such day as the Treasury may by order made by statutory instrument appoint; and different days may be appointed under this subsection for different purposes.

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**Subordinate Legislation Made**

**P5** S. 129(6) power fully exercised: 1.4.2000 appointed by S.I. 2000/632, **art. 2**

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

**C12** S. 129 modified (1.4.2000) by S.I. 1995/2518, **reg. 121(3)** (as substituted (1.4.2000) by S.I. 2000/634, **reg. 6**)

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### 130 Consequential amendments relating to interest.

- (1) In section 14(1) of the <sup>M111</sup>Finance Act 1994 (reviewable and appealable decisions), for the “and” at the end of paragraph (c) there shall be substituted—
  - “(ca) any decision as to whether or not—
    - (i) an amount due in respect of customs duty or agricultural levy, or
    - (ii) any repayment by the Commissioners of an amount paid by way of customs duty or agricultural levy,
 is to carry interest, or as to the rate at which, or period for which, any such amount is to carry interest;”.
- (2) For sub-paragraph (k) of paragraph 1 of Schedule 5 to that Act (under which decisions as to interest under the Community Customs Code are reviewable and appealable) there shall be substituted the following sub-paragraph—
  - “(k) any decision as to whether or not collection of interest on arrears of customs duty or agricultural levy is to be waived;”.
- (3) In section 197(2) of the <sup>M112</sup>Finance Act 1996 (setting of rates of interest for indirect taxes), after paragraph (e) there shall be inserted the following paragraph—
  - “(f) sections 126 and 127 of the Finance Act 1999 (interest on overdue customs duty and on repayments of amounts paid by way of customs duty).”
- (4) Subsections (1) and (2) above have effect in relation to decisions made on or after the day on which this Act is passed.

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### Marginal Citations

M111 1994 c.9.

M112 1996 c.8.

## PART VIII

### MISCELLANEOUS AND SUPPLEMENTAL

#### *General administration of tax*

#### **131 Economic and monetary union: taxes and duties.**

The Commissioners of Inland Revenue and the Commissioners of Customs and Excise may incur expenditure in order to secure that, if the United Kingdom were to move to the third stage of economic and monetary union, they would be able to exercise their functions relating to taxes and duties (including agricultural levies of the European Community).

#### **132 Power to provide for use of electronic communications.**

- (1) Regulations may be made, in accordance with this section, for facilitating the use of electronic communications for—
  - (a) the delivery of information the delivery of which is authorised or required by or under any legislation relating to a taxation matter;
  - (b) the making of payments under any such legislation.
- (2) The power to make regulations under this section is conferred—
  - (a) on the Commissioners of Inland Revenue in relation to matters which are under their care and management; and
  - (b) on the Commissioners of Customs and Excise in relation to matters which are under their care and management.
- (3) For the purposes of this section provision for facilitating the use of electronic communications includes any of the following—
  - (a) provision authorising persons to use electronic communications for the delivery of information to tax authorities, or for the making of payments to tax authorities;
  - (b) provision requiring electronic communications to be used for the making to tax authorities of payments due from persons using such communications for the delivery of information to those authorities;
  - (c) provision authorising tax authorities to use electronic communications for the delivery of information to other persons or for the making of any payments;
  - (d) provision as to the electronic form to be taken by any information that is delivered to any tax authorities using electronic communications;
  - (e) provision requiring persons to prepare and keep records of information delivered to tax authorities by means of electronic communications, and of payments made to any such authorities by any such means;

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- (f) provision for the production of the contents of records kept in accordance with any regulations under this section;
  - (g) provision imposing conditions that must be complied with in connection with any use of electronic communications for the delivery of information or the making of any payment;
  - (h) provision, in relation to cases where use is made of electronic communications, for treating information as not having been delivered, or a payment as not having been made, unless conditions imposed by any such regulations are satisfied;
  - (i) provision, in relation to such cases, for determining the time when information is delivered or a payment is made;
  - (j) provision, in relation to such cases, for determining the person by whom information is to be taken to have been delivered or by whom a payment is to be taken to have been made;
  - (k) provision, in relation to cases where information is delivered by means of electronic communications, for authenticating whatever is delivered.
- (4) The power to make provision under this section for facilitating the use of electronic communications shall also include power to make such provision as the persons exercising the power think fit (including provision for the application of conclusive or other presumptions) as to the manner of proving for any purpose—
- (a) whether any use of electronic communications is to be taken as having resulted in the delivery of information or the making of a payment;
  - (b) the time of delivery of any information for the delivery of which electronic communications have been used;
  - (c) the time of the making of any payment for the making of which electronic communications have been used;
  - (d) the person by whom information delivered by means of electronic communications was delivered;
  - (e) the contents of anything so delivered;
  - (f) the contents of any records;
  - (g) any other matter for which provision may be made by regulations under this section.
- (5) Regulations under this section may—
- (a) allow any authorisation or requirement for which such regulations may provide to be given or imposed by means of a specific or general direction given by the Commissioners of Inland Revenue or the Commissioners of Customs and Excise;
  - (b) provide that the conditions of any such authorisation or requirement are to be taken to be satisfied only where such tax authorities as may be determined under the regulations are satisfied as to specified matters;
  - (c) allow a person to refuse to accept delivery of information in an electronic form or by means of electronic communications except in such circumstances as may be specified in or determined under the regulations;
  - (d) allow or require use to be made of intermediaries in connection with—
    - (i) the delivery of information, or the making of payments, by means of electronic communications; or
    - (ii) the authentication or security of anything transmitted by any such means.

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- (6) Power to make provision by regulations under this section shall include power—
- (a) to provide for a contravention of, or any failure to comply with, a specified provision of any such regulations to attract a penalty of a specified amount not exceeding £1,000;
  - (b) to provide that specified enactments relating to penalties imposed for the purposes of any taxation matter (including enactments relating to assessments, review and appeal) are to apply, with or without modifications, in relation to penalties under such regulations;
  - (c) to make different provision for different cases;
  - (d) to make such incidental, supplemental, consequential and transitional provision in connection with any provision contained in any such regulations as the persons exercising the power think fit.
- (7) The power to make regulations under this section shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.
- (8) References in this section to the delivery of information include references to any of the following (however referred to)—
- (a) the production or furnishing to a person of any information, account, record or document;
  - (b) the giving, making, issue or surrender to, or service on, any person of any notice, notification, statement, declaration, certificate or direction;
  - (c) the imposition on any person of any requirement or the issue to any person of any request;
  - (d) the making of any return, claim, election or application;
  - (e) the amendment or withdrawal of anything mentioned in paragraphs (a) to (d) above.
- (9) References in this section to a taxation matter are references to any of the matters which are under the care and management of the Commissioners of Inland Revenue or of the Commissioners of Customs and Excise.
- (10) In this section—
- “electronic communications” includes any communications by means of [<sup>F31</sup>an electronic communications service] ;
- “legislation” means any enactment, Community legislation or subordinate legislation;
- “payment” includes a repayment;
- “records” includes records in electronic form;
- “subordinate legislation” has the same meaning as in the <sup>M113</sup>Interpretation Act 1978;
- “tax authorities” means—
- (a) the Commissioners of Inland Revenue or the Commissioners of Customs and Excise,
  - (b) any officer of either body of Commissioners; or
  - (c) any other person who for the purposes of electronic communications is acting under the authority of either body of Commissioners.

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### Textual Amendments

- F31** Words in s. 132(10) substituted (25.7.2003 for specified purposes, 29.12.2003 in so far as not already in force) by [Communications Act 2003 \(c. 21\)](#), s. 411(2), [Sch. 17 para. 156](#) (with [Sch. 18](#)); [S.I. 2003/1900](#), arts. 1(2), 2(1), [Sch. 1](#) (with art. 3) (as amended by [S.I. 2003/3142](#), art. 1(3)); [S.I. 2003/3142](#), art. 3(2) (with art. 11)

### Modifications etc. (not altering text)

- C13** S. 132 modified (24.11.2002) by [2002 c. 22](#), s. 53, [Sch. 7 para 53](#); [S.I. 2002/2866](#), art. 2(1), [Sch. 1 Pt. 1](#)

### Marginal Citations

- M113** [1978 c.30](#).

## 133 Use of electronic communications under other provisions.

- (1) Without prejudice to section 132 above, where any power to make subordinate legislation for or in connection with the delivery of information or the making of payments is conferred in relation to any taxation matter on—
- the Commissioners of Inland Revenue,
  - the Commissioners of Customs and Excise, or
  - the Treasury,
- that power shall be taken (to the extent that it would not otherwise be so taken) to include power to make any such provision in relation to the delivery of that information or the making of those payments as could be made by any person by regulations in exercise of a power conferred by that section.
- (2) Provision made in exercise of the powers conferred by section 132 above or subsection (1) above shall have effect notwithstanding so much of any enactment or subordinate legislation as (apart from the provision so made) would require—
- any information to be delivered, or
  - any amount to be paid,
- in a form or manner that would preclude the use of electronic communications for its delivery or payment, or the use in connection with its delivery or payment of an intermediary.
- (3) Schedule 3A to the <sup>M114</sup>Taxes Management Act 1970 (electronic lodgment of tax returns etc.) shall cease to have effect.
- (4) Subsection (3) above shall come into force on such day as the Treasury may by order made by statutory instrument appoint; and different days may be appointed under this subsection for different purposes.
- (5) Expressions used in this section and section 132 above have the same meanings in this section as in that section.

### Modifications etc. (not altering text)

- C14** [S. 133](#) modified (24.11.2002) by [2002 c. 22](#), s. 53, [Sch. 7 para. 53](#); [S.I. 2002/2866](#), art. 2(1), [Sch. 1 Pt. 1](#)

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#### **Commencement Information**

**I2** S. 133 partly in force: s. 133(1)(2)(4)(5) in force at Royal Assent, s. 133(3) not in force, see s. 133(4)

#### **Marginal Citations**

**M114** 1970 c.9.

*Government borrowing etc.*

### **134 The Debt Management Account.**

- (1) Schedule 5A to the <sup>M115</sup>National Loans Act 1968 (the Debt Management Account) shall be amended in accordance with subsections (2) to (6) below.
- (2) In paragraph 1(2) (objects of the Treasury’s operation of the Debt Management Account), after paragraph (b) there shall be inserted—
  - “(ba) meeting any request to borrow money from the Treasury, made by the Bank of England;”.
- (3) After paragraph 5 there shall be inserted—

“5A

- (1) Where the Treasury raise money by virtue of paragraph 4 above, they shall exercise their powers under this Schedule so as to secure that the principal amount is repaid within the period of one year beginning with the day on which the money was raised.
- (2) Nothing in sub-paragraph (1) above shall require the Treasury to repay any amount at any time when—
  - (a) they are unable to obtain a good discharge for the repayment or they consider that there is a material risk that they would be unable to do so; or
  - (b) it is impracticable to repay the amount.
- (3) Where—
  - (a) by virtue of sub-paragraph (2) above, an amount is not repaid within the period mentioned in sub-paragraph (1) above, and
  - (b) the case ceases to be one in relation to which sub-paragraph (2)(a) or (b) applies,
 the Treasury shall exercise their powers under this Schedule so as to secure that the amount is repaid as soon as is reasonably practicable.
- (4) Any reference in this paragraph to the repayment of any amount includes a reference to the discharge by way of set-off of the Treasury’s liability to repay that amount.”
- (4) In paragraph 9(1) (payments from Debt Management Account into National Loans Fund in respect of securities or Treasury bills), after “Treasury bills” there shall be inserted “ (other than bills issued by virtue of paragraph 4 above) ”.
- (5) In paragraph 13(1) (payment into Debt Management Account of sums in respect of payments of interest made from that Account), after “respect of” there shall be inserted “ (a) ” and after “the Account” there shall be inserted “, and

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- (b) any discount on any Treasury bills issued by virtue of paragraph 4 above.”
- (6) In paragraph 13(3) (payment into National Loans Fund in respect of payments of interest received or earned by the Debt Management Account), after “respect of” there shall be inserted “ (a) ” and after “the Account” there shall be inserted “, and
- (b) any benefit accruing to the Account which, in the opinion of the Treasury, ought to be treated in the same way as such interest.”
- (7) In section 18 of the <sup>M116</sup>National Savings Bank Act 1971 (securities in which ordinary deposits may be invested), in paragraph (a), for the words “or on the National” to the end there shall be substituted “, on the National Loans Fund with recourse to the Consolidated Fund or on the Debt Management Account with recourse to the National Loans Fund and then to the Consolidated Fund, or ”.
- (8) Subsection (6) above has effect in relation to any benefit accruing to the Debt Management Account on or after 1st April 1999.

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**Marginal Citations**

**M115** 1968 c.13.

**M116** 1971 c.29.

**135 Lending by Revenue Accounts to National Loans Fund.**

- (1) Where, at the close of business on any day, a sum stands to the credit of—
- (a) the General Account of the Commissioners of Customs and Excise, or
- (b) the General Account of the Commissioners of Inland Revenue,
- that sum may be lent to the National Loans Fund on that day.
- (2) Subsection (1) above does not apply to any sum to the extent that it is required to be paid, on the day in question, in accordance with section 10 of the <sup>M117</sup>Exchequer and Audit Departments Act 1866.
- (3) A loan made by virtue of subsection (1) above shall be repaid before the close of business on the day after the loan is made or, where that day is not a business day, before the close of business on the next business day.
- (4) Subject to subsection (3) above, a loan made by virtue of subsection (1) above shall be made in such circumstances, and on such terms and conditions, as the Treasury may from time to time direct.
- (5) In this section “business day” means any day other than—
- (a) a Saturday or Sunday;
- (b) Good Friday or Christmas Day;
- (c) a day which, in England and Wales, is a bank holiday under the <sup>M118</sup>Banking and Financial Dealings Act 1971;
- (d) a day specified in an order under section 2(1) of that Act (days on which financial dealings are suspended) and declared by that order to be a non-business day for the purposes of this paragraph; or
- (e) a day appointed by Royal proclamation as a public fast or thanksgiving day.

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#### Marginal Citations

M117 1866 c.39.

M118 1971 c.80.

### 136 Definition of Government Stock.

(1) The descriptions of stock and bonds specified in Part I of Schedule 11 to the <sup>M119</sup>Finance Act 1942 (description of Government stock and bonds to which the provisions of that Act regarding transfer and registration apply, and which by virtue of section 16(3) of the <sup>M120</sup>National Loans Act 1968 include descriptions of certain securities issued under that Act) do not include—

- (a) any securities (of whatever series) of any of the descriptions specified in subsection (2) below issued before 20th July 1998, or
- (b) any securities issued on or after 20th July 1998 under the auspices of the Director of Savings.

(2) The descriptions referred to in subsection (1) are—

Defence Bonds;  
National Development Bonds;  
British Savings Bonds;  
National Savings Indexed Income Bonds;  
National Savings Income Bonds;  
National Savings Deposit Bonds;  
National Savings Capital Bonds;  
Children's Bonus Bonds;  
National Savings FIRST Option Bonds;  
National Savings Pensioners Guaranteed Income Bonds.

(3) The modifications made by this section shall be deemed always to have had effect.

#### Marginal Citations

M119 1942 c.21.

M120 1968 c.13.

### 137 National Savings Bank: disclosure of information.

The following shall be inserted after section 12(2) of the <sup>M121</sup>National Savings Bank Act 1971 (secrecy)—

“(2A) Subsection (1) above shall not prevent the disclosure, by a person authorised by the Director of Savings, of information to any person for a permitted purpose.

(2B) A permitted purpose is a purpose connected with the provision of information about—

- (a) the business of the National Savings Bank;
- (b) any other means by which money is raised under the auspices of, by or through the Director of Savings.



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(2C) A person to whom information is disclosed in pursuance of subsection (2A) above shall not—

- (a) use the information for a purpose other than a permitted purpose;
- (b) disclose the information to any other person.”

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**Marginal Citations**

M121 1971 c.29.

*Supplemental*

**138 Interpretation.**

In this Act “the Taxes Act 1988” means the Income and Corporation Taxes Act 1988.

**139 Repeals.**

- (1) The enactments mentioned in Schedule 20 to this Act (which include provisions that are spent or of no practical utility) are hereby repealed to the extent specified in the third column of that Schedule.
- (2) The repeals specified in that Schedule have effect subject to the commencement provisions and savings contained or referred to in the notes set out in that Schedule.

**140 Short title.**

This Act may be cited as the Finance Act 1999.

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