



Finance (No. 2) Act 1979

CHAPTER 47

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ELIZABETH II



Finance (No. 2) Act 1979

1979 CHAPTER 47

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance. [26th July 1979]

Most Gracious Sovereign,

WE, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and grant unto Your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART I

VALUE ADDED TAX AND EXCISE DUTIES

1.—(1) As from 18th June 1979—

- (a) section 17 of the Finance (No. 2) Act 1975 and Schedule 7 to that Act (higher rate of value added tax) shall cease to have effect; and
- (b) in section 9(1) of the Finance Act 1972 (standard rate of value added tax) for the words "eight per cent." there shall be substituted the words "fifteen per cent."

Increase of
value added
tax.
1975 c. 45.

1972 c. 41.

PART I

(2) Subsection (1)(a) above does not affect Note (7) of Group 9 or item 1 of Group 17 of Schedule 4 to the said Act of 1972 (which contain exceptions from zero-rating expressed by reference to items in Schedule 7 to the said Act of 1975).

(3) Subsection (1)(b) above does not affect the rate of tax on any supply of telephone services provided by the Post Office or the District Council of Kingston upon Hull by means of their public switched telephone exchange systems, being services in respect of which—

(a) the Post Office issue a tax invoice which includes a rental charge for a rental quarter beginning before 1st November 1979 ; or

(b) the Council issue a tax invoice which includes a rental charge for a rental period beginning before that date or charges for calls made in a period ending before 1st September 1979.

In this subsection " tax invoice " has the same meaning as in section 7 of the said Act of 1972.

(4) Where a supply in fact made wholly or partly before the said 18th June, or a supply which, apart from the other provisions of the said section 7, would be treated as so made by subsection (2) or (3) of that section, is treated under those other provisions as made on or after that date, the person making the supply may account for and pay tax on the supply or, as the case may be, on the relevant part of it as if the rate of tax had not been increased by subsection (1)(b) above.

(5) Where a person avails himself of subsection (4) above in relation to a supply in respect of which he is required by regulations to issue a tax invoice, any provision of the regulations requiring the amount of tax chargeable or the rate of tax to be stated in the invoice shall be construed as referring to the amount and rate that apply by virtue of that subsection.

Hydrocarbon
oil etc.
1979 c. 5.

2.—(1) In section 6(1) of the Hydrocarbon Oil Duties Act 1979 (duty of £0·0660 a litre in case of light oil and £0·0770 a litre in case of heavy oil) for " £0·0660 " and " £0·0770 " there shall be substituted respectively " £0·0810 " and " £0·0920 ".

(2) In section 11(1)(b) of that Act (rebate on aviation turbine fuel and heavy oil other than kerosene at rate of £0·0055 a litre less than the rate at which duty is for the time being chargeable) for " £0·0055 " there shall be substituted " £0·0066 ".

(3) In section 14(1) of that Act (rebate on light oil delivered to approved person for use as furnace fuel at rate of £0·0055 a litre less than the rate at which duty is charged) for " £0·0055 " there shall be substituted " £0·0066 ".

(4) This section shall be deemed to have come into force at 6 o'clock in the evening of 12th June 1979. PART I

3.—(1) In paragraph 1 of the Table in Schedule 1 to the Tobacco Products Duty Act 1979 (duty on cigarettes) for “30 per cent.” and “£9.00” there shall be substituted respectively “21 per cent.” and “£11.77”. Tobacco products. 1979 c. 7.

(2) This section shall come into force on 13th August 1979.

4. In section 2(2) of the Excise Duties (Surcharges or Rebates) Act 1979 (which provides that no order under section 1 of that Act shall be made or continue in force after the end of August 1979) for the words “August 1979” there shall be substituted the words “August 1980”. Continuation of regulator powers. 1979 c. 8.

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

5.—(1) Income tax for the year 1979-80 shall be charged at the basic rate of 30 per cent. ; and— Charge of income tax for 1979-80.

- (a) in respect of so much of an individual's total income as does not exceed £750 at the rate of 25 per cent. ;
- (b) in respect of so much of an individual's total income as exceeds £10,000 at such higher rates as are specified in the Table below ; and
- (c) in respect of so much of the investment income included in an individual's total income as exceeds £5,000 at the additional rate of 15 per cent.

TABLE

<i>Part of excess over £10,000</i>	<i>Higher rate</i>
The first £2,000	40 per cent.
The next £3,000	45 per cent.
The next £5,000	50 per cent.
The next £5,000	55 per cent.
The remainder	60 per cent.

(2) This section has effect in substitution for section 1(1) of the Finance Act 1979 but does not require any change to be made in the amounts deductible or repayable under section 204 of the Taxes Act (pay as you earn) before 6th October 1979. 1979 c. 25.

6. The rate of advance corporation tax for the financial year 1979 shall be three-sevenths. Rate of advance corporation tax for financial year 1979.

PART II
Corporation
tax: small
companies.
 1972 c. 41.

7.—(1) The fraction mentioned in subsection (2) of section 95 of the Finance Act 1972 (marginal relief for small companies) shall for the financial year 1978 be three-twentieths.

(2) For the financial year 1978 and subsequent financial years subsection (3) of the said section 95 shall have effect with the substitution for any reference to £50,000 of a reference to £60,000 and with the substitution for any reference to £85,000 of a reference to £100,000.

(3) Where by virtue of subsection (2) above the said section 95 has effect with different relevant amounts in relation to different parts of the same accounting period, those parts shall be treated for the purposes of that section as if they were separate accounting periods and the profits and income of the company for that period (as defined in that section) shall be apportioned between those parts.

Alteration of
personal
reliefs.
 1979 c. 25.

8.—(1) Sections 8 and 14 of the Taxes Act shall have effect with the following amendments instead of those specified in section 1(2) of the Finance Act 1979.

(2) In section 8 (personal reliefs)—

(a) in subsection (1)(a) (married) for “£1,535” there shall be substituted “£1,815”;

(b) in subsection (1)(b) (single) and (2) (wife’s earned income relief) for “£985” there shall be substituted “£1,165”;

(c) in subsection (1A) (age allowance) for “£2,075” and “£1,300” there shall be substituted “£2,455” and “£1,540” respectively;

(d) in subsection (1B) (income limit for age allowance) for “£4,000” there shall be substituted “£5,000”.

(3) In section 14(2) (additional relief for widows and others in respect of children) for “£550” there shall be substituted “£650”.

Exemption of
pensions in
respect of
death due
to war
service etc.

9.—(1) Payments of pensions or allowances to which this section applies shall not be treated as income for any purposes of the Income Tax Acts.

(2) This section applies to—

(a) any pension or allowance payable by or on behalf of the Department of Health and Social Security under so much of any Order in Council, Royal Warrant, order or scheme as relates to death due to—

(i) service in the armed forces of the Crown or war-time service in the merchant navy, or

(ii) war injuries;

PART II

(b) any pension or allowance at similar rates and subject to similar conditions which is payable by the Ministry of Defence in respect of death due to peacetime service in the armed forces of the Crown before 3rd September 1939 ; and

(c) any pension or allowance which is payable under the law of a country other than the United Kingdom and is of a character substantially similar to a pension or allowance falling within paragraph (a) or (b) above.

(3) Where a pension or allowance falling within subsection (2) above is withheld or abated by reason of the receipt of another pension or allowance not falling within that subsection, there shall be treated as falling within that subsection so much of the other pension or allowance as is equal to the pension or allowance that is withheld or, as the case may be, to the amount of the abatement.

(4) This section applies for the year 1979-80 and subsequent years of assessment.

10. In section 19(4)(b) and (c) of the Finance Act 1974 (transitional relief for interest payable before 6th April 1980) for "1980" there shall be substituted "1982"; and the same amendment shall be made in section 122(1)(c) of the Taxes Act and paragraph 2(1)(c) and (2) of Schedule 12 to that Act (transitional relief for interest payable before that date to non-residents out of foreign income).

Relief for interest: extension of transitional provisions. 1974 c. 30.

11.—(1) The Taxes Act shall have effect with the amendments specified in Schedule 1 to this Act, being amendments consequential on section 1(4) of the Finance Act 1979 (withdrawal of child tax allowances).

Withdrawal of child tax allowances: consequential provisions. 1979 c. 25.

(2) This section has effect for the year 1979-80 and subsequent years of assessment.

12.—(1) The Income Tax Acts shall have effect with the amendments specified in Schedule 2 to this Act, being amendments consequential on the Social Security Pensions Act 1975 and the Social Security Pensions (Northern Ireland) Order 1975.

Social Security Pensions Act: consequential provisions. 1975 c. 60.

(2) This section has effect for the year 1979-80 and subsequent years of assessment.

S.I. 1975/1503.

13. Schedule 5 to the Finance Act 1976 (relief for increases in stock values) shall have effect with the amendments specified in Schedule 3 to this Act, being amendments which—

Relief for increase in stock values. 1976 c. 40.

(a) reduce the profit restriction for persons other than companies ;

PART II

- (b) permit claims for partial relief ; and
- (c) provide for the writing-off of past relief.

Capital
allowances:
motor
vehicles.
1971 c. 68.

14.—(1) Section 43 of the Finance Act 1971 (which excludes from first-year allowances road vehicles not falling within paragraph (a), (b) or (c) of that section) shall be amended in accordance with subsections (2) and (3) below.

(2) The existing provisions of that section shall become subsection (1) and in paragraph (c) (vehicles provided for hire to, or the carriage of, members of the public in the ordinary course of a trade) after “ (c) ” there shall be inserted the words “ subject to subsection (2) below,”.

(3) After the said paragraph (c) there shall be inserted—

“ (2) Subsection (1)(c) above applies to a vehicle only if—

(a) the following conditions are satisfied—

(i) the number of consecutive days for which it is on hire to, or used for the carriage of, the same person will normally be less than thirty ; and

(ii) the total number of days for which it is on hire to, or used for the carriage of, the same person in any period of twelve months will normally be less than ninety ; or

(b) it is provided for hire to a person who will himself use it wholly or mainly for hire to, or the carriage of, members of the public in the ordinary course of a trade and in a manner complying with the conditions specified in paragraph (a) above.

(3) For the purposes of subsection (2) above persons who are connected with each other within the meaning of section 533 of the Taxes Act shall be treated as the same person ; and that subsection does not affect vehicles provided wholly or mainly for the use of persons in receipt of a mobility allowance under the Social Security Act 1975 or the Social Security (Northern Ireland) Act 1975.”.

(4) In paragraph 9 of Schedule 8 to the said Act of 1971 (which defines the vehicles to which the special rules in paragraphs 10 to 12 apply as those not falling within paragraph (a), (b) or (c) of section 43) for the words “ section 43 of this Act ” there shall be substituted the words “ section 43(1) of this Act ”.

(5) In paragraphs 10 to 12 of that Schedule (special capital allowance rules for motor vehicles) for “ £5,000 ” and “ £1,250 ” wherever they occur there shall be substituted respectively “ £8,000 ” and “ £2,000 ”.

(6) After paragraph 12 of that Schedule there shall be inserted—

PART II

“ 12A. The Treasury may by order increase or further increase the sums of money specified in paragraphs 10, 11 and 12 above ; and any such order shall be made by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.”.

(7) Subject to subsection (8) below, this section applies in relation to expenditure incurred after 12th June 1979, and for the purposes of this subsection expenditure is incurred on the date when the sums in question become payable.

(8) This section does not affect the operation of the said section 43 in relation to any expenditure on the provision of a vehicle if the expenditure consists of the payment of sums payable under a contract entered into on or before the said 12th June and the vehicle is brought into use not later than 12th June 1980.

15. Section 69(4) of the Finance (No. 2) Act 1975 (which requires deductions to be made from payments to certain sub-contractors in the construction industry) shall have effect in relation to payments made on or after 6th November 1979 with the substitution for the words “ 33 per cent. ” of the words “ 30 per cent. ”.

Deduction rate for sub-contractors in the construction industry.
1975 c. 45.

16.—(1) The arrangements to which effect may be given by virtue of an Order in Council under Section 497 of the Taxes Act (double taxation relief) shall include the arrangements contained in the Convention mentioned in subsection (2) below notwithstanding that those arrangements withdraw relief from tax for periods before the making of the Order.

United States Double Taxation Convention.

(2) The Convention referred to above is the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains which was signed on 31st December 1975.

17.—(1) There shall be disregarded for all purposes of income tax, corporation tax and capital gains tax any sums paid by the Department for National Savings as compensation for delay in making any such payments or repayments as are mentioned in subsection (2) below, being delay attributable to industrial action by staff of the Department between 22nd February 1979 and 4th May 1979.

Compensation for delay in national savings payments.

PART II

- (2) The payments and repayments referred to above are—
- (a) payments of dividends or interest on stocks and securities registered on the National Savings Stock Register ;
 - (b) repayments of national savings certificates ;
 - (c) repayments of contributions, and payments of bonuses or interest, under certified contractual saving schemes as defined by section 415(2) of the Taxes Act ;
 - (d) payments of premium savings bond prizes and repayments of premium savings bonds ;
 - (e) repayments of money deposited in the National Savings Bank.

(3) This section does not affect the tax treatment of interest to which a person is entitled under any express provision in that behalf contained in the terms of issue of any such stock, securities or certificates as are mentioned in paragraph (a) or (b) of subsection (2) above, in the conditions applying to a contract made under any such scheme as is mentioned in paragraph (c) of that subsection or in the National Savings Bank Act 1971.

1971 c. 29.

PART III

PETROLEUM REVENUE TAX

Increase of
rate.
1975 c. 22.

18.—(1) In section 1(2) of the Oil Taxation Act 1975 (rate of petroleum revenue tax) for the words “ 45 per cent ” there shall be substituted the words “ 60 per cent ”.

(2) This section shall have effect in relation to chargeable periods ending after 31st December 1978.

Reduction of
uplift for
allowable
expenditure.

19.—(1) In section 2(9)(b)(ii) and (c)(ii) of the Oil Taxation Act 1975 (uplift of 75 per cent. of allowable expenditure) for “ 75 per cent.” there shall be substituted “ 35 per cent.”.

(2) Subject to subsection (3) below, subsection (1) above has effect in relation to expenditure incurred in pursuance of a contract entered into on or after 1st January 1979.

(3) Where expenditure is incurred in pursuance of a contract entered into before the said 1st January but is attributable to a request for an alteration or addition made, or other instruction given, on or after that date by or on behalf of the person incurring the expenditure to another party to the contract, subsection (1) above shall have effect in relation to that expenditure as if the percentage to be substituted for 75 per cent. were 66 $\frac{2}{3}$ per cent.

(4) Where under paragraph 2(4)(a) of Schedule 5 to the said Act of 1975 or that paragraph as applied by Schedule 6 to that Act (claims for allowable expenditure) a claim states that any

expenditure is claimed as qualifying for supplement under section 2(9)(b)(ii) or (c)(ii) of that Act, then, if by virtue of this section those provisions have effect in relation to different parts of that expenditure with different percentages—

- (a) the claim shall distinguish between those parts ;
- (b) in paragraphs 3(1)(b), 6(1)(b), 6(2), 7(1) and 8(2) of that Schedule, and in those paragraphs as applied by the said Schedule 6, references to expenditure allowed or which ought to be allowed as qualifying for supplement or to expenditure which does so qualify shall be construed as referring separately to each of those parts ; and
- (c) in paragraph 5(1)(a) of that Schedule, and in that paragraph as so applied, the reference to the amount or total of the amounts stated under the said paragraph 3(1)(b) shall be construed as a reference to any amount so stated by virtue of paragraph (b) above.

(5) Where by virtue of subsection (4) above different amounts are stated under paragraph 3(1)(b) of the said Schedule 5 the reference in paragraph 3(1)(c) of that Schedule to an amount equal to the relevant percentage of the amount stated under paragraph 3(1)(b) shall be construed as a reference to an amount arrived at by applying the appropriate percentage to each of those amounts and aggregating the result.

20.—(1) In section 3(1)(f) of the Oil Taxation Act 1975 (which allows expenditure of transporting oil from the field to the place where it is first landed in the United Kingdom) and in paragraph (b) of the definition of “ production purposes ” in section 12(1) of that Act, after the words “ in the United Kingdom ” there shall be inserted the words “ or to the place in the United Kingdom at which the seller in a sale at arm’s length could reasonably be expected to deliver it or, if there is more than one place at which he could reasonably be expected to deliver it, the one nearest to the place of extraction ; ”.

Extension of
allowable
expenditure.
1975 c. 22.

(2) In paragraph 2 of Schedule 4 to that Act (restriction on allowable expenditure where incurred in transactions between specified persons), for paragraphs (a) to (c) of sub-paragraph (2) there shall be substituted the words “ they are connected within the meaning of section 533 of the Taxes Act ”.

(3) This section shall have effect in relation to any expenditure in respect of which a claim is made after 31st December 1978.

PART III
Reduction of
oil allowance
and
metrication of
measurements.
 1975 c. 22.

21.—(1) Section 8 of the Oil Taxation Act 1975 (oil allowance) shall be amended as follows:—

- (a) in subsection (2) (oil allowance for each chargeable period), for the words “ 500,000 long tons ” there shall be substituted the words “ 250,000 metric tonnes ”;
- (b) in subsections (3) and (5) (participator’s share of oil allowance and amount of allowance utilised in a chargeable period), for the words “ long tons ”, wherever they occur, there shall be substituted the words “ metric tonnes ”;
- (c) in subsection (6) (total oil allowance for an oil field), for the words “ 10 million long tons ”, wherever they occur, there shall be substituted the words “ 5 million metric tonnes ”; and
- (d) in subsection (7) (equivalent of long ton)—
 - (i) for the words “ 40,000 cubic feet ” there shall be substituted the words “ 1,100 cubic metres ”; and
 - (ii) for the words “ long ton ” there shall be substituted the words “ metric tonne ”.

(2) In section 1(4) of that Act, in the definition of “ the critical half year ”—

- (a) for the words “ long tons ” there shall be substituted the words “ metric tonnes ”;
- (b) for the words “ 40,000 cubic feet ” there shall be substituted the words “ 1,100 cubic metres ”; and
- (c) for the words “ long ton ” there shall be substituted the words “ metric tonne ”.

(3) In section 10(5) of that Act (equivalent of long ton)—

- (a) for the words “ 40,000 cubic feet ” there shall be substituted the words “ 1,100 cubic metres ”; and
- (b) for the words “ long ton ” there shall be substituted the words “ metric tonne ”.

(4) Subsections (1) and (2) above shall have effect respectively in relation to chargeable periods ending after 31st December 1978 and half years ending after that date and subsection (3) above shall be deemed to have come into force on 1st January 1979.

Taxation of
British
National Oil
Corporation.
 1975 c. 74.

22.—(1) Section 9(1) of the Petroleum and Submarine Pipelines Act 1975 (exemption of British National Oil Corporation and its wholly owned subsidiaries from petroleum revenue tax) shall not have effect in relation to chargeable periods ending

after 30th June 1979 ; and the provisions of subsections (2) and (3) below, being transitional provisions, shall have effect—

- (a) in the case of subsection (2), for the purpose of computing the assessable profit or allowable loss accruing from any oil field to that Corporation or any company which is or has been one of those subsidiaries ; and
- (b) in the case of subsection (3), for the purpose of computing the assessable profit or allowable loss accruing from any oil field to any of the following persons (in this section referred to as “ relevant persons ”) that is to say, that Corporation, any such company and any person having an interest in an oil field, being an interest the whole or part of which in any chargeable period ending before 1st July 1979 constituted the interest in that oil field of that Corporation or one of those subsidiaries.

(2) In relation to any oil field, section 2 of the Oil Taxation Act 1975 shall have effect with respect to the chargeable period ending next after 30th June 1979 as if in subsections (6)(b)(ii) and (7)(b) (royalty repaid and paid in period to be taken into account) for the words “ in the period ” there were substituted the words “ in or before the period ”.

(3) If for any chargeable period—

(a) there is an amount to be taken into account by virtue of paragraph (b) or (c) of subsection (9) of the said section 2 (allowable expenditure) or both those paragraphs ; and

(b) the whole or any part of that amount is attributable to expenditure incurred before 1st July 1979,

that amount or, as the case may be, that part (including so much of it as is so taken into account by virtue of sub-paragraph (ii) of the said paragraph (b) or (c)) shall be deemed for the purposes of that Act, except section 9, to be reduced by the relevant amount or, as the case may be, by so much of the relevant amount as has not been taken into account under this subsection in computing the assessable profit or allowable loss accruing to the relevant person in question or any other person in an earlier chargeable period.

(4) In this section “ the relevant amount ”, in relation to an oil field, means the aggregate gross profit, as defined in section 2(4) of the Oil Taxation Act 1975, accruing in chargeable periods ending before 1st July 1979 in respect of so much of the interest of the relevant person in question in that oil field as in any of those chargeable periods constituted the interest in that oil field of the British National Oil Corporation or one of its wholly owned subsidiaries ; and in this subsection “ wholly owned subsidiary ” has the same meaning as in the Petroleum and Submarine Pipe-lines Act 1975.

PART IV

MISCELLANEOUS AND SUPPLEMENTARY

Capital
transfer tax:
extension of
transitional
relief.
1975 c. 7.

23.—(1) For the references to 1st April 1980 in—

- (a) paragraph 12(6) of Schedule 5 to the Finance Act 1975 (earliest date for 10-year periodic charge on settlements without interests in possession) ; and
- (b) paragraph 14(2) of that Schedule (earliest date at which capital distribution bears tax at full rate),

there shall be substituted references to 1st April 1982.

(2) This section does not affect tax chargeable by virtue of sub-paragraph (2) of paragraph 12 of the said Schedule 5 (annual charge where trustees are non-resident) in respect of any year ending before 1st January 1979 ; but where in the case of any settlement tax has been charged by virtue of that sub-paragraph in respect of one or more years in a period that would have ended with a relevant anniversary but for this section, tax shall not be chargeable by virtue of that sub-paragraph in respect of the first year or years (up to a corresponding number) in respect of which tax would be so chargeable in the period ending with the date that becomes the first relevant anniversary by virtue of this section.

Development
land tax.
1976 c. 24.

24.—(1) With respect to chargeable realised development value accruing to any person on the disposal of an interest in land on or after 12th June 1979, section 1(3) of the Development Land Tax Act 1976 (the rate of tax) shall be amended—

- (a) by substituting “ 60 per cent. ” for “ 80 per cent. ” ; and
- (b) by the omission of the words “ Subject to section 13 below ”.

(2) With respect to financial years ending after 12th June 1979, section 12 of that Act (exemption for first £10,000 of realised development value) shall be amended by substituting “ £50,000 ” for “ £10,000 ”, in each place where it occurs but, of the £50,000 relief available to any person under that section for the financial year ending on 31st March 1980, not more than £10,000 may be attributed to realised development value which accrued to him before 12th June 1979.

(3) For the purposes of section 13 of that Act (reduced rate of $66\frac{2}{3}$ per cent. on first £150,000 of chargeable realised development value accruing in any financial year ending on or before 31st March 1980) the period beginning on 1st April 1979 and ending immediately before 12th June 1979 shall be treated as an interim financial year ; and nothing in that section shall apply with respect to chargeable realised development value accruing to any person on the disposal of an interest in land on or after 12th June 1979.

(4) In section 40 of that Act (deduction on account of development land tax from consideration for disposals by non-residents) subsection (2) (exemption where consideration does not exceed £10,000) shall be amended with respect to disposals on or after 12th June 1979 by substituting “£50,000” for “£10,000”.

(5) In Schedule 6 to that Act (interaction of development land tax with other taxes)—

(a) nothing in sub-paragraphs (5) to (9) of paragraph 4 or sub-paragraphs (3) to (9) of paragraph 6 (which in the case of certain DLT disposals in interim financial years give rise to a charge to tax under Case VI of Schedule D) shall cause any person to be treated as having received, in a year of assessment after the year 1978-79, a payment chargeable under Case VI of Schedule D ; and

(b) paragraph 9 (effect on apportionment of income of close companies in cases where development land tax charged at $66\frac{2}{3}$ per cent.) shall not have effect with respect to any accounting period which ends after 5th April 1979.

(6) With respect to disposals on or after 12th June 1979, Schedules 7 and 8 to that Act shall be amended, in consequence of the preceding provisions of this section, in accordance with Schedule 4 to this Act.

25.—(1) This Act may be cited as the Finance (No. 2) Act 1979.

Short title,
interpretation,
construction
and repeals.
1970 c. 10.

(2) In this Act “the Taxes Act” means the Income and Corporation Taxes Act 1970.

(3) Part II of this Act so far as it relates to income tax shall be construed as one with the Income Tax Acts and so far as it relates to corporation tax shall be construed as one with the Corporation Tax Acts.

(4) Part III of this Act shall be construed as one with Part I of the Oil Taxation Act 1975.

1975 c. 22.

(5) The enactments mentioned in Schedule 5 to this Act are hereby repealed to the extent specified in the third column of that Schedule, but subject to any provision at the end of any Part of that Schedule.

SCHEDULES

Section 11.

SCHEDULE 1

WITHDRAWAL OF CHILD TAX ALLOWANCES: CONSEQUENTIAL PROVISIONS

Relative taking charge of unmarried person's young brother or sister

1. Section 13 of the Taxes Act shall cease to have effect.

Additional personal allowance

2.—(1) Section 14 of the Taxes Act shall be amended as follows.

(2) In subsection (2) after the words "Subject to subsections (3) and (4) below" there shall be inserted the words "and to section 14A below" and for paragraphs (a) and (b) there shall be substituted the words "that a qualifying child is resident with him for the whole or part of the year,".

(3) For subsection (3) there shall be substituted—

"(3) A claimant is entitled to only one deduction under subsection (2) above for any year of assessment irrespective of the number of qualifying children resident with him in that year."

(4) After subsection (4) there shall be added—

"(5) For the purposes of this section a qualifying child means, in relation to any claimant and year of assessment, a child who—

- (a) is born in, or is under the age of sixteen years at the commencement of, the year or, being over that age at the commencement of that year, is receiving full-time instruction at any university, college, school or other educational establishment; and
- (b) is a child of the claimant or, not being such a child, is born in, or is under the age of eighteen years at the commencement of, the year and maintained for the whole or part of that year by the claimant at his own expense.

(6) In subsection (5)(a) above the reference to a child receiving full-time instruction at an educational establishment includes a reference to a child undergoing training by any person ("the employer") for any trade, profession or vocation in such circumstances that the child is required to devote the whole of his time to the training for a period of not less than two years.

For the purpose of a claim in connection with a child undergoing training, the inspector may require the employer to furnish particulars with respect to the training of the child in such form as may be prescribed by the Board.

(7) If any question arises under this section whether a child is receiving full-time instruction at an educational establishment,

the Board may consult the Secretary of State for Education and Science.

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In the application of this subsection to Scotland and Northern Ireland, the Secretary of State and the Department of Education for Northern Ireland shall respectively be substituted for the Secretary of State for Education and Science.

(8) In subsection (5)(b) above the reference to a child of the claimant includes a reference to a stepchild of his, an illegitimate child of his if he has married the other parent after the child's birth and an adopted child of his if the child was under the age of eighteen years when he was adopted.

(9) Notwithstanding anything in section 9 of the Family Law Reform Act 1969 or any corresponding enactment in force in Northern Ireland or any rule of law in Scotland, for the purposes of subsection (5) above a child whose birthday falls on 6th April shall be taken to be over the age of sixteen at the commencement of the year which begins with his sixteenth birthday and over the age of eighteen at the commencement of the year which begins with his eighteenth birthday.”.

3. After section 14 of the Taxes Act there shall be inserted the following section—

“ Apportionment of relief under s. 14.

14A.—(1) Where for any year of assessment two or more individuals are entitled to relief under section 14 above in connection with the same child—

- (a) the amount specified in subsection (2) of that section shall be apportioned between them ; and
- (b) the deduction to which each of them is entitled under that section shall, subject to subsection (2) below, be equal to so much of that amount as is apportioned to him.

(2) Where for any year of assessment amounts are apportioned to an individual under this section in respect of two or more children the deduction to which he is entitled for that year under section 14 above shall be equal to the sum of those amounts or the amount specified in subsection (2) of that section, whichever is the less.

(3) Any amount required to be apportioned under this section shall be apportioned between the individuals concerned in such proportions as may be agreed between them or, in default of agreement, in proportion to the length of the periods for which the child in question is resident with them respectively in the year of assessment ; and where the proportions are not so agreed, the apportionment shall be made by such body of General Commissioners, being the General Commissioners for a division in which one of the individuals resides, as the Board may direct, or, if none of the individuals resides in Great Britain, by the Special Commissioners.

SCH. 1

(4) Where a claim is made under section 14 above and it appears that, if the claim is allowed, an apportionment will be necessary under this section, the Board may if they think fit direct that the claim itself shall be dealt with by any specified body of Commissioners which could under this section be directed to make the apportionment and that the same Commissioners shall also make any apportionment which proves to be necessary; and where a direction is given under this subsection no other body of Commissioners shall have jurisdiction to determine the claim.

(5) The Commissioners making any apportionment under this section shall hear and determine the case in like manner as an appeal, but any individual who is, or but for the provisions of this section would be, entitled to relief in connection with the child shall be entitled to appear and be heard by the Commissioners or to make representations to them in writing.

(6) For the purposes of this section an individual shall not be regarded as entitled to relief under section 14 above for any year of assessment in connection with the same child as another individual if there is another child in connection with which he, and he alone, is entitled to relief under that section for that year."

Exemption of social security benefits in respect of children etc.

4.—(1) In section 219(1)(a) of the Taxes Act the word "and" shall be omitted and at the end there shall be inserted the words ", child's special allowance and guardian's allowance and except so much of any benefit as is attributable to an increase in respect of a child."

(2) In section 219(2) of the Taxes Act for the words "and payments of child benefit" there shall be substituted the words ", payments of child benefit, payments by way of an allowance under section 70 of the Social Security Act 1975 or section 70 of the Social Security (Northern Ireland) Act 1975 and payments excepted by subsection (1) above from the charge to tax imposed by that subsection".

Section 12.

SCHEDULE 2

SOCIAL SECURITY PENSIONS ACT: CONSEQUENTIAL PROVISIONS

1. For section 8(2)(b) of the Taxes Act (under which wife's earned income relief is available in respect of a Category A retirement pension and a mobility allowance) there shall be substituted—

"(b) no payment of benefit under the Social Security Acts except—

(i) a Category A retirement pension (exclusive of any increase under section 10 of the Social Security Pensions Act 1975 or the Northern Ireland equivalent); and

(ii) a mobility allowance,
shall be treated as earned income".

2. In section 16 of the Taxes Act (dependent relative relief where dependant's income does not exceed the basic retirement pension by more than a specified amount) for subsections (2A) and (2B) there shall be substituted—

SCH. 2

“(2A) For the purposes of this section “the basic retirement pension” for any year means the aggregate of the payments to which a person would be entitled in that year on account of a Category A retirement pension under the Social Security Acts if the weekly rate of his pension consisted (and consisted only) of the full amount of the basic component.”

3. In section 219(1)(a) of the Taxes Act (benefits charged to or exempt from tax under Schedule E)—

(a) for the word “or” there shall be substituted the words “, Part II of the Social Security Pensions Act 1975,”;

(b) after the words “the Social Security (Northern Ireland) Act 1975” there shall be inserted the words “or Part III of the Social Security Pensions (Northern Ireland) Order 1975”.

4. In section 526(5) of the Taxes Act (interpretation) after the definition of “qualifying distribution” there shall be inserted—

“‘the Social Security Acts’ means the Social Security Acts 1975 or the Social Security (Northern Ireland) Acts 1975;”.

5. In paragraph 1 of Schedule 4 to the Finance Act 1971 (benefits excluded from wife's earnings in cases of separate taxation) for paragraph (b) there shall be substituted—

“(b) any payment of benefit under the Social Security Acts except a Category A retirement pension (exclusive of any increase under section 10 of the Social Security Pensions Act 1975 or the Northern Ireland equivalent).”

SCHEDULE 3

Section 13.

STOCK RELIEF

Amount of stock relief

1.—(1) In paragraph 1(2) of Schedule 5 to the Finance Act 1976 (stock relief for purposes of income tax to be amount of increase in stock value less 15% of relevant income) for “15%” there shall be substituted “10%”.

(2) This paragraph has effect in relation to periods of account ending after 5th April 1979.

Claims for partial relief

2.—(1) In paragraph 1(2) of the said Schedule 5 after “(2)” there shall be inserted the words “Subject to sub-paragraph (4) below” and after paragraph 1(3) of that Schedule there shall be inserted—

“(4) A person may, in making a claim for relief under this paragraph in respect of any period of account, specify an

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amount of relief less than that stated in sub-paragraph (2) above and, if he does so, the relief to which he is entitled under this paragraph in respect of that period shall be the amount specified in the claim."

(2) In paragraph 9(2) of the said Schedule 5 after "(2)" there shall be inserted the words "Subject to sub-paragraph (4) below" and after paragraph 9(3) of that Schedule there shall be inserted—

"(4) A company may, in making a claim for relief under this paragraph in respect of any period of account, specify an amount of relief less than that stated in sub-paragraph (2) above and, if it does so, the relief to which it is entitled under this paragraph in respect of that period shall be the amount specified in the claim."

(3) Sub-paragraph (1) above has effect in relation to periods of account ending after 5th April 1979 and sub-paragraph (2) above in relation to periods of account ending after 31st March 1979.

Write-off of past relief

3.—(1) In sub-paragraph (2) of paragraph 26 of the said Schedule 5 (definition of unrecovered past stock relief) after "(2)" there shall be inserted the words "Subject to sub-paragraphs (3) to (5) below," and after that sub-paragraph there shall be inserted—

"(3) There shall be excluded from the amount of unrecovered past relief in any period of account so much of that amount (if any) as is attributable to relief allowed under Part I or Part II of this Schedule in respect of any period of account which ended six years or more before the beginning of the first-mentioned period.

(4) There shall be excluded from the amount of unrecovered past relief in any period of account beginning after—

(a) the end of the period or last period of account ending in the financial year 1978 (in the case of a company) or the year 1978-79 (in other cases); or

(b) if there is no such period of account, the end of the period of account current at the end of that financial year or year of assessment, as the case may be,

so much of that amount (if any) as is attributable to Schedule 10 relief.

(5) For the purpose of attributing the amount of unrecovered past relief in any period to Schedule 10 relief or to relief allowed under Part I or Part II of this Schedule in respect of any previous period it shall be assumed that relief is recovered from later periods before earlier periods."

(2) In sub-paragraph (5) of paragraph 25 of the said Schedule 5 (special provisions for the recovery of relief in cases of election for herd basis) for the words from the beginning to "made" there shall be substituted the words "(5) Subject to sub-paragraph (5A) below,

the amount on which the charge is to be made” and after that sub-paragraph there shall be inserted—

SCH. 3

“(5A) The amount on which the charge is to be made in respect of any period of account (“the period of charge”) shall not exceed the amount of unrecovered past relief attributed to the herd at the point of election less—

- (a) so much (if any) of the amount of that unrecovered past relief at that point as is attributable to relief allowed under Part I or Part II of this Schedule in respect of any period of account which ended six years or more before the beginning of the period of charge; and
- (b) if the period of charge begins after the end of the period of account mentioned in paragraph 26(4)(a) or (b) below, so much (if any) of the amount of that unrecovered past relief at that point as is attributable to Schedule 10 relief; and
- (c) the aggregate of the amounts on which charges have been made under this paragraph in respect of earlier periods of account for which the election has effect.”

SCHEDULE 4

Section 24.

DEVELOPMENT LAND TAX

1. In paragraph 1 of Schedule 7 to the Development Land Tax Act 1976 (cases where notice of acquisition is to be given) after “exceeds”, in sub-paragraphs (1) and (5)(b), there shall be inserted “the aggregate of £50,000 and”.

2.—(1) In paragraph 5 of that Schedule (the formula deduction) in sub-paragraph (3) (disposals where formula deduction is nil and determination of “the exempt amount”) for the words from the beginning to “does not exceed” there shall be substituted “In relation to a material disposal, any reference in the following provisions of this paragraph to ‘the exempt amount’ is a reference to” and for the words from “£10,000” to the end of the sub-paragraph there shall be substituted “£50,000”.

(2) Sub-paragraphs (4) and (5) of that paragraph (the formula deduction for other disposals in interim financial years) shall be omitted.

(3) In sub-paragraph (6) of that paragraph (the formula deduction for other disposals) the words from the beginning to “then” shall be omitted and, in paragraph (b), for “80 per cent.” there shall be substituted “60 per cent.”.

(4) In sub-paragraph (7) of that paragraph (“the appropriate percentage” to be determined by regulations) for “such” there shall be substituted “30 per cent. or such other”.

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(5) In sub-paragraph (8) of that paragraph the words "sub-paragraph (4)(b) or, as the case may be" shall be omitted.

3. In paragraph 7(3) of that Schedule (application of formula deduction where there is an advance payment of compensation) for "sub-paragraphs (4)(a) and" there shall be substituted "sub-paragraph".

4. In paragraphs 35(1) and 38(3) of Schedule 8 to that Act (notices of disposals and of events giving rise to liability for tax) for "£10,000", in each place where it occurs, there shall be substituted "£50,000".

Section 25.

SCHEDULE 5

REPEALS

PART I

VALUE ADDED TAX

Chapter	Short title	Extent of repeal
1975 c. 7. 1975 c. 45.	The Finance Act 1975. The Finance (No. 2) Act 1975.	Section 1. Section 17. Section 18(3)(b) and (c). Schedule 7.
1976 c. 40.	The Finance Act 1976.	Section 17.

These repeals take effect on 18th June 1979 and the repeal of Schedule 7 to the Finance (No. 2) Act 1975 has effect subject to section 1(2) of this Act.

PART II
INCOME TAX AND CORPORATION TAX

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Chapter	Short title	Extent of repeal
1970 c. 10.	The Income and Corporation Taxes Act 1970.	Section 13. In section 15 the figure "13". In section 219(1)(a) the word "and".
1971 c. 68.	The Finance Act 1971.	Section 365(3). Section 18(1)(a). In Schedule 4, in paragraph 3(3) the figure "13".
1973 c. 51.	The Finance Act 1973.	Section 12(2)(c).
1975 c. 18.	The Social Security (Consequential Provisions) Act 1975.	In Schedule 2 paragraph 36.
1975 c. 60.	The Social Security Pensions Act 1975.	In Schedule 4 paragraphs 12 and 20.
1976 c. 40.	The Finance Act 1976.	Section 29(5). Section 31. In section 36(8)(b)(i) the figure "13".
1977 c. 36.	The Finance Act 1977.	Section 43. Section 22(1)(e). Section 23(3) and (4).
1978 c. 42.	The Finance Act 1978.	Section 18. Section 19(1), (3) and (4). Section 20(4).
1979 c. 25.	The Finance Act 1979.	Section 1(1), (2) and (3). In section 2, in subsection (1), the words "and the fraction mentioned in section 95(2) of the Finance Act 1972 (marginal relief for small companies)", and subsection (2).

1. The repeal of section 43 of the Finance Act 1976 has effect in relation to expenditure to which section 14(5) of this Act applies.

2. The repeal of section 1(1) of the Finance Act 1979 has effect subject to section 5(2) of this Act.

3. Subject as aforesaid, the repeals relating to income tax have effect for the year 1979-80 and subsequent years of assessment.

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PART III
PETROLEUM REVENUE TAX

Chapter	Short title	Extent of repeal
1975 c. 74.	Petroleum and Submarine Pipe-lines Act 1975.	Section 9(1). Section 15(2)(d).

The repeal of section 9(1) has effect for chargeable periods ending after 30th June 1979.

PART IV
DEVELOPMENT LAND TAX

Chapter	Short title	Extent of repeal
1976 c. 24.	The Development Land Tax Act 1976.	In section 1(3) the words "Sub- ject to section 13 below". Section 13. In Schedule 6, sub-paragraphs (5) to (9) of paragraph 4, sub-paragraphs (3) to (9) of paragraph 6 and para- graph 9. In Schedule 7, in paragraph 5, sub-paragraphs (4) and (5), in sub-paragraph (6) the words from the beginning to "then" and in sub-paragraph (8) the words "sub-paragraph (4)(b) or, as the case may be". Section 76.
1978 c. 42.	The Finance Act 1978.	Section 76.

1. The repeals in Schedule 6 to the Development Land Tax Act 1976 take effect in accordance with section 24(5) of this Act.

2. The other repeals have effect with respect to disposals on or after 12th June 1979.

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