

Finance Act, 1947.

10 & 11 GEÓ. 6. CH. 35.

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CHAPTER 35.

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt, the Public Revenue and Savings Banks and to make further provision in connection with Finance.

[31st July 1947.]

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 King'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.

CUSTOMS AND EXCISE.

1.—(1) The rate of any rebate allowed under section two of Hydrocarbon the Finance Act, 1928, on the delivery for home consumption oils. of any fuel oils or any gas oils or any kerosene shall be increased ^{18 & 19 Geo. 5.} from eightpence per gallon to ninepence per gallon. _{c. 17.}

(2) The duty chargeable by virtue of subsection (2) of section eight of the Finance (No. 2) Act, 1945, on hydrocarbon oils ^{9 & 10 Geo. 6.} used in a refinery for generating heat, light or power, or for _{c. 13.} producing gas, shall cease to be chargeable.

(3) Subsection (4) of the said section eight (which provides for payment to be made in respect of indigenous oils used in

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certain refineries) shall apply where indigenous hydrocarbon oils are used in such a refinery as is mentioned in that subsection for the purposes of—

- (a) generating heat, light or power for consumption outside the refinery ; or
- (b) producing gas for use in generating heat, light or power for consumption outside the refinery,

as it applies where indigenous hydrocarbon oils are used in such a refinery as aforesaid for other purposes.

(4) For the purposes of this section—

the expression “ fuel oils ” means hydrocarbon oils which contain in solution an amount of hard asphalt of not less than one half of one per cent. ;

the expression “ gas oils ” means hydrocarbon oils of which not more than fifty per cent. by volume distils at a temperature not exceeding 240 degrees centigrade, and of which more than fifty per cent. by volume distils at a temperature not exceeding 340 degrees centigrade ;

the expression “ kerosene ” means hydrocarbon oils which are not light oils as defined in subsection (3) of section two of the Finance Act, 1928, and of which more than fifty per cent. by volume distils at a temperature not exceeding 240 degrees centigrade ;

the method of testing oils for the purpose of ascertaining whether they comply with the preceding provisions defining fuel oils, gas oils and kerosene shall be such as the Commissioners may direct ; and

the expression “ hydrocarbon oils ” has the meaning assigned to it by subsection (9) of section two of the Finance Act, 1928.

(5) This section shall—

(a) except as to subsection (1) thereof so far as it relates to kerosene, be deemed to have had effect as from six o'clock in the evening on the fifteenth day of April, nineteen hundred and forty-seven ; and

(b) as to subsection (1) thereof so far as it relates to kerosene, come into operation at six o'clock in the evening on the thirty-first day of August, nineteen hundred and forty-seven.

Discontinu-
ance of
charge of duty
on removal of
oils to a
refinery.

2.—(1) Any requirement made by the Commissioners under subsection (3) of section eight of the Finance (No. 2) Act, 1945, or deemed for the purposes of that section to be so made, that customs duty shall be charged on the removal of hydrocarbon oils to a refinery instead of on their delivery therefrom shall cease to be in force on the first day of September, nineteen hundred

and forty-seven, and no such requirement as aforesaid shall be made under the said subsection (3) after that date.

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(2) Where it is shown to the satisfaction of the Commissioners that any oils were by virtue of the said subsection (3) charged with duty on their removal to a refinery, no duty shall be charged on their delivery for home consumption from the refinery on or after the said date, other than any amount payable under proviso (a) to the said subsection (3) by reason of the conversion of the oils in the refinery into light oils, and any duty paid thereon, less any rebate allowed, shall be repaid on their removal to another refinery on or after that date.

3.—(1) In lieu of the duties of customs charged on tobacco under subsection (1) of section five of the Finance Act, 1943, there shall be charged on tobacco imported into the United Kingdom of the descriptions set out in the first column of Part I of the First Schedule to this Act—

- (a) in the case of tobacco not being an Empire product, duties of customs at the rates respectively specified in the second column of that Part of that Schedule ;
and
- (b) in the case of tobacco being an Empire product, duties of customs at the rates respectively specified in the third column of that Part of that Schedule.

(2) In lieu of the duties of excise charged on tobacco under subsection (2) of the said section five, there shall be charged on tobacco grown in the United Kingdom of the descriptions set out in the first column of Part II of the First Schedule to this Act duties of excise at the rates respectively specified in the second column of that Part of that Schedule.

(3) The drawback allowed under section one of the Manufactured Tobacco Act, 1863, on tobacco exported from the United Kingdom or deposited in a bonded or King's warehouse shall—

- (a) in cases where it is shown that the duties charged under subsection (1) of this section have been paid, be allowed—
 - (i) in respect of tobacco on which full customs duty has been paid, at the rates specified in the second column of Part III of the First Schedule to this Act ; and
 - (ii) in respect of tobacco on which customs duty at a preferential rate has been paid, at the rates specified in the third column of that Part of that Schedule ;
and
- (b) in cases where it is shown that the duties charged under subsection (2) of this section have been paid, be allowed at the rates specified in the third column of that Part of that Schedule,

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4 Edw. 7. c. 7. instead of at the rates specified in Part III of the Fourth Schedule to the Finance Act, 1943, but subject, in either of those cases, to the provisions affecting allowance of drawback contained in the Schedule to the Finance Act, 1904.

9 & 10 Geo. 5. c. 32. (4) For the purposes of subsections (2) and (3) of section eight of the Finance Act, 1919 (which relate to articles manufactured in the British Empire from material which is not wholly grown or produced in the Empire and to goods manufactured in the United Kingdom from dutiable material shown to have been consigned from and grown or produced in the British Empire) the rates of the duties of customs imposed by this section in the case of tobacco being an Empire product shall be deemed to be preferential rates within the meaning of that section.

(5) In this section the expression " Empire product " has the same meaning as it has for the purposes of the said section eight.

(6) This section shall be deemed to have had effect as from the sixteenth day of April, nineteen hundred and forty-seven.

Relief for pensioners in respect of increase in tobacco duty.

4.—(1) The Treasury may by regulations provide—

(a) for mitigating, in the case of pensioners satisfying the conditions of the regulations (whether as to age, class of pension or otherwise), the effect of the increase in the retail price of tobacco occasioned by the duties imposed by this Act ;

(b) for making up, out of sums received by the Commissioners of Customs and Excise on account of customs duties, the deficiency in the price received by persons supplying pensioners with tobacco in pursuance of the regulations.

(2) Regulations under this section may contain incidental and supplementary provisions and may in particular provide—

(a) for preventing abuses of the provisions thereby made or of documents or tokens issued for the purposes thereof ;

(b) for the issue of tokens through the Post Office, and for applying, with the necessary adaptations, as respects tokens all or any of the provisions (including penal provisions) of the Stamp Duties Management Act, 1891, section nine of the Stamp Act, 1891, and section sixty-five of the Post Office Act, 1908 ;

54 & 55 Vict. c. 38.
54 & 55 Vict. c. 39.
8 Edw. 7. c. 48.

(c) without prejudice to the last preceding paragraph, for the imposition of penalties (including customs penalties) in respect of any contravention of or failure to comply with the regulations, so, however, that no person shall by virtue of this paragraph be punishable otherwise than on summary conviction or be liable for any offence to imprisonment for a term exceeding three months or to a fine exceeding one hundred pounds.

(3) Stamp duty shall not be chargeable on any receipt given to the Commissioners of Customs and Excise for money paid by virtue of paragraph (b) of subsection (1) of this section.

(4) All regulations under this section shall be laid before the Commons House of Parliament immediately after they are made and if that House within the period of forty days beginning with the day on which any such regulations are laid before it resolves that the regulations be annulled they shall thereupon become void, without prejudice, however, to the validity of anything previously done thereunder or to the making of new regulations.

In reckoning any such period of forty days as aforesaid no account shall be taken of any time during which Parliament is dissolved or prorogued or during which that House is adjourned for more than four days.

(5) Notwithstanding anything in subsection (4) of section one of the Rules Publication Act, 1893, regulations made under this section shall not be deemed to be statutory rules to which that section applies. 56 & 57 Vict.
c. 66.

(6) In this section the expression “pensioner” means a person to whom a pension has been awarded under the Old Age Pensions Act, 1936, the Widows’, Orphans’ and Old Age Contributory Pensions Act, 1936, the National Insurance Act, 1946, or any corresponding enactment for the time being in force in Northern Ireland, and the reference to the Stamp Duties Management Act, 1891, includes a reference to those portions thereof repealed (save as to Scotland) by the Forgery Act, 1913. 26 Geo. 5. &
1 Edw. 8. c. 31.
26 Geo. 5. &
1 Edw. 8. c. 33.
9 & 10 Geo. 6.
c. 67.
3 & 4 Geo. 5.
c. 27.

(7) If any Act increasing the duties of customs on tobacco imported into the Isle of Man makes provision similar to the provision made by this section, regulations under this section may give effect to any arrangements made between the Treasury and the appropriate authority in the Isle of Man for co-ordinating any systems of relief established respectively under this section and under the said Act so as to secure that they operate, to such extent as may be provided by the arrangements, as a single system.

(8) In the application of this section to Northern Ireland, any reference in paragraph (b) of subsection (2) thereof to any Act shall, so far as that Act continues in force in Northern Ireland, be taken as referring to it as it applies there.

5.—(1) The duties of excise chargeable under section five of the Finance Act, 1925, on artificial silk singles yarn or straw and on a licence to be taken out annually by a manufacturer of artificial silk yarn shall cease to be chargeable, and no such licence shall be required to be taken out under that section. Repeal and
reduction of
certain
artificial silk
duties and
allowances.
15 & 16 Geo. 5.
c. 36.

(2) Section four of, and Part I of the Second Schedule to, the Finance Act, 1925, shall have effect as if for the rates of

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duties of customs in respect of artificial silk yarn and tissues set out in the said Part I there were substituted the rates set out in Part I of the Second Schedule to this Act.

(3) The Silk Duties (No. 1) Order, 1934, shall have effect subject to the amendments of Part II of the First Schedule to that Order set out in Part II of the Second Schedule to this Act (being amendments reducing the rates of duties of customs on certain articles made wholly or partly of artificial silk).

(4) Nothing in the preceding provisions of this section shall affect any drawback allowable in respect of goods made wholly or in part of artificial silk where it is shown to the satisfaction of the Commissioners that the duty on the goods or their components became chargeable before the commencement of this section.

23 & 24 Geo. 5.
c. 29. (5) For the purposes of section nine of the Finance Act, 1933, the reductions in the rates of duties of customs effected by subsections (2) and (3) of this section shall be treated as having been effected by an order made by the Treasury under that section, and accordingly any subsequent order so made varying or repealing any of those duties may make any consequential amendment or repeal of the provisions of the said subsections or of Part I or Part II of the Second Schedule to this Act.

9 & 10 Geo. 6.
c. 64. (6) Section eleven of the Finance Act, 1946 (which provides for an allowance in respect of artificial silk on which a duty of customs or excise has been paid used in the manufacture of tyres) shall not apply as respects any artificial silk on which a duty of customs becomes chargeable after the commencement of this section.

(7) The enactments set out in Part III of the Second Schedule to this Act shall be repealed to the extent specified in the third column of that Part of that Schedule :

Provided that any regulations made under subsection (3) of section five of the Finance Act, 1925, which are in force at the commencement of this section shall, so far as they relate to any duty or drawback, continue in force, notwithstanding the repeal of the said subsection (3), until revoked by the Commissioners.

(8) This section shall be deemed to have had effect as from the first day of May, nineteen hundred and forty-seven.

Duty free use
of sugar, etc.

6.—(1) The Commissioners may, if they think fit, and subject to such conditions for the protection of the revenue, including the giving of security, as they may prescribe, authorise any person carrying on any art or manufacture, other than the production of food or drink for human consumption, to receive sugar, molasses or glucose without payment of duty or, on the receipt

by that person of sugar, molasses or glucose on which duty has been paid, pay to him the like drawback as would be payable on the exportation of that sugar, molasses or glucose, as the case may be.

(2) For the purposes of any enactment relating to drawback any sugar, molasses or glucose, in respect of which a drawback has been paid under this section shall thereafter be treated as sugar, molasses or glucose, as the case may be, on which duty has not been paid.

7.—(1) The powers of the Treasury, by virtue of paragraph 12 of the Third Schedule to the Finance Act, 1939, by order to vary certain provisions of that Schedule (which relates to the duties on imported cinematograph film) shall, in relation to exposed cinematograph film, include power to alter or add to section ten of the Finance Act, 1935 (which relates to the valuation for duty of imported goods), as if that section were among the provisions mentioned in sub-paragraph (2) of the said paragraph 12. Imported films. 2 & 3 Geo. 6. c. 41. 25 & 26 Geo. 5. c. 24.

(2) Without prejudice to the generality of the foregoing subsection, an order made by virtue thereof may in particular provide—

(a) that for the purpose of computing the price which any imported film would fetch on a sale in the open market there shall be made (in addition to the assumptions required to be made by the said section ten) assumptions with respect to—

(i) the inclusion in the sale of exclusive rights of reproduction and exhibition, and the accrual to the buyer of the gross proceeds of any resale or letting of the film or any reproduction thereof for exhibition ;

(ii) the proportion of the said gross proceeds with which the buyer will be content in respect of all or any of his costs, charges and expenses and of his profit ;

(iii) the exclusion of the seller and other persons from any interest, direct or indirect, in the subsequent reproduction or exhibition of the film ;

(b) that the value of any imported film shall, in such cases as may be provided by the order, be determined by reference to a supposed sale not of that film but of any version prepared or to be prepared for exhibition wholly or partly from that film or a duplicate thereof.

(3) Any order of the Treasury made by virtue of the said paragraph 12 may also contain incidental or supplementary provisions for the purpose of securing the collection and recovery

PART I. of the customs duty on exposed cinematograph film, including
 —cont. provisions—

1 & 2 Geo. 6.
 c. 17.

- (a) that an application for the registration of a film under Part III of the Cinematograph Films Act, 1938, shall not be entertained unless accompanied by such evidence as the order may require for the purpose aforesaid ;
- (b) that where, with intent to evade the payment of customs duty on exposed cinematograph film, any film not registered under the said Part III is delivered to an exhibitor or exhibited in contravention of section twenty-two of that Act, any of the enactments relating to customs shall apply with such adaptations as may be provided by the order.

(4) In this section the expressions “exposed cinematograph film” and “duplicate” have the same meanings as in the Third Schedule to the Finance Act, 1939.

Reduction of duty and other relief in respect of certain mechanically propelled vehicles.
 10 & 11 Geo. 5.
 c. 18.

8.—(1) Section thirteen of the Finance Act, 1920 (which imposes duties of excise in respect of mechanically propelled vehicles) shall have effect as if in paragraph 1 of the Second Schedule to that Act—

- (i) for the word “Cycles,” where it first occurs there were substituted the word “Vehicles” ;
- (ii) after sub-paragraph (c) there were inserted the following sub-paragraph :—

£ s d.

“(d) Vehicles other than mowing machines, being vehicles with more than three wheels neither constructed nor adapted for use nor used for the carriage of a driver or a passenger 3 0 0 ;”

and

- (iii) at the end thereof there were added the following words :—

“Vehicles chargeable with duty under this paragraph shall not be chargeable with duty under paragraph 5 of this Schedule.”

(2) The said section thirteen shall have effect as if in paragraph 4 of the said Second Schedule after sub-paragraph (b) there were inserted the following sub-paragraph :—

“(bb) Vehicles designed and constructed as mobile cranes which are used on roads only either as cranes in connection with work being carried on on a site in the immediate vicinity or for the purpose of proceeding to and from a place

s. d.

PART I.
—cont.

where they are to be used as cranes and when so proceeding neither carry nor haul any load other than such as is necessary for their propulsion or equipment 5 0”

and at the end of the said paragraph 4 there were added the following words :—

“ Vehicles chargeable with duty under sub-paragraph (bb) of this paragraph shall not be chargeable with duty under paragraph 5 of this Schedule.”

(3) The vehicles referred to in the said sub-paragraph (bb) shall be excluded from the provisions of section two of the Finance Act, 1935, withdrawing the rebate on heavy oils used as fuel for mechanically propelled vehicles, and accordingly in paragraph (d) of subsection (7) of that section for the words “ sub-paragraphs (a), (b),” there shall be substituted the words “ sub-paragraphs (a), (b), (bb),”.

(4) Subsection (1) of this section shall be deemed to have come into operation on the first day of January, nineteen hundred and forty-seven, and subsections (2) and (3) thereof shall come into operation on the first day of January, nineteen hundred and forty-eight.

9.—(1) The rate of the duty of excise chargeable under section thirteen of the Finance Act, 1920, in respect of a mechanically propelled vehicle of a description specified in paragraph 6 of the Second Schedule to that Act, being a vehicle registered under the Roads Act, 1920, for the first time on or after the first day of January, nineteen hundred and forty-seven, and not being an electrically propelled vehicle, shall be ten pounds.

Rate of excise duty on motor-cars (other than electrically propelled).
10 & 11 Geo. 5.
c. 72.

(2) In accordance with the preceding subsection the said section thirteen shall have effect as if the following paragraph were substituted for the said paragraph 6, that is to say—

<i>Description of Vehicle.</i>	<i>Rate of Duty</i> £ s. d.
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“ 6. Any vehicles other than those charged with duty under the foregoing provisions of this Schedule—

(a) Electrically propelled vehicles 7 10 0

(b) Other vehicles—

(i) If registered under the Roads Act, 1920, for the first time before the first day of January nineteen hundred and forty-seven—

Not exceeding 6 horse-power 7 10 0

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—cont.

<i>Description of Vehicle.</i>	<i>Rate of Duty.</i>
	£ s. d.
Exceeding 6 horse-power—	
For each unit or part of a unit of horse-power	1 5 0
(ii) If so registered on or after that day	10 0 0.”

(3) This section shall come into operation on the first day of January, nineteen hundred and forty-eight.

PART II.

PURCHASE TAX.

Intermediate
rate of
purchase tax
on certain
goods.
3 & 4 Geo. 6.
c. 48.
5 & 6 Geo. 6.
c. 21.

10.—(1) Goods falling within any of the classes (other than mirrors) specified in the Third Schedule to this Act, and not falling within any of the classes specified in the third column of the Seventh Schedule to the Finance (No. 2) Act, 1940, shall be chargeable goods and in the case of those goods, not being goods falling within any of the classes specified in the Seventh Schedule to the Finance Act, 1942 (which relates to the higher rate of tax) or in the second column of the Seventh Schedule to the Finance (No. 2) Act, 1940 (which relates to the reduced rate of tax), purchase tax becoming due on or after the date on which this section comes into operation shall be charged at a rate, to be called the “intermediate rate”, which shall be two-thirds of the wholesale value of the goods.

(2) Purchase tax shall become chargeable at the intermediate rate in respect of the following goods in respect of which tax was made chargeable at the higher rate by section seventeen of the Finance Act, 1942, that is to say, mirrors of the classes specified in the Third Schedule to this Act, not being goods falling within any of the classes specified in the third column of the Seventh Schedule to the Finance (No. 2) Act, 1940, or within any of the classes specified in the entries in the Seventh Schedule to the Finance Act, 1942, relating to goldsmiths’ and silversmiths’ wares, to articles made wholly or partly of ivory, amber, jet, coral, mother-of-pearl, natural shells, or tortoiseshell, or of semi-precious stones, and to fancy or ornamental articles.

(3) The following section shall be substituted for section nineteen of the Finance (No. 2) Act, 1940 :—

“19.—(1) Chargeable goods are goods falling within any of the classes specified in the first or second column of the Seventh Schedule to this Act, in the Seventh Schedule to the Finance Act, 1942, or in the Third Schedule to the Finance Act, 1947, and not falling within any of the classes specified in the third column of the said Seventh Schedule to this Act.

(2) The tax shall be charged at the following rate, that is to say,—

- (a) in the case of goods falling within any of the classes specified in the Seventh Schedule to the Finance Act, 1942, and not falling within any of the classes specified in the second column of the Seventh Schedule to this Act, the higher rate, which shall be one hundred per cent. of the wholesale value of the goods ;
- (b) in the case of goods falling within any of the classes specified in the Third Schedule to the Finance Act, 1947, and not falling within any of the classes specified in the Seventh Schedule to the Finance Act, 1942, or in the second column of the Seventh Schedule to this Act, the intermediate rate, which shall be two-thirds of the wholesale value of the goods ;
- (c) in the case of goods falling within any of the classes specified in the first column of the Seventh Schedule to this Act and not falling within any of the classes specified in the Seventh Schedule to the Finance Act, 1942, the Third Schedule to the Finance Act, 1947, or the second column of the Seventh Schedule to this Act, the basic rate, which shall be one-third of the wholesale value of the goods ;
- (d) in the case of goods falling within any of the classes specified in the second column of the Seventh Schedule to this Act, the reduced rate, which shall be one-sixth of the wholesale value of the goods.”

(4) There shall be made in the enactments mentioned in Part I of the Fourth Schedule to this Act the amendments specified in that Schedule—

- (a) in the case of the amendments of the entries in the second and third columns of the Seventh Schedule to the Finance (No. 2) Act, 1940, being amendments having the effect of securing that goods of the classes set out in the Third Schedule to this Act do not fall within any of the classes set out in the said second and third columns; and
- (b) in the case of other amendments, being amendments consequential on the preceding provisions of this section ;

and the provisions of Part II of the Fourth Schedule to this Act shall have effect as to the ascertainment of the retail value of road vehicles in connection with purchase tax.

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Cesser of charge and reduction of rates of purchase tax on certain goods.

11.—(1) Purchase tax shall cease to be chargeable in respect of goods of the classes specified in Part I of the Fifth Schedule to this Act.

(2) Purchase tax shall become chargeable at the reduced rate, and the basic rate, in respect of goods of the classes specified respectively in Parts II and III of the Fifth Schedule to this Act.

(3) In accordance with the preceding provisions of this section, there shall be made in the Seventh Schedule to the Finance (No. 2) Act, 1940, and in the Seventh Schedule to the Finance Act, 1942, the amendments directed to be made therein respectively by the Sixth Schedule to this Act.

Commencement of two preceding sections, and saving.

12.—(1) The two preceding sections of this Part of this Act shall be deemed to have come into operation—

(a) so far as they relate to exemption from tax in respect of goods of a class specified in the Fifth Schedule to this Act or to reduction of the rate of tax in respect of goods of a class specified in that Schedule, on the sixteenth day of April, nineteen hundred and forty-seven, or the tenth day of July, nineteen hundred and forty-seven, according as the one or the other of those dates is specified in that Schedule in relation to goods of that class ;

(b) so far as they relate to mirrors, on the said tenth day of July ;

(c) so far as they relate to road vehicles, on the eighteenth day of June, nineteen hundred and forty-seven ; and

(d) as respects all other matters, on the said sixteenth day of April ;

and shall have effect in relation to a purchase of goods of any of the classes to which those sections relate delivered under the purchase on or after the date of the coming into operation thereof in relation to those goods notwithstanding that the purchase was made before that date.

(2) Nothing in the said sections making any change in the classes of goods which are chargeable goods or in the rate at which any goods are chargeable shall affect the operation of section twenty of the Finance (No. 2) Act, 1940 (which empowers the Treasury to make any such change as aforesaid by order).

Adjustment of rights between seller and buyer under certain sales of electric and gas appliances.

13. Whereas on the fifteenth day of April, nineteen hundred and forty-seven, a Resolution was passed by the Committee of Ways and Means of the House of Commons providing for the charge of purchase tax as from the following day on all domestic appliances and domestic apparatus being appliances and apparatus of a kind suitable for operation from electric or gas mains (subject to an exception for lighting and wireless appliances and apparatus, gramophones and player pianos, clocks and parts of clocks,

warming pads and blankets, hair drying machines, and infra-red and ultra-violet ray lamps and radiant heat lamps) at a rate equal to two-thirds of the value of the goods (except in the case of any of them being of classes subject to tax at the higher rate) :

PART II.
—cont.

And whereas, of the goods as to which that provision for charge at the said two-thirds rate was made, those falling within the Third Schedule to this Act are by this Act rendered chargeable to tax at that rate, but the remainder (in this section referred to as goods to which this section applies) are as respects tax unaffected by the passing of this Act :

Now, therefore—

- (a) where goods of any description to which this section applies have been sold in the course of any business under a purchase made after the date of the passing of the said Resolution and before the passing of this Act at a price exceeding that at which, in the ordinary course of that business, goods of that description similar to those goods were sold or offered for sale immediately before that date, the buyer shall be entitled to recover an amount equal to the excess from the seller as money received by him for the use of the buyer, except in so far as the seller proves that the excess was included in the price by reference to matters other than any prospective liability or increased liability of his under any of the enactments relating to purchase tax arising from the charge provided for by the said Resolution, or any increase in the price charged on a purchase of the goods made by him after the date of the passing of the said Resolution attributable to any such prospective liability or increased liability of any other person ;
- (b) where, in respect of any goods to which this section applies sold under a purchase made on or before the date of the passing of the said Resolution and delivered under the purchase after that date and before the passing of this Act, the seller has recovered from the buyer, as an addition to the price, any sum fixed by reference to any such prospective liability or increased liability as aforesaid, the buyer shall be entitled to recover that sum from the seller as money received by him for the use of the buyer.

PART III.

INCOME TAX.

Charge of tax, etc.

14.—(1) Income tax for the year 1947-48 shall be charged at the standard rate of nine shillings in the pound, and, in the

Income Tax
for 1947-48.

PART III.
—cont.

case of an individual whose total income exceeds two thousand pounds, at such higher rates in respect of the excess over two thousand pounds as Parliament may hereafter determine.

(2) Subject to the provisions of section thirty of the Finance Act, 1946, and of any Act of the present Session relating to transport or electricity, all such enactments as had effect with respect to income tax charged for the year 1946-47, other than enactments which by their terms relate only to tax for that year, shall have effect with respect to the income tax charged for the year 1947-48.

Alteration of
certain reliefs.

15.—(1) Subsection (1) of section fifteen of the Finance Act, 1925 (which, as amended by subsequent enactments, provides for a deduction of tax on an amount equal to one-eighth of the amount of earned income, but not exceeding one hundred and fifty pounds) and subsection (2) of the said section fifteen (which, as amended by subsequent enactments, provides, in a case where an individual or his wife has attained the age of sixty-five years and his total income does not exceed five hundred pounds, for a deduction of tax on an amount equal to one-eighth of his income) shall have effect as if the words “one-sixth” were substituted for the words “one-eighth” and the words “two hundred and fifty pounds” were substituted for the words “one hundred and fifty pounds.”

(2) Section eighteen of the Finance Act, 1920 (which, as amended by subsequent enactments, provides, amongst other things, that the deduction of tax allowable in the case of married persons shall in certain cases be increased by an amount not exceeding seven-eighths of the earned income of the claimant's wife) shall have effect as if the words “five-sixths” were substituted for the words “seven-eighths.”

(3) Section twenty-one of the Finance Act, 1920 (which, as amended by subsequent enactments, provides for a deduction of tax on fifty pounds in respect of each child with an income of fifty pounds or less) shall have effect as if the words “sixty pounds” were substituted for the words “fifty pounds” in subsections (1) and (3) thereof.

(4) Subsection (1) of section sixteen of the Finance Act, 1943 (which provides, amongst other things, that the deduction of tax allowable in certain cases in respect of a relative of the claimant or his or her wife or husband who is maintained by the claimant is limited to cases where the total income of the person maintained does not exceed eighty pounds a year and that the allowance is reduced if the total income of that person exceeds thirty pounds a year) shall have effect as if the words “one hundred and twenty pounds” were substituted for the words “eighty pounds” and the words “seventy pounds” were substituted for the words “thirty pounds.”

(5) The additional reliefs afforded by this section for the year 1947-48 shall not be deemed to have affected the amount of tax deductible or repayable before the seventh day of July, nineteen hundred and forty-seven.

PART III.
—cont.

16. Section twenty-six of the Finance Act, 1946 (which provides for the repayment of post-war credits in certain cases to elderly persons) shall apply to post-war credits for the year 1944-45, or the year 1945-46, as it applies to post-war credits for previous years, and accordingly,—

Repayment
of post-war
credits.

- (a) in subsection (3) of the said section, for the words “ for the year 1941-42, the year 1942-43 or the year 1943-44 ” there shall be substituted the words “ for any year of assessment ” ; and
- (b) in subsection (9) of the said section, for the words “ shall be deemed to have had effect as from the first day of June, nineteen hundred and forty-six ” there shall be substituted the words “ shall, as respects credits for the year 1941-42, the year 1942-43 or the year 1943-44 be deemed to have had effect as from the first day of June, nineteen hundred and forty-six.”

17.—(1) Section twenty-eight of the Finance Act, 1923 (which relates to the allowance for repairs and which was continued in force by section twenty-seven of the Finance Act, 1942, until the fifth day of April, nineteen hundred and forty-seven) shall continue in force until Parliament otherwise determines.

Continuance
of allowance
for repairs.
13 & 14 Geo. 5.
c. 14.

(2) This section shall be deemed to have had effect as from the sixth day of April, nineteen hundred and forty-seven.

18.—(1) Where—

- (a) at any time after the third day of December, nineteen hundred and forty-six, arrangements are made for the unification or grouping of two or more cotton spinning concerns ; and
- (b) the Board of Trade certify that the arrangements were made for the purpose of providing a concern or group of concerns such as to satisfy the conditions requisite for the making of a re-equipment grant to concerns in the cotton industry ; and
- (c) before the sixth day of April, nineteen hundred and fifty, and, for the purpose either of carrying out the arrangements or of effecting a reorganisation rendered possible by the arrangements, one cotton spinner affected by the arrangements sells machinery or plant to another cotton spinner affected by the arrangements or to a company affected thereby which exists wholly or mainly for the purpose of co-ordinating the administra-

Relief from
balancing
charges for
certain cotton
spinning
concerns.

PART III.
—cont.

tion of two or more companies each of which is under its control and each of which is a cotton spinner; and

- (d) a balancing charge falls to be made in respect of the machinery or plant by reason of the sale,

the rate of tax charged in the assessment by means of which the balancing charge is made shall be one half the standard rate of tax in force for the year.

- (2) In this section—

“cotton spinner” means a person carrying on a trade which consists of or includes the spinning of cotton or of staple rayon fibre not exceeding three inches in length and “cotton spinning concern” shall be similarly construed;

“re-equipment grant” means a grant out of moneys provided by Parliament towards the cost of re-equipping or modernising cotton spinning mills as respects the machinery or plant thereof; and

“sale” and “sell” have the same meanings as in the Income Tax Act, 1945, and include in particular any transfer which under subsection (1) of section sixty of that Act is to be treated as a sale, and references to the time of any sale shall be construed in accordance with the provisions of subsection (3) of section sixty-eight of that Act.

8 & 9 Geo. 6.
c. 32.

Retirement and other benefits for directors and employees.

Charge to tax in respect of provision for retirement or other benefits to directors and employees of bodies corporate.

19.—(1) Subject to the exemptions and provisions contained in the next succeeding section, where pursuant to a scheme for the provision of future retirement or other benefits for persons consisting of or including directors or employees of a body corporate (in this and the next four succeeding sections referred to as a “retirement benefits scheme”) the body corporate in any year of assessment pays a sum with a view to the provision of any such benefits for any director or employee thereof, then (whether or not the accrual of the benefits is dependent on any contingency)—

- (a) the sum paid, if not otherwise chargeable to income tax as income of the director or employee, shall be deemed for all the purposes of the Income Tax Acts to be income of that director or employee for that year of assessment and assessable to income tax under Schedule E; and
- (b) where the payment is made under such an insurance or contract as is mentioned in section thirty-two of the Income Tax Act, 1918 (which relates to relief for life insurance premiums, etc.), relief, if not otherwise allow-

8 & 9 Geo. 5.
c. 40.

able, shall be given to him under that section in respect of the payment to the extent, if any, to which such relief would have been allowable to him if the payment had been made by him and the insurance or contract under which the payment is made had been made with him.

PART III.
—cont.

(2) Subject to the exemptions and provisions contained in the next succeeding section, where—

- (a) an agreement is in force between a body corporate and a director or employee thereof for the provision for him of any future retirement or other benefits afforded by a retirement benefits scheme, or a person is serving as a director or employee of a body corporate in connection wherewith there is a retirement benefits scheme relating to persons of the class within which he falls under which any such benefits will be provided for him ; and
- (b) the body corporate does not, or does not fully, secure the provision of the benefits by the payment of such sums as are mentioned in the preceding subsection ; and
- (c) the circumstances in which the benefits are to accrue are not such as will render the benefits assessable to income tax under Schedule E as emoluments of his office as a director or of his employment,

then (whether or not the accrual of the benefits is dependent on any contingency), in each year of assessment in which the agreement is in force or the director or employee is serving as aforesaid, up to and including the year of assessment in which the benefits accrue or there ceases to be any possibility of the accrual thereof, a sum equal to the annual sum which the body corporate would have had to pay in that year under a contract with a third person which secured the provision by that third person of those benefits or, as the case may be, of those benefits so far as not already secured by the payment of such sums as are mentioned in the preceding subsection, shall be deemed for all the purposes of the Income Tax Acts to be income of the director or employee for that year and assessable to income tax under Schedule E.

(3) Where the body corporate pays any sum as mentioned in subsection (1) of this section in relation to several directors or employees, the sum so paid shall, for the purpose of that subsection, be apportioned among them by reference to the separate sums which would have had to be paid to secure the separate benefits to be provided for them respectively, and the part of the sum apportioned to each of them shall be deemed for that purpose to have been paid separately in relation to that one of them.

PART III.
—cont.
Exemptions
from charge
to tax under
the preceding
section.
11 & 12 Geo. 5.
c. 32.

20.—(1) The following payments shall be exempted from the operation of subsection (1) of the last preceding section, that is to say—

- (a) payments made pursuant to a statutory superannuation scheme, or made to a superannuation fund approved (whether in whole or in part) by the Commissioners of Inland Revenue for the purposes of section thirty-two of the Finance Act, 1921 ;
- (b) payments made pursuant to an excepted provident fund or staff assurance scheme or other similar scheme (as defined in section twenty-three of this Act) ;
- (c) payments made by way of premium pursuant to a scheme the benefits whereunder are secured by premiums payable by the body corporate, with or without contributions by the directors or employees affected, under life or endowment assurance or life annuity contracts, being a scheme which was in operation before the sixth day of April, nineteen hundred and forty-seven, and which is not confined, or substantially confined, to directors and persons who, not being directors, are remunerated at a rate exceeding two thousand pounds a year, or to directors or to such persons.

(2) Neither subsection (1) nor subsection (2) of the last preceding section shall apply so as to cause any sum to be deemed to be income as therein mentioned where the retirement benefits scheme in question is one under which the main benefit afforded to each of the persons to whom the scheme relates is the provision for him of a pension or annuity for his life, and either—

- (a) that scheme was in operation before the sixth day of April, nineteen hundred and forty-four ; or
- (b) that scheme is for the time being approved by the said Commissioners under the next succeeding section.

(3) Where in respect of the provision for a director or employee of any future retirement or other benefits a sum has been deemed to be income of his by virtue either of subsection (1) or of subsection (2) of the last preceding section, and subsequently the director or employee proves to the satisfaction of the said Commissioners that no payment in respect of, or in substitution for, the benefits has been made and that some event has occurred by reason whereof no such payment will be made, and claims relief under this subsection within three years from the time when that event occurred, they shall give relief in respect of tax on that sum by repayment or otherwise as may be appropriate ; and if the director or employee satisfies the said Commissioners as aforesaid

in relation to some particular part of the benefits but not the whole thereof, they may give such relief as may seem to them just and reasonable.

PART III.
—cont.

(4) Where apart from this subsection any sum would be deemed, by virtue either of subsection (1) or of subsection (2) of the last preceding section, to be income of an employee for any year of assessment, but, by reason of his exercising his employment outside the United Kingdom he is not assessable to income tax under Schedule E in respect of the emoluments of his employment for that year, that subsection shall not apply so as to cause that sum to be deemed to be income of his for that year.

21.—(1) Subject to the provisions of the next succeeding section the Commissioners of Inland Revenue shall approve a retirement benefits scheme for the purpose of subsection (2) of the last preceding section unless it appears to them that the scheme does not fall within the said subsection (2) by reason of the fact that the main benefit afforded thereby is not such as is therein mentioned, or that, although the main benefit is such as aforesaid, the scheme fails to satisfy some one or more of the following conditions, that is to say—

Approval of
retirement
benefit
schemes.

- (a) that that benefit will accrue only on retirement at a specified age or on earlier retirement through incapacity or on death ;
- (b) that the nature of the benefits afforded by the scheme is the same in relation to all the persons to whom the scheme relates ;
- (c) that the proportion between the value of the pensions or annuities provided for by the scheme, in so far as they are not commutable, and the value of all other benefits afforded thereby, including the value of so much, if any, of the said pensions or annuities as is commutable, is reasonably comparable to the proportion between the values of such benefits respectively as are usually afforded by statutory superannuation schemes ;
- (d) that the aggregate value of the benefits, of whatever nature, afforded by the scheme is reasonably comparable to the aggregate value of the benefits usually afforded by statutory superannuation schemes in like circumstances ;
- (e) that the pensions or annuities provided for by the scheme are not assignable, either in whole or in part ; and
- (f) that no service of a person, in whatever capacity, rendered by him while he is a controlling director of the body corporate is taken into account for any of the purposes of the scheme :

PART III.
—cont.

Provided that the said Commissioners may, if they think fit, having regard to the facts of the particular case, approve a scheme the main benefit afforded whereby is such as is mentioned in subsection (2) of the last preceding section notwithstanding that it may not, in one or more respects, satisfy the whole of the aforesaid conditions.

(2) Where the said Commissioners have given their approval to a scheme, they may at any time, by notice in writing to the body corporate in question, withdraw their approval on such grounds, and as from such date, as may be specified in the notice.

(3) In the case of a scheme in existence at the passing of this Act the main benefit afforded whereby is not then such as is mentioned in subsection (2) of the last preceding section, or which does not then satisfy the conditions specified in subsection (1) of this section, but which is so altered before the sixth day of April, nineteen hundred and forty-eight, or within such further time as the said Commissioners may allow, as to be approvable under this section, approval thereof after the sixth day of April, nineteen hundred and forty-seven, shall, if the said Commissioners so direct, be deemed to have had effect as from that day.

Aggregation
and severance
of schemes.

22.—(1) References in this section, in the last three preceding sections, and in the next succeeding section, to a retirement benefits scheme shall be construed in accordance with the following provisions, that is to say—

(a) references to such a scheme shall, in relation to a deed, agreement, series of agreements, or other arrangements providing for retirement or other benefits for persons of two or more classes, be construed as references to so much thereof as relates to persons of a single class, and accordingly a deed, agreement, series of agreements or other arrangements so providing shall be treated for the purposes of those sections as constituting two or more retirement benefits schemes relating respectively to the different classes ;

(b) references to such a scheme include references to a deed, agreement, series of agreements, or other arrangements providing for retirement or other benefits for persons consisting of or including a director or employee, or directors or employees, of a body corporate (or, in a case falling within the preceding paragraph, to so much thereof as relates to a person or persons of any one class), notwithstanding that it or they relates or relate only to a small number of directors or employees, or to a single director or employee.

(2) For the purpose—

(a) of determining, in the case of a retirement benefits scheme which was in operation before the sixth day of

April, nineteen hundred and forty-four, whether the scheme falls within subsection (2) of section twenty of this Act as respects the nature of the main benefit afforded thereby, and

PART III.
—cont.

- (b) of determining, in the case of a retirement benefits scheme submitted for the approval of the Commissioners of Inland Revenue, whether the scheme so falls and whether the conditions specified in subsection (1) of the last preceding section are satisfied,

the scheme shall be considered in conjunction with any other retirement benefits scheme or schemes subsisting in connection with the body corporate and relating to persons of the class to which the scheme in question relates, and—

- (i) if the main benefit afforded by all of those schemes taken together is such as is mentioned in subsection (2) of section twenty of this Act, each of them shall be taken to fall within that subsection as respects the nature of the main benefit afforded thereby, and, if it is not, none of them shall be taken so to fall; and
- (ii) if the said conditions are satisfied in the case of all of them taken together, those conditions shall be taken to be satisfied in the case of each of them, and, if not, those conditions shall be taken to be satisfied in the case of none of them.
- (3) The said Commissioners may, if they think fit,—
- (a) approve a part of a retirement benefits scheme; or
- (b) approve such a scheme notwithstanding that, having regard to another such scheme subsisting in connection with the body corporate, the scheme in question is to be treated by virtue of the last preceding subsection as not falling within subsection (2) of section twenty of this Act or as not satisfying the conditions aforesaid;

and where under this subsection the said Commissioners approve a part of a scheme, neither subsection (1) nor subsection (2) of section nineteen of this Act shall apply so as to cause any sum to be deemed to be income of a director or employee by reference to the provision for him of benefits afforded by that part of the scheme or of any part of such benefits.

23.—(1) In this and the last four preceding sections, except where the context otherwise requires, the following expressions have the meanings hereby respectively assigned to them, that is to say—

“controlling director” means a director of a company, the directors whereof have a controlling interest therein, who is the beneficial owner of, or able, either directly or

Supplementary provisions as to retirement or other benefits and application to unincorporated societies.

PART III.
—cont.1 Edw. 8 &
1 Geo. 6. c. 54.

through the medium of other companies or by any other indirect means, to control, more than five per cent. of the ordinary share capital of the company, and for the purposes of this definition the expressions “company” and “ordinary share capital” have the same meanings as they have for the purposes of the Fourth Schedule to the Finance Act, 1937 ;

“director” means—

(a) in relation to a body corporate the affairs whereof are managed by a board of directors or similar body, a member of that board or similar body ;

(b) in relation to a body corporate the affairs whereof are managed by a single director or similar person, that director or person ;

(c) in relation to a body corporate the affairs whereof are managed by the members themselves, a member of the body corporate,

and includes any person who is to be or has been a director ;

“employee,” in relation to a body corporate, includes any person taking part in the management of the affairs of the body corporate who is not a director, and includes a person who is to be or has been an employee ;

“excepted provident fund or staff assurance scheme or other similar scheme” means so much as relates to persons remunerated at a rate of two thousand pounds a year, or at a less rate, of any retirement benefits scheme as to which the following conditions are satisfied, that is to say—

(a) that the sums paid by the body corporate pursuant to the scheme in question in respect of any person for any period do not exceed ten per cent. of his remuneration for that period, and do not exceed one hundred pounds in the case of a period of a year or a correspondingly less or greater amount in the case of a shorter or longer period ; and

(b) that no other retirement benefits scheme which relates to employees of the body corporate who are of the class to which the scheme in question relates, and who are remunerated as aforesaid, is subsisting for the time being, or, if there is any such other scheme subsisting, that it (so far as it relates to persons remunerated as aforesaid) and the scheme in question taken together satisfy the requirement specified in paragraph (a) of this definition ;

“retirement or other benefit,” means any pension, annuity, lump sum, gratuity or other like benefit to be given on retirement, or in anticipation of retirement, or, in connection with past service, after retirement, or to be given on or in anticipation of or in connection with any change in the nature of the service of the person in question, except that it does not include any pension, annuity, lump sum, gratuity or other like benefit which is to be afforded solely by reason of the death or disability of a person occurring during his service, and for no other reason ;

“service” means service as an employee or director of the body corporate in question, and “retirement” shall be construed accordingly ;

“statutory superannuation scheme” means a scheme set up by or approved under any enactment relating to superannuation or set up by or approved under any regulations relating to superannuation made under any enactment by any Minister or government department, and for the purposes of this definition, the expressions “enactment,” “Minister” and “government department” include respectively an enactment of the Parliament of Northern Ireland, a Northern Ireland Minister and a Northern Ireland government department.

(2) Where an alteration has been made in a retirement benefits scheme at any time after the fifth day of April, nineteen hundred and forty-seven, the scheme shall, for the purposes of this and the last four preceding sections be deemed to have become a new scheme coming into being on the date of the alteration :

Provided that this subsection shall not apply to an alteration approved by the Commissioners of Inland Revenue.

(3) Any reference in this or the last four preceding sections to the provision for a person of retirement or other benefits includes a reference to the provision of benefits payable to that person’s spouse, children, dependants or personal representatives, and any reference therein to the provision for a person of a pension or annuity for his life includes a reference to the provision (either in addition or as an alternative to the pension or annuity payable for his life) of a pension or annuity payable to that person’s spouse, or to any child or dependant of that person, for the life of the spouse, child or dependant.

(4) Any reference in this or the last four preceding sections to the provision of retirement or other benefits, or of a pension or annuity, by a body corporate includes a reference to the provision thereof by means of a contract with a third person.

PART III.
—cont.

(5) It shall be the duty of a body corporate—

(a) to deliver to the surveyor, within the time specified in this subsection, particulars of any retirement benefits scheme subsisting in connection with the body corporate on the sixth day of April, nineteen hundred and forty-seven, or coming into being after that date, other than a scheme referred to in subsection (1) of section twenty of this Act, and

(b) when required so to do by notice given by the surveyor, to furnish within the time limited by the notice such further particulars as he may require with regard to any retirement benefits scheme subsisting in connection with the body corporate or to the persons to whom it relates,

and the provisions of section one hundred and seven of the Income Tax Act, 1918 (which relates to failure to deliver lists, declarations and statements) shall apply in relation to the particulars required to be delivered by or under this subsection as they apply in relation to any list, declaration or statement required to be delivered by any such notice as is referred to in that section.

The time for delivery of particulars under paragraph (a) of this subsection shall be—

(a) in the case of a scheme that came into being before the passing of this Act, six months beginning with the date of the passing of this Act ;

(b) in the case of a scheme coming into being after the passing of this Act, three months beginning with the date of its coming into being.

(6) This and the last four preceding sections shall apply in relation to unincorporated societies or other bodies as they apply in relation to bodies corporate :

Provided that the reference in this subsection to unincorporated societies or other bodies shall be deemed not to include a reference to individuals in partnership.

Miscellaneous provisions as to income tax.

Relief for
capital
expenditure
on rehabili-
tation.

24.—(1) Subject to the provisions of this section, where a person carrying on a trade incurs, whether before or after the passing of this Act but before the end of the year nineteen hundred and forty-seven, rehabilitation costs in connection with the trade, those costs may be deducted as an expense in computing the profits or gains of the trade for the purposes of income tax :

Provided that if the person carrying on the trade produces to the Commissioners of Inland Revenue before the end of March, nineteen hundred and forty-eight, particulars of work required to be done, as at the thirty-first day of December, nineteen hundred and forty-six, and satisfies them that it was not possible for that work to be done before the end of the year nineteen hundred and forty-seven, the said Commissioners may direct that, in relation to any rehabilitation costs incurred in doing that work, this subsection shall have effect as if for the first reference therein to the end of the year nineteen hundred and forty-seven there were substituted a reference to the end of the year nineteen hundred and forty-eight or, if the circumstances so require, to such later date as the said Commissioners may allow, being a date not later than the end of the year nineteen hundred and forty-nine.

(2) Where the excess in respect of which an exceptional depreciation allowance falls to be made for any year of assessment in charging the profits or gains of a trade has been increased owing to any rehabilitation costs having been treated as part of the net cost of the provision of any building, machinery or plant, any deduction allowable under this section in respect of those costs in computing the profits or gains of the trade (whether for the same or any other year of assessment) shall be reduced by the amount of the increase; and where any such excess would have been diminished if the work which is the subject of any rehabilitation costs incurred in connection with the trade after the thirty-first day of December, nineteen hundred and forty-six, had been completed on that day, any deduction allowable under this section in respect of those costs in computing the profits or gains of the trade (whether for the same or any other year of assessment) shall be reduced by the amount of the diminution.

(3) Where a deduction allowed under this section in computing the profits or gains of a trade for any year of assessment is in respect of rehabilitation costs incurred in the provision, renewal, improvement, reinstatement or replacement of any machinery or plant, any deduction made in respect of that machinery or plant under Rule 6 of the Rules applicable to Cases I and II of Schedule D in charging the profits or gains of the trade (whether for the same or any other year of assessment) and any deduction made in respect of the machinery or plant under Rule 7 of those Rules in estimating the profits or gains of the trade (whether for the same or any other year of assessment) shall be computed as if those costs had not been incurred.

(4) In this section, the expression "rehabilitation costs" means—

(a) expenditure on the removal of works designed to afford protection from hostile attack;

PART III.
—cont.

- (b) where the trade was, as a consequence of the war, removed in whole or in part to a different place, expenditure on again removing the trade or that part thereof back to the place where it was carried on before the first-mentioned removal, or, where the trade or that part thereof is not removed back to that place, expenditure on removing it to some other place up to the amount which would have been incurred in removing it back to that place ;
- (c) where any buildings, plant, machinery or other physical assets held for the purposes of the trade were, either as respects lay-out or otherwise, altered so as to adapt them to conditions prevailing as a result of the war, any expenditure incurred on again altering the assets so as to re-adapt them to peace-time requirements, except so far as that expenditure represents an improvement of the character or condition of the assets as compared with their character and condition before the first mentioned alteration,

4 & 5 Geo. 6.
c. 30.

the expression “ exceptional depreciation allowance ” means an allowance made under section nineteen of the Finance Act, 1941, and any reference in this section to an allowance made or deduction allowed includes a reference to an allowance or deduction which would be made or allowed but for an insufficiency of profits or gains against which to make it.

(5) Nothing in this section applies in relation—

- (a) to any rehabilitation costs which, apart from the provisions of this section, would be deductible in computing the profits or gains of the trade in question for the purposes of income tax ; or
- (b) to so much of any rehabilitation costs as has been or is to be met directly or indirectly by the Crown or by any government or public or local authority, whether in the United Kingdom or elsewhere, or by any person other than the person carrying on the trade in question,

and references in this section to rehabilitation costs shall be construed accordingly.

(6) This section shall have effect as respects the year 1939-40 and subsequent years of assessment and all necessary adjustments of any assessments made before the passing of this Act, for any year of assessment, shall be made accordingly ; but it shall not apply for the purposes of excess profits tax.

Payments of the profits tax to be treated as expenses of management.

25. Sums disbursed in discharge of any liability to the profits tax shall, for the purposes of section thirty-three of the Income Tax Act, 1918 (which gives relief to assurance companies and others in respect of expenses of management), be treated as sums

disbursed as expenses of management, and, in the case of a claim for relief made by virtue of this section, the time allowed by subsection (2) of that section for the making of claims shall be extended until twelve months after the end of the year of assessment during which the disbursement in question is made.

PART III.
—cont.

26.—(1) After subsection (6) of section four of the Income Tax Act, 1945, there shall be inserted the following subsection :— Amendment of s. 4 of Income Tax Act, 1945.

“(6A) If any exceptional depreciation allowance is made in respect of a building or structure for the year of assessment in which the appointed day falls, an amount equal to that allowance shall be written off as at the end of the immediately preceding year of assessment.”

(2) This section shall be deemed always to have had effect, and such additional assessments shall be made (including assessments for the year 1946-47) as are necessary to give effect to this subsection.

27. The sums known as training expenses allowances payable out of the public revenue to members (whether men or women) of the reserve and auxiliary forces of the Crown, and the sums payable by way of bounty out of the public revenue to such members in consideration of their undertaking prescribed training and attaining a prescribed standard of efficiency, shall not be regarded as income for any of the purposes of the Income Tax Acts. Exemption from income tax of training expenses allowances and bounties of reserve and auxiliary forces.

28. Where, under the scheme relating to members of the Women's Royal Naval Service, the Auxiliary Territorial Service and the Women's Auxiliary Air Force announced on behalf of His Majesty's Government in the United Kingdom on the twentieth day of November, nineteen hundred and forty-six, or under any other scheme certified by the Treasury to make analogous provision for classes of persons to whom the first mentioned scheme does not apply, a woman who has served in or with the armed forces of the Crown at any time during the continuance in force of the Emergency Powers (Defence) Act, 1939, voluntarily undertakes to serve in or with those forces for a further period, any sum payable to her in pursuance of the scheme out of moneys provided by Parliament by way of gratuity at the end of her further period of service shall not be regarded as income for any of the purposes of the Income Tax Acts. Exemption from income tax of gratuities payable to certain women who re-engage in the forces. 2 & 3 Geo. 6. c. 62.

29.—(1) Where, whether before or after the passing of this Act, any assets consisting of or of an interest in any property vest in the National Coal Board by virtue of section five or section six of the Coal Industry Nationalisation Act, 1946, or by virtue of section forty-four of, and the Third Schedule to, that Assets transferred under Coal Industry Nationalisation Act, 1946. 9 & 10 Geo. 6. c. 59.

PART III.
—cont.21 & 22 Geo. 5.
c. 27.

Act, and, immediately before the date of the vesting thereof, the assets were assets of a colliery concern, a subsidiary of a colliery concern, a body administering a scheme under Part I of the Coal Mines Act, 1930, or the South Yorkshire Mines Drainage Committee, the provisions of the Seventh Schedule to this Act shall have effect in computing the liability to income tax of the person who was, immediately before the said date, the owner of the said assets, and of the said Board respectively.

(2) If, in computing the liability to income tax for any year of assessment of any such owner or of the said Board, anything has been done otherwise than in accordance with the provisions of the said Schedule, such adjustments may be made by way of additional assessment or otherwise as may be necessary to secure compliance with the provisions thereof.

(3) In this section and the said Seventh Schedule, the expression "colliery concern" has the meaning assigned to it by section sixty-three of the Coal Industry Nationalisation Act, 1946, and the expression "subsidiary" has the meaning assigned to it by paragraph 25 of the First Schedule to that Act.

PART IV.

THE PROFITS TAX.

*Principal changes of the law.*Rate of the
profits tax.

30.—(1) Subject to the provisions of this Part of this Act—

(a) the profits tax to be charged for any chargeable accounting period on the profits of a trade or business shall be of an amount equal to twelve and a half per cent. of the profits; and

(b) accordingly, in subsection (1) of section nineteen of the Finance Act, 1937, for the words "of an amount equal to five per cent. of those profits in a case where the trade or business is carried on by a body corporate and four per cent. of those profits in any other case" there shall be substituted the words "of an amount equal to twelve and a half per cent. of those profits".

(2) Subject to the provisions of this Part of this Act, if, in the case of any trade or business, the net relevant distributions to proprietors (as defined in the subsequent provisions of this Part of this Act) for any chargeable accounting period are less than the profits thereof for that period chargeable to the profits tax, the amount chargeable by way of the profits tax in respect of that period shall be reduced by an amount equal to seven and a half per cent. of the difference.

(3) Subject to the provisions of this Part of this Act, if, in the case of a trade or business, the net relevant distributions to

proprietors (as defined in the subsequent provisions of this Part of this Act) for any chargeable accounting period are greater than the profits thereof for that period chargeable to the profits tax, there shall be charged for that period, in addition to the other profits tax, if any, chargeable therefor, profits tax at the rate of seven and a half per cent. on the amount of the difference :

Provided that the amount on which tax is chargeable under this subsection for any chargeable accounting period shall not, when added to the total of the amounts on which tax is charged thereunder for previous chargeable accounting periods, exceed the total of the differences in respect of which reductions have been made under subsection (2) of this section for previous chargeable accounting periods.

(4) The reductions falling to be made under subsection (2) of this section and the charges falling to be made under subsection (3) thereof are hereafter in this Act respectively referred to as "reliefs for non-distribution" and "distribution charges."

31.—(1) Subject to the provisions of this Part of this Act relating to partnerships where one or more of the partners is a body corporate and to the provisions thereof relating to trades or businesses carried on by liquidators, receivers, managers, trustees, judicial factors and other similar persons,—

Exemption of individuals and partnerships of individuals from the profits tax.

- (a) section nineteen of the Finance Act, 1937 (being the section which charges the profits tax) shall not apply to any trade or business unless it is carried on by a body corporate or by an unincorporated society or other body ; and
- (b) the chargeable accounting periods of any other trade or business to which the said section nineteen ceases to apply by virtue of this subsection shall be determined as if the years of charge to the profits tax had ended at the end of the year nineteen hundred and forty-six :

Provided that—

- (i) the reference in paragraph (a) of this subsection to an unincorporated society or other body shall be deemed not to include a reference to individuals in partnership or to persons acting as the personal representatives of a deceased person ; and
- (ii) the reference in the said paragraph (a) to a body corporate shall be deemed not to include a reference to a body corporate acting as the personal representative, or as one of the personal representatives, of a deceased person.

(2) The said section nineteen shall not apply to any trade or business carried on by a body corporate during any chargeable accounting period if, for a year or period which includes, or for

PART IV.
—cont.12 & 13 Geo. 5.
c. 17.

years or periods which together include, the whole of the chargeable accounting period, the actual income of the body corporate from all sources is apportioned under or for the purposes of section twenty-one of the Finance Act, 1922, and all the persons to whom it is apportioned are individuals.

(3) If, for a year or period which includes, or for years or periods which together include, the whole of a chargeable accounting period of a trade or business carried on by a body corporate, the actual income of the body corporate from all sources is apportioned under or for the purposes of the said section twenty-one, and some (but not all) of the persons to whom the income is apportioned are individuals, then if by notice in writing given to the Commissioners within six months from the end of that chargeable accounting period, or such longer time as the Commissioners may in any case allow, the body corporate and the persons other than individuals to whom the income is apportioned jointly so elect as respects that chargeable accounting period and each subsequent chargeable accounting period the whole of which is included in a year or period or years or periods for which the said actual income is so apportioned to those persons and persons who are individuals, the provisions of this Part of this Act shall apply as if—

- (a) the trade or business had been carried on, during that and each such subsequent chargeable accounting period, in partnership by the persons to whom the income is apportioned, and the share of any one of them of the profits and losses of the trade or business therefor had been equal to the proportion of the income apportioned for the year or period or years or periods in question which is apportioned therefor to that one of them ; and
- (b) any payment which is received from the body corporate during that or any such subsequent chargeable accounting period by any of the persons to whom the income is apportioned, and which is not allowable as a deduction in computing the profits of the trade or business therefor, had not been made ;

and the body itself shall not be chargeable to profits tax for that or any such subsequent chargeable accounting period.

(4) In ascertaining for the purposes of the last two preceding subsections to what persons income is apportioned, account shall, in cases where an original apportionment, as defined in subsection (4) of section thirteen of the Finance Act, 1939, and any sub-apportionment, as so defined, are involved, be taken only of persons to whom income is finally apportioned as the result of the whole process of original apportionment and sub-apportionment.

32.—(1) For sub-paragraph (1) of paragraph 7 of the Fourth Schedule to the Finance Act, 1937, there shall be substituted the following sub-paragraphs:—

PART IV.
—cont.
Investment income to be included in computing profits.

“ 7.—(1) Income received from investments or other property shall be included in the profits except—

- (a) income received directly by way of dividend or distribution of profits from a body corporate carrying on a trade or business to which section nineteen of this Act applies; and
- (b) income so received from any other body corporate, being income received indirectly by way of dividend or distribution of profits from a body corporate carrying on such a trade or business as aforesaid; and
- (c) income to which the persons carrying on the trade or business are not beneficially entitled:

Provided that the profits of a body corporate which, either alone or in conjunction with any statutory undertakers carrying on a trade or business to which subsection (5) of the said section nineteen applies, has a controlling interest in any other body corporate, being such statutory undertakers as aforesaid, shall not in any case include any income received from that other body corporate.

(1A) Any reference in any enactment relating to the profits tax to franked investment income shall be construed as a reference to the income which would be included in the profits if paragraphs (a) and (b) of the preceding sub-paragraph had been omitted, and, in computing profits for the purposes of so much of any such enactment as refers to profits including franked investment income, the said sub-paragraph shall have effect as if the said paragraphs (a) and (b) were omitted.”

(2) Section forty-five of the Finance Act, 1938 (which limits the amount of investment income to be included in the profits of certain assurance businesses) shall cease to have effect.

33.—(1) Where the profits arising in any chargeable accounting period from a trade or business, computed apart from the provisions of this and the two next succeeding subsections and including franked investment income, do not exceed two thousand pounds, the profits arising from the trade or business for that period shall, subject to the provisions of subsection (4) of this section, be deemed for all the purposes of the enactments relating to the profits tax to be nil.

Abatement of profits in certain cases.

PART IV.
—cont.

(2) Where the profits arising in any chargeable accounting period from a trade or business, computed apart from the provisions of the preceding subsection, this subsection and the next succeeding subsection, and including franked investment income, exceed two thousand pounds but are less than twelve thousand pounds, the profits arising from the trade or business in that period shall, subject to the provisions of subsection (4) of this section, be deemed for all the purposes of the enactments relating to the profits tax, to be reduced—

- (a) where there is no franked investment income, by a sum equal to one-fifth of the difference between the amount of the profits computed as aforesaid and twelve thousand pounds ;
- (b) where there is franked investment income, by a sum which bears to one-fifth of the difference between the profits, computed as aforesaid and including franked investment income, and twelve thousand pounds the same proportion that the profits arising in that period from the trade or business, computed as aforesaid but not including franked investment income, bear to the profits arising in that period from the trade or business, computed as aforesaid but including franked investment income.

(3) In relation to a chargeable accounting period of less than twelve months, references in this section to two thousand pounds and twelve thousand pounds shall be construed as references to a sum which bears the same proportion to two thousand pounds or twelve thousand pounds, as the case may be, as the length of the period bears to twelve months.

(4) Notwithstanding anything in subsections (1) to (3) of this section, any profits which, under any of the following provisions of this Part of this Act or any other provision of any enactment relating to the profits tax, are directed to be computed "without abatement" shall be computed as if those subsections had not passed.

The said subsections (1) to (3) are hereafter in this Act referred to as "the provisions for abatement."

(5) Section twenty-one of the Finance Act, 1937, shall cease to have effect.

Supplementary provisions as to non-distribution relief and distribution charges.

Meaning of
"net relevant
distributions
to
proprietors".

34.—(1) The provisions of this and the three next succeeding sections shall, subject to the subsequent provisions of this Part of this Act, have effect for the purpose of determining, in relation to any body corporate, unincorporated society or other body, what is to be taken, for the purposes of the provisions of this Act

relating to reliefs for non-distribution and distribution charges, as the net relevant distributions to proprietors for any chargeable accounting period of that body corporate, society or other body.

(2) The net relevant distributions to proprietors for any chargeable accounting period of a body corporate, society or other body are so much of the gross relevant distributions to the proprietors for that period of that body corporate, society or other body (as defined by the next succeeding section) as bears to the whole of the said gross relevant distributions the same proportion that the profits for that period bear to the profits therefor computed without abatement and including franked investment income :

Provided that where the said gross relevant distributions exceed the profits computed without abatement and including franked investment income, the net relevant distributions shall be the sum of—

- (a) the profits for the period computed with due regard to the provisions for abatement but not including franked investment income ; and
- (b) the amount of the excess.

35.—(1) Subject to the provisions of this and the two next succeeding sections, the gross relevant distributions to proprietors for any chargeable accounting period of a body corporate, society or other body, are the total distributions to the members of the body corporate, society or other body, not being distributions allowable as deductions in computing the profits of the trade or business for any period for the purposes of the profits tax, and being either—

Meaning of
“ gross
relevant
distributions
to
proprietors ”.

- (a) dividends declared not later than six months after the end of that period which are expressed to be paid in respect of that period or any part thereof ; or
- (b) distributions (other than dividends which, under paragraph (a) of this subsection, are to be treated as part of the gross relevant distributions to proprietors for any previous chargeable accounting period) made in the period ; or
- (c) in the case of the last chargeable accounting period in which the trade or business is carried on, so much of any distribution made after the end of that period (not being a distribution to which paragraph (a) of this subsection applies) as is not a distribution of capital,

and, for the purposes of paragraph (c) of this subsection, the distributions which are to be treated as distributions of capital shall not, in the case of distributions made by a body corporate with a share capital, exceed an amount equal to the total nominal

PART IV.
—cont.

amount of the paid-up share capital thereof together, where the body corporate has issued shares at a premium for cash, with the aggregate of the amounts of the premiums.

(2) If the Commissioners are satisfied, with respect to a dividend declared more than six months after the end of a chargeable accounting period which is expressed to be paid in respect of that period or any part thereof, that the dividend could not reasonably have been declared before the expiration of the said six months, they may, if they think fit, direct that it shall be treated for the purposes of subsection (1) of this section as if it had been declared within the said six months.

(3) Where the person carrying on the trade or business so elects by notice in writing given to the Commissioners within six months from the passing of this Act or such longer time as they may in any case allow, subsections (1) and (2) of this section shall apply, in relation to all chargeable accounting periods of that trade or business, with the substitution for references therein to six months of references to nine months, or, in the case of a company carrying on business or having interests abroad, twelve months.

(4) If, in the case of any chargeable accounting period falling wholly or partly before the beginning of the year nineteen hundred and forty-seven, the total of the dividends expressed to be paid in respect of, or of any part of, that period exceeds the total of the dividends expressed to be paid in respect of, or of any part of, the immediately preceding chargeable accounting period, the dividends in respect of the whole or any part of the first mentioned chargeable accounting period declared after the fifteenth day of April, nineteen hundred and forty-seven, shall, to the extent of the excess, be treated as a distribution for the chargeable accounting period in which they are paid and not of the period in respect of which they are expressed to be paid :

Provided that—

- (a) where the amount of any class of paid-up share capital on which dividends are expressed to be paid in respect of, or of any part of, the preceding chargeable accounting period is less than the amount of that class of paid-up share capital on which dividends are expressed to be paid in respect of, or of any part of, the succeeding chargeable accounting period, the dividends on that class of capital expressed to be paid in respect of, or of part of, the said preceding period shall, if the person carrying on the trade or business so elects, be treated for the purposes of this subsection as correspondingly increased ; and
- (b) where the preceding chargeable accounting period is longer or shorter than the succeeding chargeable

accounting period, the total dividends expressed to be paid in respect of, or of any part of, the said preceding period shall be treated for the purposes of this subsection as correspondingly reduced or increased.

(5) In this section, the expression "dividend" includes an interim dividend, and a dividend shall be treated as being declared—

- (a) in the case of a dividend declared by a body or society in general meeting, at the date of the declaration ;
- (b) in any other case, at the date on which it is paid :

Provided that—

- (i) where a dividend is declared in general meeting in accordance with a recommendation of the directors and the directors' decision to make that recommendation was, with the authority of the directors, publicly announced at an earlier date, the dividend shall, for the purposes of this section, be treated as declared at that earlier date ; and
- (ii) where a dividend not so declared is paid in accordance with a decision of the directors, and that decision was, with their authority, publicly announced at an earlier date, the dividend shall, if the body or society so elects, for the purposes of this section be treated as declared at that earlier date.

36.—(1) Subject to the provisions of the next succeeding subsection, wherever—

- (a) any amount is distributed directly or indirectly by way of dividend or cash bonus to any person ; or
- (b) assets are distributed in kind to any person ; or
- (c) where the trade or business is carried on by a body corporate the directors whereof have a controlling interest therein, an amount is applied, whether by way of remuneration, loans or otherwise, for the benefit of any person,

Meaning of
"distribution"
and provision
with respect
to repaid
loans.

there shall be deemed for the purposes of the last preceding section to be a distribution to that person of that amount or, as the case may be, of an amount equal to the value of those assets :

Provided that no sum applied in repaying a loan or in reducing the share capital of the person carrying on the trade or business shall be treated as a distribution.

(2) Where a distribution is one in respect of which the person making it is authorised or required to deduct income tax, the amount of the distribution shall be taken for the purposes of the last preceding section to be the amount which represents or would be deemed to represent income for the purposes of the Income Tax Acts.

PART IV.
—cont.

(3) Where—

- (a) a loan has been treated as part of the gross relevant distributions to proprietors for a chargeable accounting period ; and
- (b) as a result, the amount of tax payable for that period has been increased,

then, if the loan is repaid, the gross relevant distributions to proprietors for the period in which repayment is made, or, if the repayment is made after the end of the last chargeable accounting period of the trade or business, the gross relevant distributions to proprietors for the said last period, shall be treated as reduced by the amount corresponding to the increase, that is to say, by the amount tax on which, at seven and a half per cent., would be equal to the increase ; and if the said corresponding amount is greater than the said gross relevant distributions, the excess shall be carried forward so as to reduce the gross relevant distributions to proprietors for the next chargeable accounting period and so on for subsequent chargeable accounting periods.

(4) Where—

- (a) as part of a scheme of amalgamation or reconstruction a trade or business carried on by a body corporate (in this subsection referred to as “ the first company ”) is transferred to another body corporate (in this subsection referred to as “ the second company ”) ;
- (b) the consideration for the transfer consists wholly or mainly of shares in the second company ; and
- (c) the first and second companies jointly so elect by notice in writing given to the Commissioners within six months after the transfer or such longer time as the Commissioners may in any case allow,

the provisions of this Part of this Act shall apply subject to the following modifications, that is to say—

- (i) any distribution of those shares to any person in a winding up of the first company shall, notwithstanding anything in subsection (1) of this section, not be deemed for the purposes of the last preceding section to be a distribution to that person ; and
- (ii) in considering what distribution charge, if any, falls to be made on the second company, any difference on which non-distribution relief for chargeable accounting periods before the transfer was given to the first company or other person assessable to profits tax on the profits of the trade or business of the first company shall, except so far as it has already operated to increase a distribution charge on the first company, be taken into account as

if it had been a difference arising in relation to the second company on which non-distribution relief had been given to that company, and shall also be taken into account, in the case of the last chargeable accounting period of the second company, so as to increase the amount which, for the purposes of paragraph (c) of subsection (1) of the last preceding section, is to be treated as not a distribution of capital.

PART IV.
—cont.

37.—(1) Where a chargeable accounting period is not a period for which the accounts of the trade or business have been made up, the gross relevant distributions to proprietors shall be computed in relation to the periods for which accounts relating to the trade or business have been made up (being periods falling wholly or partly within the chargeable accounting period) as if those periods were chargeable accounting periods, and such division and apportionment to specific periods of the amounts so computed and such aggregation of any such amounts or of any apportioned parts thereof shall be made as appears necessary to arrive at the gross relevant distributions to proprietors for the chargeable accounting period.

Apportionments to be made to arrive at gross relevant distributions for a period.

(2) Any apportionment under this section shall be made in proportion to the number of months or fractions of months in the respective periods.

Provisions applicable in special cases.

38.—(1) Where a notice under subsection (1) of section twenty-two of the Finance Act, 1937 (which relates to subsidiary companies) is in force—

Subsidiary companies.

- (a) the franked investment income, and the gross relevant distributions, of the subsidiary to which the notice relates for any chargeable accounting period shall for all purposes be included in the franked investment income and the gross relevant distributions of the principal company for the corresponding chargeable accounting period of that company; but
- (b) no franked investment income received by the principal company directly from that subsidiary, or received by the subsidiary directly from the principal company or directly from any other subsidiary of the principal company with respect to which such a notice is in force given by that company, and no distributions made by the principal company to the subsidiary, or by the subsidiary to the principal company or to any such other subsidiary of the principal company as aforesaid, shall be so included.

PART IV.
—cont.

(2) Where the following conditions are fulfilled, that is to say—

- (a) while such a notice as aforesaid is in force, the net relevant distributions to proprietors for any chargeable accounting period are, in the case of the principal company, greater than the profits for that period chargeable to the profits tax; and
- (b) in any chargeable accounting period of the subsidiary, being a period before the notice came into force, the net relevant distributions to proprietors were, in the case of the subsidiary, less than the profits for that period chargeable to the profits tax and non-distribution relief was given to the subsidiary accordingly on the amount of the difference,

then, in considering what distribution charge, if any, falls to be made by reason of the excess referred to in paragraph (a) of this subsection on the principal company, the difference on which non-distribution relief was given to the subsidiary as aforesaid shall, except so far as it has already operated to increase a distribution charge on the subsidiary or on any other body corporate which has been a principal company of that subsidiary, be taken into account as if it had been a difference arising in relation to the principal company on which non-distribution relief had been given to the principal company.

(3) Where—

- (a) such a notice as aforesaid is in force; and
- (b) the subsidiary to which the notice relates pays to the principal company an amount by way of reimbursement of profits tax which by virtue of the notice having been given is payable by that company for any chargeable accounting period ending after the thirty-first day of December, nineteen hundred and forty-six; and
- (c) the principal company and the subsidiary jointly so elect by notice in writing given to the Commissioners of Inland Revenue within six months from the end of that chargeable accounting period or such longer time as those Commissioners may in any case allow,

the amount so paid, and any amount so paid in relation to a subsequent chargeable accounting period, by the subsidiary to the principal company shall for all the purposes of the Income Tax Acts be treated—

- (i) as regards the subsidiary, as an amount of profits tax payable in respect of its profits arising in the chargeable accounting period of the subsidiary corresponding to the chargeable accounting period to which the payment relates; and

- (ii) as regards the principal company, as reducing the amount of the profits tax payable by the principal company for the chargeable accounting period to which the payment relates.

(4) If at any time after the end of the year nineteen hundred and forty-six a body corporate is a subsidiary of another body corporate, there shall be made such alterations, if any, of the periods which would otherwise be chargeable accounting periods of either body corporate as the Commissioners may direct.

(5) The principal company may, at any time within six months from the passing of this Act, or such longer time as the Commissioners may allow, by notice in writing to the Commissioners revoke any such notice as aforesaid which was given before the passing of this Act, and where a notice is so revoked—

- (a) the notice shall be deemed to have ceased to have effect as from the first day of January, nineteen hundred and forty-seven, without, however, reviving any previous notice which had ceased to be in force by reason of the giving thereof; and
- (b) where any accounting period of either body corporate falls partly before and partly after the end of the year nineteen hundred and forty-six, the parts thereof falling before and after the end of that year shall be separate chargeable accounting periods.

(6) This section shall be construed as one with the said section twenty-two.

39.—(1) Where the person carrying on a trade or business is ordinarily resident outside the United Kingdom throughout a chargeable accounting period, the profits tax payable by that person shall be ascertained as if no net relevant distributions to proprietors had been made in the case of that person for that period.

Persons
resident
outside
United
Kingdom

(2) Where a trade or business is carried on by a body corporate and, throughout a chargeable accounting period, both the following conditions are fulfilled, that is to say—

- (a) that that body corporate is ordinarily resident in the United Kingdom; and
- (b) that another body corporate which is not ordinarily resident in the United Kingdom controls, directly or indirectly, not less than one half of the voting power in the first-mentioned body corporate,

distributions to that other body corporate shall be left out of account in determining, in relation to the first-mentioned body corporate, the net relevant distributions to proprietors for that period.

PART IV.
—cont.

(3) Where the franked investment income of a person includes income received from a body corporate ordinarily resident outside the United Kingdom to which subsection (1) or subsection (2) of this section applies, the preceding provisions of this Part of this Act relating to the determination of the net relevant distributions for any period by reference to the gross relevant distributions therefor shall have effect subject to the following modification, that is to say, that any reference therein to the profits for the period (not being a reference to profits computed without abatement and including franked investment income) shall be construed as a reference to the first mentioned profits increased by the said income received from the said body corporate.

Nationalised
undertakings.

40.—(1) Where the person carrying on a trade or business is a body corporate with a share capital and, throughout a chargeable accounting period, no person other than the Crown has any beneficial interest in any of the share capital thereof, the profits tax payable by that person shall be computed as if no net relevant distributions to proprietors had been made for that period.

(2) Subsection (5) of section nineteen of the Finance Act, 1937, (which exempts from the charge to the profits tax certain trades or businesses carried on by statutory undertakings) shall not apply to—

- (a) the North of Scotland Hydro-Electric Board constituted under the Hydro-Electric Development (Scotland) Act, 1943; or
- (b) any Authority or Board constituted by any Act of the present Session (whether passed before or after the passing of this Act) which provides, amongst other matters, for the establishment of a British Electricity Authority and Area Electricity Boards; or
- (c) any Transport Commission established by, or any body constituted by any scheme made under, any Act of the present Session (whether passed before or after the passing of this Act) which provides, amongst other matters, for the establishment of a British Transport Commission concerned with transport and certain other related matters; or
- (d) any Authority, Board, Commission or body constituted by or under any Act passed after the passing of this Act which embodies any scheme for the carrying on of any industry, or part of an industry, or any undertaking, under national ownership or control; or
- (e) any body corporate with a share capital if no person other than the Crown has any beneficial interest in any of the share capital thereof,

6 & 7 Geo. 6.
c. 32.

and nothing in, or in any scheme having effect under, any such Act as is mentioned in paragraph (b), paragraph (c) or paragraph (d) of this subsection which has the effect of applying to any such Authority, Board, Commission or other body as is mentioned in those paragraphs any provisions relating to an undertaking the whole or any part of which is transferred to that Authority, Board, Commission or other body, shall be construed as applying the provisions of the said subsection (5) of the said section nineteen to that Authority, Board, Commission or body, either generally or in relation to any part of the undertakings carried on by them.

(3) The following payments, that is to say—

- (a) payments of interest by any such Authority, Board, Commission or other body as is mentioned in paragraph (b), paragraph (c) or paragraph (d) of subsection (2) of this section, or by any of the three corporations as defined by section one of the Civil Aviation Act, 1946, 9 & 10 Geo. 6. being payments of interest on stock issued as, or to raise the money for paying, compensation to be made for or in connection with the acquisition of any property or of the whole or any part of any undertaking, or on stock which directly or indirectly replaces any such stock as aforesaid, or being payments of interest payable to recipients of such compensation, or to persons who held securities carrying the right to such compensation, in respect of periods beginning with the acquisition; c. 70.
- (b) payments of interest by the said North of Scotland Hydro-Electric Board on any stock issued by that Board to any such Authority as is mentioned in the said paragraph (b), and repayments by that Board to that Authority of any such payments of interest by that Authority as are mentioned in paragraph (a) of this subsection;
- (c) so much of any payments by the National Coal Board to the Crown under paragraph (a) of subsection (1) of section twenty-eight of the Coal Industry Nationalisation Act, 1946 as would, apart from this subsection, be deducted in computing the profits of that Board for the purposes of the profits tax; and
- (d) payments by any such Board as is mentioned in paragraph (b) of the said subsection (2) to any such Authority as is mentioned in that paragraph, being payments by way of contribution towards the satisfaction of the obligations of that Authority in respect of any such interest as is mentioned in paragraph (a) of this subsection,

shall not be allowed to be deducted in computing the profits for the purposes of the profits tax of the Boards, Authorities,

PART IV.
—cont.

Commissions, corporations or other bodies in question ; and the payments mentioned in paragraphs (b) and (d) of this subsection shall not be taken into account in computing the profits for the purposes of the profits tax of the Authority which receives the said payments :

Provided that where immediately before the acquisition of the whole or any part of any undertaking or any of the property thereof by any such Board, Authority, Commission, corporation or other body, the capital of that undertaking consisted wholly or partly of debentures, debenture stock or other loan capital, this subsection shall not apply to so much of any of the payments therein mentioned relating to the acquisition as in the opinion of the Commissioners may be appropriate having regard to the extent to which the capital consisted of such capital.

Industrial and
provident
societies.

41.—(1) Where the person carrying on a trade or business is a registered society, the profits tax payable by the society shall be computed as if no net relevant distributions to proprietors had been made in the case of that trade or business for any chargeable accounting period.

(2) For the purposes of this section, the expression “ registered society ” means a society registered under the Industrial and Provident Societies Acts, 1893 to 1928, or under the enactments in force in Northern Ireland known as the Industrial and Provident Societies Acts (Northern Ireland), 1893 to 1929.

Building
societies.

42.—(1) The amount of the profits tax chargeable on the profits arising in any chargeable accounting period from the business of a building society, including any distribution charge, shall not exceed three per cent. of the amount of those profits, computed without allowing any deduction for interest paid on money borrowed by the society from members or depositors.

(2) Where the amount of the profits tax payable by a building society for any chargeable accounting period is reduced by the operation of subsection (1) of this section, any distribution charges for subsequent chargeable accounting periods shall be computed as if no reduction had taken place and the full amount of tax had been paid.

(3) This section shall have effect in substitution for subsection (1) of section twenty-three of the Finance Act, 1937, and, in this section, the expression “ building society ” has the meaning assigned to it by subsection (2) of that section.

Persons
carrying
on several
trades or
businesses

43.—(1) All trades or businesses to which section nineteen of the Finance Act, 1937, applies carried on by the same person shall be treated as one trade or business for the purposes of the enactments relating to the profits tax.

(2) Where trades or businesses which were, in previous chargeable accounting periods, treated as separate trades or businesses are, by virtue of subsection (1) of this section, treated as one trade or business, the like sums may be carried forward under paragraph 2 and sub-paragraph (2) of paragraph 3 of the Fourth Schedule to the said Act from the said previous periods for the purposes of the profits tax in respect of the one trade or business as might have been carried forward from those periods for the purposes of the profits tax in respect of the separate trades or businesses if they had still fallen to be treated as separate trades or businesses.

PART IV.
—cont.
and changes in the persons carrying on trades or businesses.

(3) Nothing in this section shall apply to any trade or business which had ceased to be carried on before the end of the year nineteen hundred and forty-six.

(4) Where trades or businesses to which the said section nineteen applies are carried on by the same person during the whole or any part of the year nineteen hundred and forty-six and also during the whole or any part of the following year, and the periods which, apart from this section, would be the accounting periods of those trades or businesses for the purposes of the profits tax do not coincide, and any of those periods fall partly before and partly after the end of the year nineteen hundred and forty-six—

- (a) the parts of the last mentioned periods which fall before the end of the said year shall be treated for the purposes of the profits tax as separate accounting periods; and
- (b) accounting periods (the first of which shall begin immediately after the end of the said year) shall be determined for the purposes of the profits tax in relation to the combined trade or business as if it had been commenced to be carried on immediately after the end of the said year; and
- (c) subsection (1) of this section shall not apply with respect to the accounting periods mentioned in paragraph (a) of this subsection but shall apply with respect to the accounting periods mentioned in paragraph (b) thereof.

(5) When any change takes place in the persons carrying on a trade or business, the trade or business shall be deemed for the purposes of the profits tax to be discontinued at the time of the change and a new trade or business to have then been set up and commenced.

44.—(1) Where the trade or business of a body corporate, or of an unincorporated society or other body, is being carried on by a liquidator, receiver, manager, trustee or judicial factor, or by any person acting in any capacity similar to the capacities as aforesaid, the trade or business shall, for all the purposes of Liquidations, receiverships, partnerships, etc.

PART IV.
—cont.

the enactments relating to the profits tax, be treated as if it were being carried on by the body corporate, society or other body, except that the tax shall be assessed on the liquidator, receiver, manager, trustee, judicial factor or other person and any returns or particulars required to be furnished with respect to the trade or business shall be furnished by the liquidator, receiver, manager, trustee, judicial factor or other person.

(2) Where a trade or business is carried on by two or more persons in partnership and one or more of them are bodies corporate, each of those bodies corporate shall be treated as if it were carrying on the trade or business itself and not in partnership with any other person, but as if the profits and losses thereof were confined to its share in those profits or losses :

Provided that where such a body corporate as aforesaid is also carrying on, or is by virtue of this subsection to be treated as carrying on, another trade or business, the references in this subsection to profits shall be construed as a reference to the profits computed without abatement, and effect shall be given to the provisions of the last preceding section before giving effect to the provisions for abatement.

Miscellaneous provisions as to the profits tax.

Amendment of limit on amount allowable as deduction in respect of directors' remuneration.

45. In paragraph 11 of the Fourth Schedule to the Finance Act, 1937 (which limits the amount of the deduction to be allowed in respect of the remuneration of certain directors in computing for the purposes of profits tax the profits arising from a trade or business carried on by a company in which the directors have a controlling interest), for the words "fifteen hundred pounds", wherever those words occur, there shall be substituted the words "two thousand five hundred pounds."

Co-ordination of treatment for profits tax purposes with treatment for income tax and excess profits tax purposes, etc.

46.—(1) The provisions of Parts I and II of the Eighth Schedule to this Act shall have effect with a view to securing that the treatment of persons for the purposes of the profits tax accords, as respects the matters, and to the extent, specified in those Parts of that Schedule, with the treatment which they receive as respects those matters for the purposes of income tax and excess profits tax.

(2) The provisions of Part III of the said Schedule (being miscellaneous amendments of the law relating to the computation of profits for the purposes of the profits tax and other related matters) shall have effect for the purposes of the profits tax.

Commencement of Part IV and transitional provisions.

47.—(1) Subject to the provisions of this section, the provisions of this Part of this Act relating to the profits tax shall have effect with respect to all chargeable accounting periods any part of which falls after the end of the year nineteen hundred and forty-six :

Provided that this subsection shall not apply to any of those provisions in so far as other express provision is made by them respectively as to the chargeable accounting periods with respect to which they are to have effect.

PART IV.

—cont.

(2) In the case of a chargeable accounting period falling partly before and partly after the end of the year nineteen hundred and forty-six, the profits tax shall be computed first on the basis that the provisions to which subsection (1) of this section applies do not have effect with respect to the period and secondly on the basis that the said provisions do have effect with respect thereto and the sums so ascertained shall be apportioned between the part of the period which falls before, and the part of the period which falls after, the end of the said year ; and, subject to the provisions of subsection (3) of this section—

(a) the profits tax payable for the whole period shall be the sum of so much of the amount ascertained on the first basis as is apportioned to the first part of the whole period and so much of the amount ascertained on the second basis as is apportioned to the second part thereof, and

(b) any apportionment required for any of the purposes of section nineteen of the Finance (No. 2) Act, 1939, or of the Sixth Schedule to the Finance Act, 1940 (the provisions of which have effect as respects the relation of excess profits tax to the profits tax and the assessment and collection of those taxes) shall, instead of being made in accordance with subsection (6) of the said section nineteen or paragraph 8 of the said Sixth Schedule, be made in the proportion arrived at by comparing that part of the amount ascertained on the said first basis which is apportioned as aforesaid to the first part of the whole period with that part of the amount ascertained on the said second basis which is apportioned as aforesaid to the second part thereof.

2 & 3 Geo. 6.
c. 109.
3 & 4 Geo. 6.
c. 29.

(3) The provisions of paragraph 3 of Part II of the Eighth Schedule to this Act shall, so far as they provide for a reduction of tax, be left out of account in computing the tax payable on both the first and second bases mentioned in subsection (2) of this section, and the reduction of tax provided for by that paragraph shall be made, and made only, by reducing that part of the tax computed on the first basis which is apportioned to the first part of the period ; and the provisions of the said subsection (2) shall have effect accordingly.

(4) Where non-distribution relief is given for a chargeable accounting period falling partly before and partly after the end of the year nineteen hundred and forty-six, the difference on which the relief is given shall, for the purpose of arriving at

PART IV.
—*cont.*

the distribution charges, if any, falling to be made for subsequent chargeable accounting periods, be treated as reduced by so much thereof as is apportionable to the part of the chargeable accounting period which falls before the end of the said year.

(5) Any apportionment which is required for the purposes of subsection (2) of this section of the profits tax of a period falling partly before and partly after the end of the said year, on either of the bases referred to in that subsection, and any apportionment which is required for the purposes of subsection (4) of this section, shall be made by reference to the number of months or fractions of months in each of the parts of the whole period :

Provided that where the profits of the whole period have been apportioned in any other manner for the purposes of excess profits tax between the first part of the period and the remainder of the period, the said apportionments under subsections (2) and (4) of this section shall also be made in that manner.

Interpretation
of Part IV.

48.—(1) References in this Part of this Act to the computation of profits include references to the computation of any such losses as, under any enactment relating to the profits tax, fall to be computed in the same manner as profits are to be computed for the purposes of the profits tax.

(2) References in this Part of this Act to shares include references to stock, and the expression “share capital” shall be construed accordingly.

(3) References in this Part of this Act to the personal representatives of a deceased person include references to trustees of the estate, or part of the estate, of that person.

PART V.

DEATH DUTIES.

Charge of
additional
duty.

49.—(1) On every legacy subject to legacy duty under the existing law, and on every succession subject to succession duty under the existing law, there shall be charged a further legacy or succession duty (as the case may be) at a rate equal to that of the duty to which it is subject under the existing law (or in the case of a succession subject to the additional duty under section twenty-one of the Customs and Inland Revenue Act, 1888, the aggregate rate of the duty to which it is subject under the existing law) :

51 & 52 Vict.
c. 8.

Provided that the further duty shall not be charged—

(a) on any legacy or succession given or created for public or charitable purposes ; or

(b) except in the cases and to the extent mentioned in the next following subsection, on any legacy derived from a testator or intestate dying before the sixteenth day of April, nineteen hundred and forty-seven, or any succession arising before that day.

(2) The further duty shall be charged on any such legacy or succession as is mentioned in proviso (b) to the foregoing subsection, if and to the extent to which duty under the existing law—

- (a) is payable thereon in connection with any such event as is mentioned in the next following subsection ; or
- (b) would be payable as aforesaid if the provisions applicable in cases where all persons having successive interests are chargeable with the same rate of duty were the same as those applicable where they are chargeable with different rates of duty ; or
- (c) would be payable as aforesaid but for any payment made in advance and not made under the enactments relating to commutations or compositions ;

and references in this subsection to duty being payable in connection with an event shall, in relation to legacy duty, include its being payable when the legacy is paid, delivered, retained, satisfied or discharged in connection with that event.

(3) The events referred to in the last foregoing subsection are any of the following events happening on or after the sixteenth day of April, nineteen hundred and forty-seven, that is to say—

- (a) the death of any person ;
- (b) the determination or failure of any charge, estate, interest or trust ;
- (c) the exercise of a power of appointment ;
- (d) the making of any payment or the application of any property, if the duty under the existing law is or would be chargeable—

(i) under section eleven of the Legacy Duty Act, 36 Geo. 3. 1796, or under that section as applied by section c. 52. thirty-two of the Succession Duty Act, 1853 (which 16 & 17 Vict. deal with benefits of uncertain amount receivable c. 51. from time to time) ; or

(ii) under section twenty-five of the Succession Duty Act, 1853 (which deals with premiums for the renewal of a lease or the grant of a reversionary lease) ;

PART V.
—cont.

(e) any other event which, under the provisions of the relevant will or disposition or the rules governing the distribution of the intestate's estate, affects the right to the legacy or succession or to the enjoyment thereof or which changes the nature of the property comprised therein or any part of that property.

(4) Subject to the next following subsection, the further duty charged by virtue of this section shall, where the duty under the existing law was before the said sixteenth day of April paid on the capital value of property given for successive interests to persons all chargeable with the same rate of duty, be accounted for, paid and borne by the same persons and in the same manner as if the provisions applicable in cases where all persons having successive interests are chargeable with the same rate of duty were the same as those applicable where they are chargeable with different rates of duty.

(5) Where an interest in expectancy in any property has before the said sixteenth day of April been bona fide sold or mortgaged for full consideration in money or money's worth, then no other duty on that property shall be payable by the purchaser or mortgagee when the interest falls into possession than would have been payable if this Part of this Act had not been passed, and in the case of a mortgage any higher duty payable by the mortgagor shall rank as a charge subject to the mortgage.

(6) For the purposes of this section, the expression "legacy" includes residue and share of residue and the expression "the existing law" means the law apart from this section, and—

- (a) references to a legacy or succession being subject to duty shall be taken as referring to its being or having at any time been charged or chargeable therewith; and
- (b) a succession shall be deemed to arise on the happening of the death by reason of which the successor, or any person in his right or on his behalf, becomes entitled in possession to the succession or to the receipt of the income or profits thereof.

Limits of
value.

50.—(1) In the case of a person dying on or after the sixteenth day of April, nineteen hundred and forty-seven, the following enactments, namely—

57 & 58 Vict.
c. 30.

- (a) subsection (3) of section sixteen of the Finance Act, 1894 (which provides for treating as an estate by itself for the purposes of estate duty, and for exempting from legacy and succession duty, any estate not exceeding one thousand pounds exclusive of property settled otherwise than by the will of the deceased); and

- (b) subsection (2) of section thirteen of the Finance Act, 1914 (which makes consequential provision for reducing the legacy or succession duty payable when the margin above the limit of value under the said section sixteen is small);

PART V.
—cont.
4 & 5 Geo. 5.
c. 10.

shall have effect with the words "two thousand pounds" instead of the words "one thousand pounds", and accordingly the said section thirteen shall have effect also with the words "estate duty is payable on the death of the deceased" instead of the words substituted therefor by the Tenth Schedule to the Finance Act, 1946.

(2) In respect of a legacy or succession which would apart from this provision be chargeable with the further duty under this Act, no legacy or succession duty shall be charged—

(a) if the amount or value of the legacy or succession together with any other legacies or successions derived by the same person from the testator, intestate or predecessor or passing to that person on the same death as the first mentioned legacy or succession does not exceed one hundred pounds; or

(b) if the person taking the legacy or succession (whatever his age) is a child of the testator, intestate or predecessor and, had he been under the age of twenty-one years, the legacy or succession would have been exempt from duty under proviso (c) to subsection (2) of section fifty-eight of the Finance (1909-10) Act, 1910, (which exempts legacies and successions of widows and infant children with a limit of value of two thousand pounds).

10 Edw. 7. &
1 Geo. 5. c. 8.

(3) Where, by virtue of any of the provisos to subsection (2) of the said section fifty-eight or by virtue of the last foregoing subsection, any legacy or succession charged with the further duty under this Act would have been exempt from duty if the limit of value for the exemption had not been exceeded, the amount of legacy and succession duty on the legacy or succession and any other such legacies and successions which would have been exempt with it shall not be greater than the amount by which the limit of value is exceeded.

(4) The exemption of property from legacy duty by virtue of this section shall not affect any exemption from succession duty which would have applied had the legacy duty been chargeable.

(5) For the purposes of this section the expression "legacy" includes residue and share of residue and in subsections (2) and (3) thereof—

(a) any reference to a legacy or succession passing to any person shall include a legacy or succession passing in his right or on his behalf to some other person; and

PART V.
—cont.

- (b) any reference to a legacy or succession chargeable or charged with the further duty under this Act shall include a legacy or succession which would be so if it had not been given or created for public or charitable purposes.

Relief from estate duty on bearer securities compulsorily registered.

10 & 11 Geo. 6.
c. 14.

51. Where, in consequence of the restrictions imposed by the Defence (Finance) Regulations, 1939, or the Exchange Control Act, 1947, on the issue of coupons representing dividends or interest, bearer securities situate outside the United Kingdom have been or are converted into or exchanged for registered securities situate in Great Britain, then for the purposes of any claim for estate duty in respect of the passing of the registered securities on a death occurring after the thirty-first day of March, nineteen hundred and forty-seven, they shall be treated as situate outside Great Britain :

Provided that this section shall apply only if, between the conversion or exchange and the death (or, in a case where the securities pass by reason of a gift inter vivos or of the disposition or determination of an interest limited to cease on the death, between the conversion or exchange and the gift, disposition or determination), the securities neither have been disposed of nor have passed on the death of a person competent to dispose thereof.

PART VI.

STAMP DUTIES.

Increase of existing duties.

Increase of existing duties and provisions consequential thereon.

52.—(1) Subject to the following provisions of this Part of this Act, the stamp duties chargeable under the provisions mentioned in this section shall, as from the first day of August, nineteen hundred and forty-seven, be double the duties which would have been chargeable immediately before that day.

(2) The said provisions are—

(a) the following headings or parts of headings in the First Schedule to the Stamp Act, 1891, namely,—

- (i) Bond, Covenant or Instrument ;
- (ii) Conveyance or Transfer, whether on sale or otherwise ;
- (iii) Conveyance or Transfer on sale ;
- (iv) Lease or Tack ;
- (v) Letter of Allotment and Letter of Renunciation and Scrip Certificate, Scrip or other document ;
- (vi) Marketable Security, except paragraph (2) of the heading (which charges certain transfers, etc. with a fixed duty of ten shillings) ;

(vii) Mortgage, Bond, Debenture, Covenant and Warrant of Attorney ;

PART VI.
—cont.

(viii) Share Warrant and Stock Certificate to Bearer ;

(b) the following further provisions relating to stocks and marketable securities, contract notes, compositions for duty on transfers of stocks, etc. and loan capital, namely—

(i) section eight of the Colonial Stock Act, 1877 ; 40 & 41 Vict.
c. 59.

(ii) section one hundred and fourteen of the Stamp Act, 1891, and section thirty-seven of the Finance Act, 1939 ;

(iii) section one hundred and fifteen of the Stamp Act, 1891 ;

(iv) sections four and eight of the Finance Act, 1899 ; 62 & 63 Vict.
c. 9.

(v) sections seventy-seven and seventy-nine of the Finance (1909-10) Act, 1910 ;

(vi) subsection (2) of section thirteen of the Finance Act, 1911 ; 1 & 2 Geo. 5.
c. 48.

(vii) subsection (2) of section fifty-five of the Finance Act, 1946 ;

(c) any other provision in so far as it charges duty by reference to the provisions specified in sub-paragraphs (i), (ii), (iii), (iv) and (vii) of paragraph (a) of this subsection.

(3) As from the said first day of August, the references to the duty of one penny and the duty of sixpence on a letter of renunciation in subsection (2) of section seventy-nine of the Stamp Act, 1891, and subsection (3) of section nine of the Finance Act, 1899 (which both provide for payment by adhesive stamps), shall be construed as references to the duty of twopence and the duty of a shilling.

(4) Subsection (1) of section ten of the Finance Act, 1907 7 Edw. 7.
c. 13. (which provides for a repayment in respect of duty where loan capital is applied for the purposes of the conversion or consolidation of existing capital), shall have effect, in relation to duty paid at the increased rate provided for by this section, with the substitution of the words " four shillings " for the words " two shillings ".

PART VI.
—cont.

Transitional provisions as to compositions for transfers of stock, etc. and as to loan capital.

53.—(1) The duty chargeable under section one hundred and fifteen of the Stamp Act, 1891, on any half yearly account required to be delivered on or within seven days before the first day of August, nineteen hundred and forty-seven, shall be the same as if the account had been delivered on the said first day of August; and, where any such account has been delivered before the passing of this Act and the full amount of the duty thereon has not been paid in accordance with this subsection, a supplementary account shall be delivered, and the additional duty shall be paid, within fifteen days thereafter.

(2) In the event of any neglect or failure to deliver a supplementary account or to pay any additional duty in compliance with the foregoing subsection, the said section one hundred and fifteen shall apply as it applies in relation to a neglect or failure under that section.

(3) Where delivery of a statement of loan capital for the purposes of section eight of the Finance Act, 1899, which should otherwise have taken place before the said first day of August has, under subsection (2) of section ten of the Finance Act, 1907, been postponed to that or a later day, the duty chargeable on the statement so far as it relates to capital issued before the said first day of August shall be the same as if this Act had not been passed.

(4) Any agreement entered into for the purposes of section thirty-seven of the Finance Act, 1939, before the passing of this Act shall, so far as it relates to payments to be made on or after the said first day of August, have effect as if it provided for the making of those payments at the increased rate at which duty is chargeable under that section by virtue of this Act.

(5) Notwithstanding anything in the last foregoing section, the duty chargeable on a conveyance or transfer on sale of any stock or marketable security, though first executed on or after the said first day of August, shall be the same as if this Act had not been passed, in any case where the Commissioners are satisfied either that—

- (a) the instrument gives effect to a sale made before the said first day of August and does not give effect to a sale made on or after that day; and
- (b) the instrument or the document of title to the stock or marketable security had to be sent to Great Britain from overseas;

or that the instrument, signed by or on behalf of the vendor or vendors, was lodged for certification before the said first day of August.

For the purposes of this subsection an instrument sent by post for certification shall be deemed to be lodged on the day on which it is posted.

54.—(1) This Part of this Act so far as it increases any duty chargeable under or by reference to the heading "Conveyance or Transfer whether on sale or otherwise," the heading "Conveyance or Transfer on sale," or the heading "Lease or Tack," in the First Schedule to the Stamp Act, 1891, shall not apply in any case where the conveyance, transfer or letting is made or agreed to be made to a body of persons established for charitable purposes only or to the trustees of a trust so established :

PART VI.
—cont.

Savings for
certain
conveyances
and leases.

Provided that no instrument not stamped with the duty to which it would apart from this subsection be liable shall be deemed by virtue of this subsection to be duly stamped unless it has in accordance with the provisions of section twelve of the Stamp Act, 1891, been stamped with a particular stamp denoting that it is duly stamped.

(2) This Part of this Act, so far as it increases any duty chargeable under or by reference to the heading "Lease or Tack" in the First Schedule to the Stamp Act, 1891, shall not apply in any case where there is no consideration consisting of money, stock or security, other than rent, and—

- (a) the term does not exceed thirty-five years or is indefinite ;
and
- (b) the rent, whether reserved as a yearly rent or otherwise, is at a rate or average rate not exceeding one hundred pounds a year.

(3) This Part of this Act, so far as it increases any duty chargeable under or by reference to the heading "Conveyance or Transfer on sale" in the said First Schedule shall not apply, except as hereafter provided in this section,—

- (a) in any case where the amount or value of the consideration for the sale does not exceed fifteen hundred pounds and the instrument contains a statement certifying that the transaction thereby effected does not form part of a larger transaction or of a series of transactions, in respect of which the amount or value, or the aggregate amount or value, of the consideration exceeds fifteen hundred pounds ; or
- (b) in any case where the amount or value of the consideration for the sale exceeds fifteen hundred pounds but does not exceed nineteen hundred and fifty pounds and the instrument contains a statement certifying that the transaction thereby effected does not form part of a larger transaction or of a series of transactions :

Provided that this subsection shall not affect any duty chargeable under or by reference to that heading as it applies to a conveyance or transfer of stock or marketable securities, or any duty chargeable by reference to that heading by virtue of the

PART VI.
—cont.

said heading " Lease or Tack " where part of the consideration consists of rent and that rent exceeds the sum of twenty pounds a year.

(4) In any such case as is mentioned in paragraph (b) of the last foregoing subsection, the duty chargeable apart from this provision shall be increased by two pounds for every fifty pounds or fractional part of fifty pounds by which the amount or value of the consideration exceeds fifteen hundred pounds.

(5) In the two last foregoing subsections any reference to the amount or value of any consideration shall be construed—

- (a) in relation to duty chargeable on a conveyance or transfer operating as a voluntary disposition inter vivos, as a reference to the value of the property; and
- (b) in relation to duty chargeable by virtue of the said heading " Lease or Tack ", as a reference to the amount or value of the consideration in money, stock or security, other than rent.

(6) An instrument containing the statement required by section seventy-three of the Finance (1909-10) Act, 1910, or by section fifteen of the Revenue Act, 1911, for the purpose of obtaining exemption thereunder shall not be required to contain any additional statement for the purpose of obtaining exemption under paragraph (a) of subsection (3) of this section from the increase of duty under this Part of this Act.

1 & 2 Geo. 5.
c. 2.

Savings for
maximum
rates.

55.—(1) This Part of this Act, so far as it increases the duty chargeable under any provision, shall not affect the operation of any enactment directing that the amount of duty under that provision shall not exceed a figure specified in that enactment.

(2) This Part of this Act, so far as it increases the duty chargeable by reference to the heading " Mortgage, Bond, Debenture, Covenant and Warrant of Attorney " in the First Schedule to the Stamp Act, 1891, shall not increase the duty chargeable under the heading in that Schedule " Bond given pursuant to the directions of any Act " or under the heading in that Schedule " Bond of any kind whatsoever not specifically charged with any duty " beyond the maximum amount chargeable thereunder immediately before the passing of this Act, and accordingly—

- (a) under the said heading " Bond given pursuant to the directions of any Act ", five shillings shall be the amount of the duty where the penalty of the bond exceeds one hundred pounds (instead of one hundred and fifty pounds); and

- (b) under the said heading "Bond of any kind whatsoever not specifically charged with any duty", ten shillings shall be the amount of the duty where the amount limited to be recoverable exceeds two hundred pounds (instead of three hundred pounds).

PART VI.
—cont.

Other provisions as to existing duties.

- 56.—(1) The following headings in the First Schedule to the Stamp Act, 1891, shall cease to have effect, namely—
- (a) Admission in England of any person to the degree of barrister-at-law ;
- (b) Admission in Scotland of any person as an advocate ;
- (c) Admission of any person to be a member of either of the four Inns of Court in England ;
- (d) Admission of any person as a solicitor of the Supreme Court in England ;
- (e) Admission in Scotland of any person as a law agent (both paragraphs) ;
- (f) Faculty, Licence, Commission or Dispensation for admitting or authorising any person to act as a notary public ;

Repeal or
reduction of
duties on legal
professions.

and no stamp duty shall be payable on the admission of any person as a solicitor under section thirty-five of the Solicitors Act, 1932, or, in Scotland, section one of the Colonial Solicitors Act, 1900.

22 & 23 Geo. 5.
c. 37.
63 & 64 Vict.
c. 14.

- (2) The duty chargeable under either of the headings "Articles of Clerkship" in the said First Schedule shall in all cases be two shillings and sixpence and accordingly for those headings there shall be substituted the following heading:—

s. d.

"Articles of Clerkship whereby any person becomes bound to serve as a clerk in order to his admission as a solicitor of the Supreme Court in England or as a solicitor in Scotland ... 2 6".

- (3) The duty chargeable under the heading "Certificate to be taken out yearly" in the said First Schedule shall be one twentieth of the amount chargeable immediately before the coming into force of this subsection.

- (4) This section shall be deemed to have come into operation on the sixth day of April, nineteen hundred and forty-seven, and where it is shown to the satisfaction of the Commissioners that any stamp duty has on or after that date become payable and been paid at the rates in force apart from the provisions of this section, the Commissioners shall repay to the person who paid that duty the difference between the duty which was paid and the duty (if any) payable by virtue of this section.

PART VI.

—cont.

Exemption of transfers of stock guaranteed by Treasury.

57.—(1) Where the payment of principal and interest on any stock to which this section applies is guaranteed by the Treasury, transfers of the stock shall be exempt from all stamp duties.

(2) This section applies to all stock issued by any of the following bodies, that is to say :—

The British Overseas Airways Corporation ;
 The North of Scotland Hydro-Electric Board ;
 The British European Airways Corporation ; and
 The British South American Airways Corporation ;

and to any other stock to which it may be applied by direction of the Treasury, being stock issued by a body corporate constituted for the purposes of any scheme for the carrying on of any industry or part of an industry, or of any undertaking, under national ownership or control which may be embodied in any Act passed after the beginning of the present Session.

Extension and explanation of charge on customs bonds.

58.—(1) As from the first day of August, nineteen hundred and forty-seven, in the heading “ Bond given pursuant to the directions of any Act ” in the First Schedule to the Stamp Act, 1891, any reference to duties of excise or customs shall include a reference to purchase tax and, in relation to purchase tax, the expression “ drawback ” shall include allowance.

5 Edw. 7. c. 4.

(2) It is hereby declared that in the said heading and in subsection (1) of section five of the Finance Act, 1905 (which extends the exemption under that heading), references to shipping include references to lading on an aircraft.

Time for payment of companies capital duty by statutory companies.

59.—(1) Section one hundred and thirteen of the Stamp Act, 1891 (which requires delivery of, and charges stamp duty on, a statement of the nominal capital and any increase of the nominal capital of certain statutory and other companies) shall have effect, as respects any capital authorised by an Act or other instrument passed or made during a period of control of capital issues, as if delivery of the statement were thereby required to be made within one month after the end of the year in which the capital is issued or the said period ends, whichever first occurs (instead of within one month after the passing or making of the Act or other instrument) :

Provided that this section shall not apply in relation to a statement which has been or should have been delivered before the coming into force of this section.

(2) Any reference in this section to a period of control of capital issues shall be taken as referring to any period (whether before or after the passing of this Act) throughout which, by virtue of the Defence (Finance) Regulations, 1939, or any order made under section one of the Borrowing (Control and Guarantees) Act, 1946, the issue of capital in Great Britain is or was subject to restrictions.

9 & 10 Geo. 6. c. 58.

(3) In relation to capital authorised by an Act or other instrument passed or made before the passing of this Act, this section shall have effect notwithstanding anything in that Act or instrument.

PART VI.

—cont.

Duty on bonus issues of securities.

60.—(1) Where, on or after the sixteenth day of April, nineteen hundred and forty-seven, a company incorporated or formed in Great Britain either—

Charge of
duty on
bonus issues
of securities,
etc.

(a) issues any securities ; or

(b) varies the rights or liabilities attached to any securities either by increasing the amount of the capital sums which are or may become payable to holders of the securities or by reducing the amount of the capital sums which are or may become payable by them ;

and does so by way of bonus to its members or debenture holders or to those of another company, the company doing so shall deliver to the Commissioners a statement of that fact and of the particulars necessary for the purposes of this section, signed on behalf of the company.

(2) Every such statement shall be charged with an ad valorem stamp duty of ten pounds for every one hundred pounds and any fraction of one hundred pounds over any multiple of one hundred pounds of the value of the bonus in respect of the securities to which the statement relates, and the amount of the duty shall be a debt due to His Majesty.

(3) A company delivering a statement for the purposes of this section shall be taken thereby to require the Commissioners to express their opinion thereon under section twelve of the Stamp Act, 1891.

(4) Where a company makes default in delivering a statement required for the purposes of this section, or in paying the duty thereon within twenty-one days after the date of its assessment, or fails without reasonable excuse to furnish to the Commissioners any evidence required by them under subsection (2) of the said section twelve, the company shall be liable to a fine not exceeding fifty pounds for every day during which the default continues, and shall also be liable to pay His Majesty, in addition to the duty, interest thereon at the rate of five per cent. per annum from the date when the default begins.

(5) For the purposes of this section the expression " securities " means shares and debentures, and the expression " shares " and the expression " debentures " have the same meanings as in the Companies Act, 1929.

19 & 20 Geo. 5.
c. 23.

PART VI.
—cont.
Special
provisions
as to issue of
securities.

61.—(1) Notwithstanding anything in the last foregoing section a statement shall not be required thereby in relation to any issue of securities for which permission was given under the Defence (Finance) Regulations, 1939, before the sixteenth day of April, nineteen hundred and forty-seven, and a statement relating to an issue of securities shall not be chargeable with any duty under that section if the issue was decided upon by the company and announced to the members or debenture holders concerned before that day or, if the issue is made by way of bonus to members or debenture holders of a company other than that issuing the securities and forms part of a bona fide scheme for the amalgamation or grouping of two or more businesses including that of the other company.

(2) For the purposes of the last foregoing section, securities shall be deemed to be issued when they are allotted, and to be issued by way of bonus to members or debenture holders of a company, if—

(a) the right to the securities (whether or not it may be renounced or assigned) is conferred on those members or debenture holders or any class of them as such ; or

(b) the securities are issued in pursuance—

(i) of an offer made specially to those members or debenture holders or any class of them as such (including an offer providing special terms for them as compared with persons who are not members or debenture holders of the company) ; or

(ii) of applications to which preference is given as being made by or in right of those members or debenture holders or any class of them as such :

Provided that this subsection shall not apply to securities issued under a scheme of arrangement to preference shareholders as consideration for relinquishment by them of rights to arrears of preference dividend.

(3) Subject to the following provisions of this section the value of the bonus, as respects any securities issued by way of bonus to members or debenture holders of a company, shall be taken to be the amount (if any) by which the aggregate amount or value of the consideration received or receivable by the company issuing the securities is less than the following amount, that is to say :—

(a) if letters of right relating to the securities are or have been quoted on a recognised stock exchange (within the meaning of the Prevention of Fraud, (Investments) Act, 1939), the aggregate value of the letters of right on the day of the first quotation ;

- (b) if no such letters of right are or have been quoted as aforesaid but the securities are or have been so quoted within one month after allotment, the aggregate value of the securities on the day of the first quotation ;
- (c) in any other case, the aggregate value of the securities at the date of allotment :

Provided that where, apart from this provision, this subsection would apply to different securities of the same class comprised in the same issue so as to require the value of the bonus to be determined in relation to them in different ways or as at different dates, and the consideration received or receivable by the company issuing the securities is the same, the value of the bonus as respects those securities shall be taken to be the amount arrived at by—

- (i) applying this subsection to those of the securities in relation to which the value of the bonus falls to be determined as at the earliest date ; and
- (ii) increasing the resulting amount in the proportion which the total number of the securities bears to the number of those to which the subsection is so applied.

(4) Subject to the next following subsection, in determining the value of the bonus as respects any securities issued by way of bonus to members or debenture holders of a company,—

- (a) the value of the securities or the letters of right, as the case may be, shall be determined according to the same principles as would apply for the purposes of estate duty apart from the special provisions of sections fifty-five and fifty-six of the Finance Act, 1940 ; and
- (b) there shall be disregarded any consideration consisting either—
 - (i) of the retention by the company issuing the securities, by way of set-off or otherwise, of any sums or property distributable among those members or debenture holders ; or
 - (ii) of any prospective liability (whether contingent or not) attached to the securities or the letters of right, as the case may be, or treated as attached thereto in determining their value.

(5) In the case of securities of a private company (within the meaning of the Companies Act, 1929) other than redeemable preference shares and irredeemable debentures or debentures redeemable at a price which is not fixed and the same for all circumstances,—

- (a) the value of the securities shall be taken—
 - (i) in the case of shares to be the same as their nominal value ; and

PART VI.
—cont.

(ii) in the case of debentures, to be the same as the price at which they are redeemable ; and

(b) in determining the amount or value of the consideration, sub-paragraph (ii) of paragraph (b) of the last foregoing subsection shall not apply, but no deduction shall be made in relation to any liability to pay for the securities or any liability attached to the securities, for the fact that the liability is prospective or contingent.

(6) Notwithstanding anything in the foregoing provisions of this section where securities are issued by way of bonus to members or debenture holders of a company, the value of the bonus as respects any of the securities shall be taken to be nil if, as determined in accordance with the said provisions, it does not exceed one-twentieth of the amount or value of the consideration received or receivable by the company issuing the security, other than any consideration such as is referred to in sub-paragraph (i) of paragraph (b) of subsection (4) of this section and any consideration consisting of a contingent liability attached to the security.

In determining for the purposes of this subsection the amount or value of the consideration aforesaid, no deduction shall be made in relation to any liability to pay for the security or any liability attached to the security for the fact that the liability is prospective.

(7) Where any securities are issued by way of bonus to members or debenture holders of a company, a statement shall be delivered under the last foregoing section at the expiration of one month after the earliest date on which any of the securities comprised or to be comprised in the issue are allotted or the date of the passing of this Act, whichever last occurs, and shall relate to all the said securities which have been allotted before the date of its delivery ; and where the first statement does not deal with all the said securities a supplementary statement shall be delivered at the expiration of every month thereafter during which any of the said securities are allotted and shall relate to all the said securities which have been allotted before the date of its delivery and have not been dealt with in a previous statement :

Provided that—

(a) if the company sees fit, securities allotted within one week before the delivery of any statement may be treated as allotted immediately thereafter ; and

(b) where the value of the bonus as respects any securities falls to be determined as at a date after their allotment, this subsection shall apply in relation to them as if that were the date on which they were allotted.

(8) Securities shall also be deemed to be issued by way of bonus to members or debenture holders of a company if paragraph (b) of subsection (2) of this section is satisfied in relation, not to the issue of the securities, but to a sale thereof (or of other securities substituted or to be substituted therefor), being a sale with a view to which the securities were issued or agreed to be issued; and where this subsection applies—

PART VI.
—cont.

- (a) references to sale shall be substituted for references to allotment; and
- (b) any consideration received or receivable on the sale shall be deemed to be received or receivable by the company issuing the securities, instead of the consideration actually received or receivable by it; and
- (c) references in subsections (3) to (7) of this section to the securities issued by way of bonus shall, where the sale is of substituted securities, be taken as referring to the substituted securities.

(9) In paragraphs (a) and (b) of the said subsection (2) any reference to a member or debenture holder of a company shall include a reference to the personal representatives of a deceased member or debenture holder.

62.—(1) Any variation of the rights or liabilities attached to a company's securities shall be deemed for the purposes of the last but one foregoing section to be made by way of bonus to members or debenture holders of the company if made wholly or partly in consideration of the retention by the company, by way of set-off or otherwise, of sums or property distributable among its members or debenture holders.

Special provisions as to variation of rights or liabilities on securities.

(2) In the case of any such variation as aforesaid, the value of the bonus shall be taken to be equal to the amount or value of the sums or property in question, and the statement shall be delivered within one month after the variation becomes effective or after the passing of this Act, whichever last occurs.

PART VII.

MISCELLANEOUS.

63.—(1) In the enactments relating to excess profits tax and the enactments relating to the profits tax, the expression "remuneration" in relation to a director of a company includes, save in so far as is otherwise expressly provided in those enactments respectively, all remuneration paid or payable to the director by the company whether in respect of his services as a director or otherwise, including, in particular, remuneration for services to the company of a secretarial, managerial, advisory or technical nature.

Excess profits tax and profits tax—provisions as to remuneration of directors.

PART VII.
—cont.

(2) The references in paragraph 11 of the Fourth Schedule to the Finance Act, 1937, and in paragraph 10 of Part I of the Seventh Schedule to the Finance (No. 2) Act, 1939, to the remuneration of directors shall be deemed—

- (a) where a director carries on a trade or profession and is assessable to income tax under Case I or Case II of Schedule D in respect of the profits or gains thereof or would be so assessable but for the fact that there are no such profits or gains, not to include any sums received by him for services rendered to the company in the course of the carrying on by him of that trade or profession, being such sums as fall to be taken into account in computing the profits or gains of that trade or profession for the purposes of income tax under the said Case I or the said Case II for any year of assessment, or as would fall to be taken into account as aforesaid but for the fact that there are no such profits or gains for the relevant year of assessment, or the fact that the periods by reference to the facts of which assessments to income tax fall to be made on him under the said Case I or the said Case II in respect of the profits or gains of the trade or profession do not include the period when the said sums became payable or were paid ;
- (b) where a director is a member of a profession and is separately remunerated as an employee of the company for services rendered to the company in his professional capacity and the services are services rendered as a solicitor or accountant or are services (not being services of a secretarial or managerial nature) which are not of such a nature as to be directly connected with the trade or business carried on by the company, not to include any reasonable and necessary remuneration for those services.

(3) This section shall be deemed always to have had effect :

Provided that nothing in this section shall affect, as respects the chargeable accounting period to which the determination or judgment relates,—

- (a) any determination of any Commissioners or any judgment of any court made or given on or before the twenty-second day of January, nineteen hundred and forty-seven ; or
- (b) any appeal from or case stated in respect of any such determination, or any appeal from any such judgment.

64.—(1) Where—

PART VII.
—cont.

- (a) a payment has been made by any person in or towards the discharge of a joint and several liability for excess profits tax which arises by virtue of a direction given under section twenty-four of the Finance Act, 1943; and
- (b) the Commissioners are of opinion as respects the whole or part of that payment that the funds for the making thereof have come directly or indirectly out of the trading receipts of any trade or business, other than proceeds of the sale of stock which gave rise to the direction; and
- (c) the Commissioners are further of opinion that, as a result of the funds for making the payment or part of the payment having so come out of those trading receipts, any sum which is or may thereafter become payable by way of excess profits tax, the profits tax or income tax in respect of any profits, or profits or gains, of that trade or business is, apart from this section, unlikely to be recovered,

Provision applicable where joint and several liability has been imposed under Finance Act, 1943, s. 24.

the Commissioners may direct that the provisions of this section shall apply to that payment or, as the case may be, to that part thereof.

(2) Where a direction is given under this section with respect to a payment or part of a payment—

- (a) for all the purposes of section twenty-four of the Finance Act, 1943, and any other enactment referring to that section, the payment or part of the payment shall be deemed never to have been made and the rights and liabilities of all persons shall be determined or adjusted accordingly, and, in particular, and without prejudice to the generality of the preceding provision, the Commissioners shall, under and by virtue of the original direction under the said section twenty-four, be entitled to recover the amount of the payment or part of the payment from the persons from whom, and in the manner in which, they would have been entitled to recover that amount if the payment or part of the payment had never been made; and
- (b) the Commissioners may appropriate the payment or part of the payment in or towards the discharge of any such other liabilities as they think fit, being liabilities for sums which are or may thereafter become payable by way of excess profits tax, the profits tax or income tax in respect of profits, or profits or gains, of the trade or business; and

PART VII.
—cont.

- (c) until the payment or part of the payment is so appropriated, the Commissioners may retain the payment or part of the payment.

(3) A direction may be given, and, if given, shall have effect, under this section, with respect to a payment or part of a payment—

- (a) whether or not the person who made the payment is one of the persons subject to the original joint and several liability imposed under the said section twenty-four ; and
- (b) whether or not the trading receipts out of which the funds for the making of the payment or part of the payment have directly or indirectly come fall wholly or in part to be included in the computation of the profits, or profits or gains, tax in respect of which is, in the opinion of the Commissioners, unlikely to be recovered ; and
- (c) notwithstanding that the payment has been made or accepted or agreed to be accepted or acknowledged to be in discharge of all or any part of the liability of all or any of the persons liable under the original direction under the said section twenty-four ; and
- (d) notwithstanding that the payment or part of the payment may have been made as a result of any judgment or order of any court,

and where the payment or part of the payment has been made as a result of a judgment or order, fresh proceedings may be taken for recovering the amount thereof as if that judgment or order had never been made.

(4) For the purposes of this section, and without prejudice to the generality of the words thereof, funds for the making of a payment shall be deemed to have come directly or indirectly out of any trading receipts of a trade or business to the extent that those trading receipts have, directly or indirectly, been used—

- (a) for making the payment ; or
- (b) for exonerating, either wholly or in part, the person who made the payment ; or
- (c) for discharging obligations contracted to provide funds for the making of the payment ; or
- (d) for replacing funds used directly or indirectly for any of the purposes aforesaid or property disposed of for the purpose of providing, directly or indirectly, any such funds.

(5) Any reference in this section to tax in respect of profits, or profits or gains, of a trade or business includes a reference to tax which has not become due or has not been assessed, and, in the case of income tax, also to tax which may be expected ultimately to become due for a year of assessment income tax for which has not yet been imposed.

(6) The enactments relating to excess profits tax shall be deemed always to have had effect as amended and extended by the foregoing provisions of this section.

(7) The provisions of subsection (9) of the said section twenty-four (which relates to the giving of information) shall apply for the purposes of this section as they apply for the purposes of the said section twenty-four.

65.—(1) The provisions of this section shall have effect in relation to the excess profits tax post-war refunds to which Part IV of the Finance (No. 2) Act, 1945, relates, and expressions used in this section have the same meanings as they have for the purposes of the said Part IV.

Relaxation of rules as to use of post-war refunds of excess profits tax in case of nationalised undertakings, etc.

(2) Where, whether before or after the passing of this Act—

(a) the assets, or a substantial part of the assets, held for the purposes of the original trade or business, or for the purposes of a part of the original trade or business, have been compulsorily acquired (whether under the law of the United Kingdom or any part thereof or under the law of any other country); and

(b) in consequence of the acquisition, the original trade or business, or that part thereof, as the case may be, can no longer be carried on by the persons who were carrying it on immediately before the acquisition,

no such undertakings or authorities as are mentioned in section thirty-nine of the Finance (No. 2) Act, 1945, shall be required in relation to the use of the net amount of the refund, or, as the case may be, in relation to the use of that portion of the net amount of the refund which is attributable to that part of the original trade or business.

(3) Where, whether before or after the passing of this Act—

(a) such an undertaking as is mentioned in section thirty-nine of the Finance (No. 2) Act, 1945, has been given in relation to the use of the whole or any part of a post-war refund; and

(b) after the giving of the undertaking, the assets, or a substantial part of the assets, held for the purposes of the trade or business specified in that undertaking, or for the purposes of a part of that trade or business, have been compulsorily acquired (whether under the law of the United Kingdom or any part thereof or under the law of any other country); and

PART VII.
—cont.

- (c) in consequence of the acquisition, that trade or business, or that part thereof, as the case may be, can no longer be carried on by the persons who were carrying it on immediately before the acquisition,

that undertaking shall not, as from the passing of this Act or the date of the acquisition, whichever last occurs, operate to restrict the use which may be made of that sum or, as the case may be, of the portion thereof which is attributable to that part of the said trade or business, and, where the said trade or business is permanently discontinued as a consequence of the acquisition, no sum shall be recoverable, or be deemed ever to have been recoverable, by the Crown under subsection (1) of section forty-one of the said Act by reason of the discontinuance.

(4) The references in subsections (2) and (3) of this section to the portion of the net amount of a refund, or of a part of the net amount of a refund, which is attributable to a part of a trade or business shall be construed as references to the portion of the net amount, or, as the case may be, of the part of the net amount, which bears to the whole of the net amount or of that part thereof the same proportion as, immediately before the relevant compulsory acquisition, the value of the assets held for the purposes of that part of the trade or business which were compulsorily acquired bore to the total value of all the assets then held for the purposes of the trade or business.

(5) Where the original trade or business is that of the principal company of a group of companies, subsection (2) of this section shall have effect subject to the following modifications—

- (a) the said subsection (2), subject as hereinafter provided, shall apply in relation to trades or businesses carried on by subsidiary members of the group as it applies in relation to the original trade or business; but
- (b) in relation to the trades or businesses carried on by subsidiary members, the references to the net amount of the refund shall be construed as references to a part thereof equal to the net amount recoverable by the subsidiary member from the principal company under paragraph 5 of the Sixth Schedule to the Finance (No. 2) Act, 1945 (except that, if an undertaking has been given in relation to the use of a sum representing any of the net amount of the refund in the trade or business of the subsidiary and subsection (3) of this section takes effect so as to negative the operation of that undertaking as to that sum, the said references shall be construed as references to a part of the net amount of the refund equal to the said net amount recoverable less that sum); and

(c) in relation to the original trade or business, the references to the net amount of the refund shall be construed as references to the net amount thereof reduced by the total of the net amounts recoverable from the principal company under the said paragraph 5 (except that, if an undertaking has been given in relation to the use of a sum representing any of the net amount of the refund in the original trade or business and subsection (3) of this section takes effect so as to negative the operation of that undertaking as to that sum, the said references shall be construed as references to the net amount of the refund reduced as aforesaid and less that sum).

PART VII.
—cont.

(6) Where any such compulsory acquisition as is mentioned in the preceding provisions of this section is effected under the law of the United Kingdom or any part thereof, nothing in this section shall be construed as limiting the effect of so much of any Act, scheme, order or other instrument relating to the acquisition (whether passed, made or issued before or after the passing of this Act) as operates to transfer the right to receive, or any sums representing, the whole or any part of a post-war refund, and where the right to part only of the refund, or to part only of any such sum, is transferred by the operation of any provision of any such Act, scheme, order or instrument the provisions of this section shall be taken as applicable, as far as may be, to that part of that refund or sum rather than to the remainder thereof.

66.—(1) The provisions of Part I of the Ninth Schedule to this Act (being provisions applying where arrangements which have effect by virtue of section fifty-one of the Finance (No. 2) Act, 1945, provide that tax payable under the laws of a territory outside the United Kingdom shall be allowed as a credit against tax payable in the United Kingdom) shall, as respects the income and profits specified in, and subject to the provisions of, Part II of that Schedule, have effect in lieu of the provisions of the Seventh Schedule to that Act, and accordingly, in subsection (4) of the said section fifty-one, the reference to the provisions of the said Seventh Schedule shall, in relation to the said income and profits, and subject to the provisions of the said Part II, be construed as a reference to the said Part I.

Amendments
as to granting
of credit for
foreign tax.

(2) In subsection (5) of section fifty-two of the said Act, for the words “any credit for foreign income tax” there shall be substituted the words “any credit for tax payable in any territory outside the United Kingdom”.

67.—(1) The provisions of the Tenth Schedule to this Act shall have effect in relation to the treatment, for the relevant tax purposes, of animals and other living creatures kept for the purposes of farming or for the purposes of any trade.

Treatment of
farm animals
etc. for income
tax and profits
tax purposes.

PART VII.
—*cont.*

(2) In this section and in the said Schedule, the expression “the relevant tax purposes” means —

- (a) the computation of profits or gains for the purposes of an assessment under Case I of Schedule D ;
- (b) the computation, for the purposes of a claim under Rule 6 of the Rules applicable to Schedule B, of the profits or gains arising from the occupation of any land ;
- (c) the computation of the profits of a dealer in cattle or a dealer in or a seller of milk for the purposes of Rule 4 of the Rules applicable to Case III of Schedule D ;
- (d) the computation of any loss for the purposes of a claim for relief under any of the provisions of the Income Tax Acts ; and
- (e) the computation of profits or losses for the purposes of the enactments relating to the profits tax.

Provisions as to permanent annual charge for the National Debt.

68.—(1) The permanent annual charge for the National Debt for the financial year ending with the thirty-first day of March, nineteen hundred and forty-eight, shall be the sum of five hundred and twenty-five million pounds instead of the sum of three hundred and fifty-five million pounds.

2 & 3 Geo. 6.
c. 117.

(2) The Treasury may at any time, if they think fit, raise money in any manner in which they are authorised to raise money under the National Loans Act, 1939, for providing any sums required during the said financial year for the purposes mentioned in paragraph (a) or paragraph (b) of subsection (4) of section twenty-three of the Finance Act, 1928, and the amount required by the said subsection (4) to be issued from the permanent annual charge for the National Debt for the purposes aforesaid in that year shall be decreased by the amount raised under this subsection.

(3) Any securities created and issued to raise money under the last preceding subsection shall be deemed for all purposes to have been created and issued under the National Loans Act, 1939.

Amendment as to deficit for 1946-47.
20 & 21 Geo. 5.
c. 28.

69. No issue shall be made out of the Consolidated Fund under section forty-eight of the Finance Act, 1930 (which provides in the case of a deficit in any year for the redemption in the next year of a corresponding amount of debt), in respect of the deficit for the financial year ending with the thirty-first day of March, nineteen hundred and forty-seven.

Reduction of debt.
38 & 39 Vict.
c. 45.

70. Any amount applied out of revenue during the current financial year in redeeming or paying off any description of debt shall be deemed to be expenditure within the meaning of sections four and five of the Sinking Fund Act, 1875.

71. The Essential Commodities Reserves Fund shall be wound up and the sum of nine hundred and seventy-three thousand and forty-one pounds fourteen shillings and sixpence, being the balance remaining in the said Fund, shall, in accordance with the directions of the Treasury, be paid into the Exchequer.

PART VII
—cont.

Winding up of
Essential
Commodities
Reserves Fund.

72.—(1) Where the annual account of the Post Office Savings Banks Fund provided for by section seventeen of the Customs, Inland Revenue and Savings Banks Act, 1877, shows with respect to the year for which the account is made up that the gross amount of interest accrued from the securities standing in the name of the National Debt Commissioners to the credit of that Fund was less than the interest paid and credited to depositors in pursuance of the Acts relating to Post Office Savings Banks, and the expenses, including a sum, to be determined by the Treasury, to provide against depreciation in the value of the securities, incurred in the execution of those Acts, an amount equal to the deficiency shall, at such times as the Treasury may direct, be paid into that Fund out of the Consolidated Fund of the United Kingdom or the growing produce thereof.

Payment out
of Consolidated
Fund of
deficiencies of
interest on
Post Office
Savings Banks
Fund and
Fund for the
Banks for
Savings.
40 & 41 Vict.
c. 13.

(2) Where the annual account of the Fund for the Banks for Savings provided for by the said section seventeen shows with respect to the year for which the account is made up that the gross amount of interest accrued from the securities standing in the name of the National Debt Commissioners to the credit of that Fund was less than the gross amount of interest paid or credited to the trustees of Savings Banks in pursuance of the enactments relating to Trustee Savings Banks, together with—

(a) a sum, to be determined by the Treasury, to provide against the depreciation in the value of the securities; and

(b) such of the expenses (including the remuneration of members and officers) incidental to the exercise by the Inspection Committee established under section two of the Savings Banks Act, 1891, of the powers conferred on them by the said enactments as may be sanctioned by the Treasury on the recommendation of the National Debt Commissioners; and

54 & 55 Vict.
c. 21.

(c) the expenses incurred by the National Debt Commissioners in the execution of the said enactments,

an amount equal to the deficiency shall, at such times as the Treasury may direct, be paid out of the Consolidated Fund of the United Kingdom or the growing produce thereof and shall be applied in defraying the said expenses of the Inspection Committee and the National Debt Commissioners and, so far as not so applied, shall be paid into the Fund for the Banks for Savings.

PART VII.
—cont.

(3) Subsection (2) of section four of the Savings Banks Act, 1891 (which requires expenses of the said Inspection Committee to be levied from the Trustee Savings Banks in certain cases) shall cease to have effect.

Monopoly
value of new
on-licence
where current
on-licence
surrendered.
10 Edw. 7. &
1 Geo. 5. c. 24

73.—(1) The condition to be attached under section fourteen of the Licensing (Consolidation) Act, 1910, for securing monopoly value on the grant of a new justices' on-licence shall, where the requirements of the next following subsection are satisfied, provide for reducing the amount to be paid if, on or before the grant of an excise licence in pursuance of the new licence, there is surrendered another justices' on-licence, being either—

- (a) a licence for the same premises as the new one, or a licence in suspense which was last in force for those premises ; or
- (b) a licence for other premises in the same licensing district or the same licensing planning area, or a licence in suspense which was last in force for other premises there.

(2) The foregoing subsection shall not apply unless—

- (a) the justices are satisfied that the surrender will not reduce the amount payable on some other grant ; and
- (b) in the case of the surrender of a licence for, or last in force for, other premises than those for which the new licence is granted,—

(i) the other premises are specified in the application for the new licence ; and

(ii) a copy of the notice of the application is served personally on, or sent by registered post to, any person (other than the applicant) who is a registered owner of the other premises or who is the holder of the licence to be surrendered ; and

(iii) the justices are satisfied that no objection is made by any such person as aforesaid or by any other person whom they may determine to have the right to object.

(3) The amount of the reduction to be provided for shall be the amount (or, if more than one licence is surrendered, aggregate amount) of the monopoly value given up by the surrender.

(4) The amount of the monopoly value given up by the surrender of a licence for, or last in force for, any premises shall be determined by the licensing justices for the district where those premises are or were ; and—

- (a) an application to have the said amount determined may be made either at the general annual licensing meeting or at a transfer sessions and may be made before the application for the new licence ; and

(b) where the two applications are made separately, then in the proceedings relating to the determination of the said amount any person authorised by the Commissioners of Customs and Excise shall have the like right to be heard as if the proceedings related to the grant of the new licence.

(5) Subject to the next following subsection, the said amount shall be that which is represented by the difference between the value which the premises would bear, in the opinion of the justices, if the licence to be surrendered were to remain in force therefor and the value of the same premises as unlicensed premises :

Provided that, in estimating the value with the licence to be surrendered,—

(a) any outstanding liability under the condition imposed for securing monopoly value on the grant of that licence shall be taken into consideration ; and

(b) in the case of a hotel or other premises where the profits are not wholly derived from the sale of intoxicating liquor, any increased value arising from profits not so derived shall not be taken into consideration.

(6) In the case of the surrender of a licence in suspense or of a licence in force for temporary premises, the amount of the monopoly value given up shall be such as the justices may in their discretion determine.

(7) In considering whether a justices' on-licence ought to be renewed, the justices and, if the case is referred to them, the compensation authority shall not take into consideration the fact that a proposal for its surrender, if renewed, has been or is to be made for the purposes of this section.

(8) This section shall be construed as one with the Licensing (Consolidation) Act, 1910, except that, for the purposes of this section, the expression " on-licence " does not include a licence for the sale of wine alone or sweets alone.

74.—(1) This Act may be cited as the Finance Act, 1947.

(2) Part I of this Act—

(a) so far as it relates to duties of customs, shall be construed as one with the Customs Consolidation Act, 1876, 39 & 40 Vict. c. 36. except that the expression " the United Kingdom " does not include the Isle of Man ; and

(b) so far as it relates to duties of excise, shall be construed as one with the Acts which relate to the duties of excise and to the management of those duties,

and in the said Part I the expression " the Commissioners " means the Commissioners of Customs and Excise.

Short title,
construction,
extent and
repeals.

PART VII.
—cont.

(3) Part II of this Act shall be construed as one with Part V of the Finance (No. 2) Act, 1940.

(4) Part III of this Act, and so much of Part VII thereof as relates to income tax, shall be construed as one with the Income Tax Acts.

(5) Part IV of this Act, and so much of Part VII thereof as relates to profits tax, shall be construed as one with Part III of the Finance Act, 1937, and the other enactments relating to profits tax; and in all enactments relating to profits tax references to the Commissioners shall, unless the context otherwise requires, be construed as references to the Commissioners of Inland Revenue.

(6) Part V of this Act shall be construed as one with Part I of the Finance Act, 1894.

(7) Part VI of this Act shall be construed as one with the Stamp Act, 1891.

(8) So much of Part VII of this Act as relates to excess profits tax shall be construed as one with Part III of the Finance (No. 2) Act, 1939.

(9) Any reference in this Act to any other enactment shall, except so far as the context otherwise requires, be construed as a reference to that enactment as amended by or under any other enactment, including this Act.

(10) Such of the provisions of this Act as relate to matters with respect to which the Parliament of Northern Ireland has power to make laws shall not extend to Northern Ireland.

(11) The enactments specified in the Eleventh Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule:

Provided that—

(a) the provisions of Part IV of this Act relating to the commencement of the said Part IV, and the transitional provisions contained in the said Part IV, shall have effect in relation to the repeal of the enactments specified in Part II of the said Schedule as if this subsection and the said Part II were provisions of Part IV of this Act;

(b) the repeal of the enactments specified in Part III of the said Schedule shall have effect subject to the provisions of Part II of the Ninth Schedule to this Act.

SCHEDULES

FIRST SCHEDULE.

Section 3.

TOBACCO (RATES OF DUTY AND DRAWBACK).

PART I.

CUSTOMS DUTIES.

Description of Tobacco.	Rates of duty per pound.	
	Full rates.	Preferential rates.
	£ s. d.	£ s. d.
Tobacco unmanufactured—		
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof—		
unstripped	2 14 10	2 13 3½
stripped	2 14 10½	2 13 3¾
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof—		
unstripped	2 15 10	2 14 1½
stripped	2 15 10½	2 14 1¾
Tobacco manufactured, viz. :—		
Cigars	3 4 5	3 1 5½
Cigarettes	3 0 4	2 17 11½
Cavendish or Negrohead	2 19 4	2 17 1
Cavendish or Negrohead manufactured in bond	2 17 4	2 15 4½
Other manufactured tobacco	2 17 7	2 15 7½
Snuff—		
containing more than 13 lbs. of moisture in every 100 lbs. weight thereof	2 16 10	2 14 11¾
containing not more than 13 lbs. of moisture in every 100 lbs. weight thereof	2 19 4	2 17 1
and so in proportion for any less quantity.		

PART II.

EXCISE DUTIES.

Description of Tobacco.	Rates of duty per pound.
	£ s. d.
Tobacco unmanufactured—	
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof	2 13 1½
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof	2 13 11½
Tobacco manufactured, viz. :—	
Cavendish or Negrohead manufactured in bond	2 15 4½
and so in proportion for any less quantity	

1ST SCH.
—cont.

PART III.
DRAWBACK.

Description of Tobacco.	Rates per pound.	
	In respect of tobacco on which full customs duty has been paid.	In respect of tobacco on which customs duty at a preferential rate or excise duty has been paid.
	£ s. d.	£ s. d.
Cigars	2 18 10	2 17 3½
Cigarettes	2 15 10	2 14 3½
Cut, roll, cake or other manufactured tobacco	2 15 7	2 14 0½
Snuff (not being offal snuff)	2 15 4	2 13 9½
Stalks, shorts or other refuse of tobacco, including offal snuff	2 15 1	2 13 6½

Section 5.

SECOND SCHEDULE.
ARTIFICIAL SILK DUTIES.

PART I.

REDUCED DUTIES OF CUSTOMS ON ARTIFICIAL SILK YARN AND TISSUES UNDER SECTION 4 OF THE FINANCE ACT, 1925.

Description of Article.	Reduced amount of duty chargeable per pound.
Artificial Silk	d.
Yarn the lb.	9
Tissues the lb.	11

PART II.

AMENDMENTS OF PART II OF THE FIRST SCHEDULE TO THE SILK DUTIES (NO. 1) ORDER, 1934 (S.R. & O. 1934 No. 653).

In the second column (which sets out the rates of duties of customs chargeable on articles made wholly or partly of silk or artificial silk where the article is made wholly of silk or artificial silk or where the value of the silk or artificial silk component or the aggregate of the values of all such components exceeds 20 per cent. of the aggregate of the values of all the components of the article)—

- (a) for the words "An amount equal to 43½ per cent. of the value of the article or an amount calculated at the rate of 5s. the

pound on the weight of the article, whichever is the greater." there shall be substituted the words " An amount equal to 42 per cent. of the value of the article or an amount calculated at the rate of 4s. 8d. the pound on the weight of the article, whichever is the greater." ; and

2ND SCH.
—cont.

- (b) for the words " An amount equal to 43 $\frac{1}{8}$ per cent. of the value of the article." where they last occur in that column there shall be substituted the words " Where any component is silk, an amount equal to 43 $\frac{1}{8}$ per cent. of the value of the article and, where no component is silk, an amount equal to 42 per cent. of the value of the article ".

PART III.

ENACTMENTS REPEALED.

Session and Chapter.	Short Title.	Extent of Repeal.
15 & 16 Geo. 5. c. 36.	The Finance Act, 1925.	In section five, in subsection (1), the words from " be charged " to " the date aforesaid ", the words " both duties and " and the proviso, and subsections (2), (3) and (5); in Part III of the Second Schedule, paragraph 5 and in paragraph 8 the words " or excise ".

THIRD SCHEDULE.

Section 10.

PURCHASE TAX.

INTERMEDIATE RATE (GOODS CHARGEABLE).

1. Glass mirrors (whether framed or not), not being optically worked or specially designed for use with machinery, tools or instruments, and mirrors (whether framed or not) being toilet requisites and not being articles supplied as part of a toilet set.

2. Domestic appliances and domestic apparatus, being appliances and apparatus of a kind suitable for operation from electric or gas mains, of the following descriptions—

Space heating appliances and apparatus, including appliances and apparatus of a kind used for boiling or cooking and also for space heating ;

Instantaneous water heaters ;

Immersion water heaters ;

Storage water heaters ;

Circulator water heaters for tank storage ;

Water boilers for tank storage or central heating.

3. Lawn mowers of a kind suitable for operation from electric mains.

3RD SCH.
—cont.

4. Mechanically propelled road vehicles constructed or adapted solely or mainly for the carriage of passengers, or having, to the rear of the driver's seat, roofed accommodation lit by side windows and fitted with, or constructed or adapted for the fitting of, seating for passengers, being vehicles of a retail value of more than one thousand two hundred and eighty pounds the vehicle.

FOURTH SCHEDULE.

PURCHASE TAX.

INTERMEDIATE RATE (CONSEQUENTIAL AND SUPPLEMENTARY PROVISIONS).

PART I.

AMENDMENTS OF PURCHASE TAX ENACTMENTS.

1. In subsection (1) of section twenty of the Finance (No. 2) Act, 1940, in paragraph (a) after the words "the higher rate" there shall be inserted the words "at the intermediate rate", in paragraph (b) after the words "the higher rate" there shall be inserted the words "the intermediate rate," and in paragraph (c) after the words "or in the Seventh Schedule to the Finance Act, 1942" there shall be inserted the words "or in the Third Schedule to the Finance Act, 1947".

2. In the Seventh Schedule to the Finance (No. 2) Act, 1940—
(a) for the headings to the first, second and third columns there shall be substituted the following headings respectively:—

"Basic rate. Reduced rate. Goods which are not chargeable goods." ;

(b) in the first column—

the entries relating to jewellery and imitation jewellery and other goldsmiths' and silversmiths' wares, and to pictures, prints, engravings, photographs, figures, busts, reliefs, vases and similar articles shall be deleted ;

in the entry relating to garden furniture and garden ornaments the words "and garden ornaments" shall be deleted ;

for the entry relating to articles made wholly or partly of ivory, amber, jet, coral, mother-of-pearl, natural shells or tortoiseshell, or of semi-precious stones there shall be substituted the following entry:—

"Articles of all kinds made wholly or partly of mother-of-pearl." ;

after the entry relating to fancy or household goods, the words "other fancy or ornamental articles of a kind suitable for personal or domestic use (including artificial flowers, photograph frames and paper weights)." shall be deleted ;

in the entry relating to perfumery and toilet preparations the words "Perfumery and" shall be deleted ;

Section 10.

(c) in the second column—

for the entry relating to lawn mowers and garden rollers there shall be substituted the following entry:—

“Lawn mowers other than those of a kind suitable for operation from electric mains.
Garden rollers.”;

(d) in the third column—

in the entry relating to domestic cooking, space heating and water heating appliances, after the word “appliances” there shall be added the words “not being goods comprised in the list of exceptions set out at the end of this entry,” and at the end of that entry there shall be added the words—

“The list of exceptions above referred to.

Domestic appliances and domestic apparatus, being appliances and apparatus of a kind suitable for operation from electric or gas mains, of the following descriptions:—

Space heating appliances and apparatus, including appliances and apparatus of a kind used for boiling or cooking and also for space heating.

Instantaneous water heaters.

Immersion water heaters.

Storage water heaters.

Circulator water heaters for tank storage.

Water boilers for tank storage or central heating”;

at the end of the entries relating respectively to furniture and component parts of furniture, to cupboards, dressers, draining boards and similar articles, and to fireguards, there shall be added the words “but not including goods comprised in the list of exceptions set out at the end of the entry in this column relating to domestic cooking, space heating and water-heating appliances.”

3. For subsection (1) of section seventeen of the Finance Act, 1942, there shall be substituted the following subsection:—

“(1) Goods falling within any of the classes specified in the Seventh Schedule to this Act and not falling within any of the classes specified in the third column of the Seventh Schedule to the Finance (No. 2) Act, 1940, shall be chargeable goods, and in the case of those goods, not being goods falling within any of the classes specified in the second column of the said Seventh Schedule to the Finance (No. 2) Act, 1940, purchase tax shall be charged at a rate to be called the “higher rate” which shall be one hundred per cent. of the wholesale value of the goods”.

4. In the Seventh Schedule to the Finance Act, 1942—

the entry relating to glass mirrors shall be deleted;

in the entry relating to toilet requisites, there shall be added in the exceptions, after the word “towels,” the word “mirrors.”

4TH SCH.
—cont.

4TH SCH.
—cont.

PART II.

ASCERTAINMENT OF RETAIL VALUE OF ROAD VEHICLES IN CONNECTION WITH THE TAX.

1. The following provisions of this Part of this Schedule shall have effect for the purpose of ascertaining in connection with the tax whether a vehicle is of a retail value of more than a specified amount.

2. The retail value of a vehicle shall be taken to be the price which it would fetch on a sale made by a person selling it by retail in the open market in the United Kingdom at the time when the tax chargeable in respect thereof becomes due, on the assumption that the seller has suffered the incidence of tax at the basic rate and that the price includes the amount of such tax.

3. For the purpose of computing the price which a vehicle would fetch on such a sale as is mentioned in the last preceding paragraph, the following circumstances shall be assumed, that is to say—

- (a) the like assumptions shall be made (apart from that required by the last preceding paragraph) as are required for the purpose of valuations under section twenty-one of the Finance (No. 2) Act, 1940, by the Eighth Schedule to that Act (which requires assumptions as to the seller's bearing incidental expenses and being independent of the buyer, as to patent and trade mark rights, and as to other matters), substituting therein references to the last preceding paragraph for references to the said section twenty-one;
 - (b) if the purchase or importation of the vehicle in connection with which it is necessary to determine its retail value is of the vehicle without some part, accessory or other article of a kind with which it is for the time being the practice of the manufacturer of the vehicle to sell vehicles of the model in question or to advertise them for sale, or if it is shown that that purchase or importation is the subject of a transaction or of one of a series of transactions which includes or include also a transfer of the property in, or other dealing with, some part, accessory or other article suitable for use with the vehicle, it shall be assumed that the vehicle was sold as mentioned in the last preceding paragraph with that part, accessory or other article.
-

FIFTH SCHEDULE.

Section 11.

PURCHASE TAX: EXEMPTIONS AND REDUCTIONS.

PART I.

CLASSES OF GOODS BECOMING EXEMPT, AND DATES FROM WHICH EXEMPTIONS OPERATE.

*Classes of Goods**Dates from which exemptions operate*

Domestic water filters designed to remove bacteria and other suspended impurities from drinking water by mechanical means, but not including filters also employing chemical reaction.

16th April 1947

Children's safety reins and children's safety harness.

Thermostats.

Dustbins, buckets and pails and lids for any of those articles.

Projectors for sub-standard film, and lenses and other parts of, and accessories to, such projectors.

10th July 1947

Appliances, apparatus, accessories and requisites for sports, games, gymnastics or athletics, not being mechanically operated articles, the following,—swings, slides (including water chutes), see-saws, roundabouts and giant strides.

PART II.

CLASSES OF GOODS BECOMING CHARGEABLE AT REDUCED RATE, AND DATES FROM WHICH REDUCTIONS OPERATE.

*Classes of Goods**Dates from which reductions operate*

Floor coverings, including linoleum, but not including the following articles—

(a) carpets, carpeting, mats and matting, being articles of textile material;

(b) rugs;

(c) wooden floor coverings.

Chambers not supplied as part of a toilet service, and chair pans and commode pans, and lids for such chambers and pans as aforesaid.

Hot water bottles of a kind designed for use as bed warmers or foot warmers.

Requisites for cricket of the following descriptions,—bats, balls, stumps and bails, and wicket-keepers' and batsmen's pads and gloves.

16th April, 1947

Footballs and parts of footballs, and footballers' shinguards.

Requisites for hockey, but not for ice hockey, of the following descriptions,—sticks, balls and shinguards.

Boxing gloves.

Rowing boats specially designed as racing boats.

5TH SCH.
—cont.

Class of Goods

*Dates from which
reductions operate*

Floor coverings of the following descriptions:—

(a) rush, grass, raffia, straw or reed woven mats and rush, grass, raffia, straw or reed woven matting;

(b) woven mats and woven matting, being mats and matting whereof the warp or weft consists of tow of flax.

Requisites for shinty and hurley of the following descriptions,—sticks, balls and shinguards.

Requisites for lawn bowls of the following descriptions,—bowls and jacks.

Requisites for lacrosse of the following descriptions,—crosses, balls and gauntlets.

Netballs.

Requisites for athletics, the following,—throwing hammers and handles therefor, regulation shot, relay batons, discuses, vaulting poles, hurdles, and javelins and heads and shafts therefor.

Inflatable leather balls made in panels or sections, and parts thereof.

Racing oars, spoon-bladed, not less than 12 feet in length.

10th July 1947

PART III.

CLASSES OF GOODS BECOMING CHARGEABLE AT BASIC RATE, AND DATES FROM WHICH REDUCTIONS OPERATE.

Classes of Goods

*Dates from which
reductions operate*

Razor strops and razor sharpeners, but not including strops and sharpeners supplied as part of a toilet set.

Dental sticks and toothpicks.

16th April 1947

Reproductions produced in quantity for general sale, irrespective of size, and whether plain or coloured, of such pictures, prints, engravings and similar articles as were executed more than one hundred years before the date on which tax becomes due in respect of the reproductions.

10th July 1947

SIXTH SCHEDULE.

Section 11.

PURCHASE TAX: AMENDMENTS OF SEVENTH SCHEDULES TO FINANCE (No. 2) ACT, 1940, AND FINANCE ACT, 1942, CONSEQUENTIAL ON EXEMPTIONS AND REDUCTIONS PROVIDED BY FIFTH SCHEDULE TO THIS ACT.

PART I.

AMENDMENTS CONSEQUENTIAL ON EXEMPTIONS AND REDUCTIONS OPERATING FROM 16TH APRIL 1947.

Amendments of Seventh Schedule to Finance (No. 2) Act, 1940.

REFERENCE TO PLACE FOR MAKING AMENDMENT	AMENDMENT
In the first column, the entry relating to carpets, rugs, mats, linoleum and other floor coverings.	Substitute :— “ Carpets, carpeting, mats and matting, being articles of textile material, rugs, and wooden floor coverings.”
In the second column, opposite the entry directed to be substituted for the entry in the first column relating to carpets, rugs, mats, linoleum and other floor coverings.	Insert :— “ Floor coverings, including linoleum, but not including— (a) carpets, carpeting, mats and matting, being articles of textile material ; (b) rugs ; (c) wooden floor coverings.”
In the second column, opposite the entry in the first column relating to articles of china, porcelain, earthenware, stoneware, or other pottery ware.	Insert :— “ Chambers not supplied as part of a toilet service, and chair pans and commode pans and lids for such chambers and pans as aforesaid.” “ Hot water bottles of a kind designed for use as bed warmers or foot warmers.”
In the second column, opposite the entry in the first column relating to appliances, apparatus, accessories and requisites for sports, games, gymnastics or athletics.	Insert :— “ Requisites for cricket of the following descriptions,—bats, balls, stumps and bails, and wicket-keepers' and batsmen's pads and gloves.” “ Footballs and parts of footballs, and footballers' shinguards.” “ Requisites for hockey, but not for ice hockey, of the following descriptions,—sticks, balls, and shinguards.” “ Boxing gloves.” “ Rowing boats specially designed as racing boats.”

6TH SCH.
—cont.

REFERENCE TO PLACE FOR
MAKING AMENDMENT

AMENDMENT

In the third column, after the entry relating to articles of china, porcelain, earthenware, stoneware or other pottery ware.

Insert :—

“ Domestic water filters designed to remove bacteria and other suspended impurities from drinking water by mechanical means, but not including filters also employing chemical reaction.”

Amendment of Seventh Schedule to Finance Act, 1942.

REFERENCE TO PLACE FOR
MAKING AMENDMENT

AMENDMENT

In the entry relating to toilet requisites.

After “ of all kinds except,” insert “ dental sticks, toothpicks and ”, and after “ razors and razor blades,” insert “ razor strops, razor sharpeners.”

PART II.

AMENDMENTS CONSEQUENTIAL ON EXEMPTIONS AND REDUCTIONS
OPERATING FROM 10TH JULY, 1947.

Amendments of Seventh Schedule to Finance (No. 2) Act, 1940.

REFERENCE TO PLACE FOR
MAKING AMENDMENT

AMENDMENT

In the first column, in the entries relating to projectors for sub-standard film and to parts of, and accessories to, cameras, enlargers and projectors.

Delete “ Projectors for sub-standard film ”, and for “ enlargers or projectors ” substitute “ or enlargers.”

In the first column, after the entry relating to pencils, pens, &c.

Insert :—

“ Reproductions produced in quantity for general sale, irrespective of size, and whether plain or coloured, of such pictures, prints, engravings and similar articles as were executed more than one hundred years before the date on which tax becomes due in respect of the reproductions.”

In the second column, after the entry relating to floor coverings.

Insert :—

“ Floor coverings of the following descriptions :—

Rush, grass, raffia, straw or reed woven mats and rush, grass, raffia, straw or reed woven matting ;

Woven mats and woven matting, being mats and matting whereof the warp or weft consists of tow of flax.”

REFERENCE TO PLACE FOR MAKING AMENDMENT	AMENDMENT	6TH SCH. —cont.
In the second column, after the entry relating to rowing boats.	Insert :— “ Requisites for shinty and hurley of the following descriptions,—sticks, balls and shinguards. Requisites for lawn bowls of the following descriptions,—bowls and jacks. Requisites for lacrosse of the following descriptions,—crosses, balls and gauntlets. Netballs. Requisites for athletics, the following,—throwing hammers and handles therefor, regulation shot, relay batons, discuses, vaulting poles, hurdles, and javelins and heads and shafts therefor. Inflatable leather balls made in panels or sections, and parts thereof. Racing oars, spoon-bladed, not less than 12 feet in length.”	
In the third column, after the entry relating to haberdashery.	Insert “ Children’s safety reins and children’s safety harness.”	
In the third column, after the entry relating to thermal insulating covers.	Insert “ Thermostats.”	
In the third column, after the entry relating to hollow-ware of iron or steel.	Insert “ Dustbins, buckets and pails and lids for any of those articles.”	
In the third column, the entry relating to projectors for slides.	Substitute “ Projectors for sub-standard film or for slides (including projectors for film-strips).”	
In the third column, after the entry relating to passenger gliders.	Insert :— “ Appliances, apparatus, accessories and requisites for sports, games, gymnastics and athletics, not being mechanically operated articles, the following,—swings, slides (including water chutes), see-saws, roundabouts and giant strides.”	

6TH SCH
—cont.

Amendment of Seventh Schedule to Finance Act, 1942.

REFERENCE TO PLACE FOR MAKING AMENDMENT	AMENDMENT
The entry relating to pictures, prints, engravings, &c.	At end add :— “ but excluding reproductions, irrespective of size, and whether plain or coloured, of such pictures, prints, engravings and similar articles as were executed more than one hundred years before the date on which tax becomes due in respect of the reproductions.”

SEVENTH SCHEDULE.

Section 29.

INCOME TAX IN RELATION TO ASSETS TRANSFERRED UNDER COAL INDUSTRY NATIONALISATION ACT, 1946.

PART I.

INTERPRETATION.

1. In this Schedule—

“ the Board ” means the National Coal Board ;

“ relevant property ” means property which, or an interest in which, vests in the Board by virtue of section five or section six of the Coal Industry Nationalisation Act, 1946, or by virtue of section forty-four of, and the Third Schedule to, that Act, being property which, or, as the case may be, an interest in which, was, immediately before the vesting, an asset of a colliery concern, a subsidiary of a colliery concern, a body administering a scheme under Part I of the Coal Mines Act, 1930, or the South Yorkshire Mines Drainage Committee ; and “ relevant building or structure ” and “ relevant machinery or plant ” shall be construed accordingly ;

“ vest ” means vest in the Board under the said section five, the said section six, or the said section forty-four and the said Third Schedule ;

“ the vesting date ” means, in relation to any relevant property, the date of the vesting of that property or of any interest therein, as the case may be ;

“ the transferor ” means, in relation to any relevant property, the person who immediately before the vesting date owned the property or, as the case may be, the interest in the property which vests.

2. The provisions of Part VIII of the Income Tax Act, 1945, shall, so far as applicable, apply in relation to the provisions of this Schedule as they apply in relation to other provisions of that Act.

PART II.

7TH SCH.
—cont.

LIABILITY TO INCOME TAX OF THE TRANSFEROR.

1. The provisions of this Part of this Schedule shall have effect for the purpose of computing the liability to income tax, for any year of assessment, of the transferor.

2. Parts I, II, III, V and VI of the Income Tax Act, 1945, and Part IV of the Finance Act, 1944, shall be deemed never to have ^{7 & 8 Geo. 6.} applied in relation to the relevant property or any expenditure ^{c. 23.} represented thereby :

Provided that nothing in this paragraph shall affect the application in relation to any machinery or plant of section sixteen of the Income Tax Act, 1945.

PART III.

LIABILITY TO INCOME TAX OF THE BOARD.

General.

1. The provisions of this Part of this Schedule shall have effect for the purposes of computing the liability of the Board to income tax for any year of assessment.

2. In relation to any relevant property, the vesting date or the date on which the property is first used for the purposes of the trade of the Board, whichever is the earlier, shall be treated as substituted for the sixth day of April, nineteen hundred and forty-six, as the date fixed as the appointed day for the purposes of Parts I, II, III, V and VI of the Income Tax Act, 1945, and Part IV of the Finance Act, 1944, and references in this Schedule to the appointed day shall be construed accordingly.

3. The vesting of, or of an interest in, any relevant property shall not be treated as a sale, or as a purchase, for any of the purposes of Parts I, II, III, V and VI of the Income Tax Act, 1945, or of Part IV of the Finance Act, 1944.

Industrial Buildings and Structures, etc.

4. For the purposes of section one of the Income Tax Act, 1945, any capital expenditure incurred by the transferor on the construction of a relevant building or structure which was to be an industrial building or structure occupied for the purposes of a trade carried on by the transferor shall be treated as if the expenditure had been incurred by the Board and as if the building or structure was to have been an industrial building or structure occupied for the purposes of the corresponding trade carried on by the Board.

5. For the purposes of subsection (5) of section three of the Income Tax Act, 1945, any relevant mills, factories or exceptional depreciation allowances made to the transferor in respect of any relevant building or structure shall be treated as having been made to the Board.

7TH SCH.
—cont.

6. Any relevant mills, factories and exceptional depreciation allowances made in respect of any relevant building or structure to the transferor for the year of assessment in which the appointed day falls shall be treated for the purposes of subsection (3) of section one and subsection (6) of section four of the Income Tax Act, 1945, as if they had been made for a year of assessment before that in which the appointed day falls.

Machinery and Plant.

7. For the purpose of determining whether any and if so what deduction, allowance or charge is to be allowed or made under Part II of the Income Tax Act, 1945, or under Rule 6 or Rule 7 of the Rules applicable to Cases I and II of Schedule D, in respect of any relevant machinery or plant—

- (a) any expenditure incurred by the transferor on the provision of the machinery or plant for the purposes of his trade (including any such expenditure incidental to the provision thereof as is mentioned in subsection (1) of section twenty-one of the said Act) shall be treated as if it had been incurred by the Board on the provision thereof for the purposes of their corresponding trade ;
- (b) any allowances or deductions made in respect of, or of any expenditure on, that machinery or plant to the transferor shall be treated as if they had been allowed or made to the Board ; and
- (c) for the purposes of subsection (2) of section fifteen of the said Act and of paragraph (6) of Rule 6 of the Rules applicable to Cases I and II of Schedule D, any deduction allowed in respect of the said machinery or plant to the transferor for the year of assessment in which the appointed day falls shall be treated as if it had been allowed for a year of assessment previous to that year :

Provided that nothing in this paragraph shall be construed as allowing any deduction allowed to the transferor to which full effect could not be given owing to an insufficiency of profits or gains of the transferor to be added to or form part of any deduction allowed to the Board.

Allowances and charges under Part III of Income Tax Act, 1945.

8.—(1) The provisions of subsection (1) of section twenty-six of the Income Tax Act, 1945, shall apply in relation to any expenditure incurred on or after the sixth day of April, nineteen hundred and forty-four, but before the appointed day, by the transferor for the purposes of a trade, as if it had been incurred by the Board on the appointed day for the purposes of their corresponding trade :

Provided that—

- (a) in the case of expenditure on a building or structure, the amount by reference to which the initial allowance is to be calculated shall, instead of being the amount of the expenditure, be the amount of the expenditure less any relevant mills, factories and exceptional depreciation allowances made in respect of the building or structure to the transferor for the year of assessment in which the appointed day falls or any previous year of assessment :

(b) no initial allowance shall be made in respect of any expenditure if the asset representing the expenditure has been sold by the transferor between the date when the expenditure was incurred and the appointed day.

9. In the application of the First Schedule to the Income Tax Act, 1945, to expenditure on or in connection with any relevant property—

- (a) references in Parts II and III of that Schedule to the trader shall be construed as references to the transferor ; and
- (b) references in Part III of that Schedule to any predecessor in the working of the source shall be construed as not including references to the transferor ; and
- (c) references in Parts II and III of that Schedule to any relevant mills, factories or exceptional depreciation allowances for any year of assessment before that in which the appointed day falls shall be deemed to include references to any relevant mills, factories or exceptional depreciation allowances for the year of assessment in which the appointed day falls.

Patent Rights.

10. Where the relevant property consists of patent rights, any capital expenditure incurred by the transferor on the purchase thereof which was incurred on or after the sixth day of April, nineteen hundred and forty-six, shall be treated for the purposes of Part V of the Income Tax Act, 1945, as if it had been incurred by the Board on the appointed day :

Provided that where, after the purchase of those rights by the transferor, part thereof has been sold by him, the said expenditure shall be treated as reduced by the net proceeds of the sale, so far as they consist of capital sums.

11. Where the relevant property consists of patent rights, any sale of those rights to the transferor, being a sale on or after the sixth day of April, nineteen hundred and forty-six, shall be left out of account for the purposes of section thirty-eight of the Income Tax Act, 1945.

12. Section forty-three of the Income Tax Act, 1945, shall apply for the interpretation of the two last preceding paragraphs as it applies for the interpretation of Part V of that Act.

Scientific Research Expenditure.

13. Where, on or after the first day of January, nineteen hundred and thirty-seven and before the appointed day, the transferor incurred expenditure of a capital nature on scientific research related to his trade and that expenditure is represented by any relevant property, the provisions of Part IV of the Finance Act, 1944, and Part VI of the Income Tax Act, 1945, shall apply as if that expenditure had been made by the Board immediately after the appointed day for the purposes of their corresponding trade :

7TH SCH.
—cont.

Provided that that expenditure shall be treated as reduced by the aggregate amount of all allowances made to the transferor in respect of the property for the year of assessment in which the appointed day falls and previous years of assessment, being such allowances as are mentioned in paragraphs (a) to (d) of the proviso to section forty-five of the Income Tax Act, 1945.

14. Any reference in the last preceding paragraph to scientific research related to a trade has the meaning assigned to such references by section thirty-one of the Finance Act, 1944.

Section 46.

EIGHTH SCHEDULE.

COMPUTATION OF PROFITS, ETC., FOR PURPOSES OF THE PROFITS TAX.

PART I.

INCOME TAX ALLOWANCES, DEDUCTIONS, ETC.

- 1.—(1) Where any of the following allowances, that is to say—
- (a) an allowance under Rule 6 of the Rules applicable to Cases I and II of Schedule D, or under section twenty of the Income Tax Act, 1945 (which relate to allowances for wear and tear of machinery and plant); or
 - (b) an initial allowance, an annual allowance or a balancing allowance made under any of the provisions of the Income Tax Act, 1945; or
 - (c) an allowance under section twenty-eight, or paragraph (b) of subsection (1) or paragraph (a) of subsection (2) of section twenty-nine, of the Finance Act, 1944 (which relate to allowances for capital expenditure on scientific research); or
 - (d) an allowance under section thirty-three of the Income Tax Act, 1945 (which provides for allowances in the case of certain farming and forestry works),

is made to any person for the purposes of income tax for any year of assessment, and the allowance is related to any trade or business carried on by that person, the whole amount of the allowance or, as the case may be, the appropriate proportion thereof shall be deducted in computing the profits of that trade or business for the purposes of the profits tax for any accounting period any part of which falls within that year of assessment.

(2) For the purposes of this paragraph, an allowance shall be treated as related to a trade or business if, and only if, either—

- (a) it is made in charging the profits or gains of a trade which is or is comprised in that trade or business; or
- (b) it is an allowance under section twenty of the Income Tax Act, 1945, or an initial, annual or balancing allowance made by way of discharge or repayment of tax and is in respect of, or of expenditure on, property the rent of which is included in the profits of the trade or business for the purposes of the profits tax for any accounting period or would have been so included if there had been any such rent; or

(c) it is an allowance under section thirty-three of the Income Tax Act, 1945, and is in respect of expenditure on property used for the purposes of the trade or business or property the rent of which is or would be so included as aforesaid.

(3) In this paragraph, the expression “the whole amount of the allowance or, as the case may be, the appropriate proportion thereof” means—

- (a) where the year of assessment in question and the accounting period in question coincide, the whole amount of the allowance ;
- (b) where part only of that year of assessment falls within that accounting period, such portion of the amount as is apportioned to the part of the year of assessment which falls within the accounting period :

Provided that, in a case in which the trade or business is commenced or discontinued during the year of assessment in question, the said expression—

- (i) if no more than one accounting period of the trade or business falls, whether wholly or partly, within the year of assessment, means the whole amount of the allowance ; and
- (ii) if more than one accounting period of the trade or business falls, whether wholly or partly, within the year of assessment, means, in relation to each such accounting period, the portion of the allowance which bears to the whole amount thereof the same proportion that the length of the accounting period, so far as included in the said year, bears to the total length of all such accounting periods, so far as so included.

(4) Sub-paragraph (1) of paragraph 3 of the Fourth Schedule to the Finance Act, 1937 (which allows a deduction for wear and tear) shall cease to have effect.

2.—(1) Where any of the following charges, that is to say—

- (a) a balancing charge under any of the provisions of the Income Tax Act, 1945 ; or
- (b) a charge under section thirty-seven of that Act (which relates to capital sums received for the sale of patent rights),

is made on any person for the purposes of income tax for any year of assessment, and the charge is related to a trade or business, the whole amount on which the charge is made or, as the case may be, the appropriate proportion thereof shall be treated as a trading receipt in computing the profits of that trade or business for the purposes of the profits tax for any accounting period any part of which falls within that year of assessment.

(2) For the purposes of this paragraph, a charge shall be treated as related to a trade or business if, and only if, either—

- (a) it is made in charging the profits or gains of a trade which is or is comprised in that trade or business ; or
- (b) it is a balancing charge in respect of, or of expenditure on, property the rent of which is included in the profits of the trade or business for the purposes of the profits tax for any accounting period or would have been so included if there had been any such rent ; or

8TH SCH.
—cont.

(c) it is a charge under the said section thirty-seven and the patent rights in question have at any time been used for the purposes of the trade or business.

(3) In this paragraph, the expression “ the whole amount on which the charge is made or, as the case may be, the appropriate proportion thereof ” means—

(a) where the year of assessment in question and the accounting period in question coincide, the whole amount on which the charge is made ;

(b) where part only of that year of assessment falls within that accounting period, such portion of the amount on which the charge is made as is apportioned to that part of the year of assessment which falls within that accounting period :

Provided that, in a case in which the trade or business is commenced or discontinued during the year of assessment in question, the said expression—

(i) if no more than one accounting period of the trade or business falls, whether wholly or partly, within the year of assessment, means the whole amount on which the charge is made ; and

(ii) if more than one accounting period of the trade or business falls, whether wholly or partly, within the year of assessment, means, in relation to each such accounting period, the portion of the said amount which bears to the whole of the said amount the same proportion as the length of the accounting period, so far as included in the said year, bears to the total length of all such accounting periods, so far as so included.

3.—(1) Where, under Rule 7 of the Rules applicable to Cases I and II of Schedule D, or section fifteen of the Finance Act, 1937 (which relate respectively to the replacement of plant and machinery and to deductions in respect of mills, factories and other similar premises), an amount is deducted in computing the profits or gains of a trade for any period for the purposes of income tax under the said Case I, the whole of that amount or, as the case may be, the appropriate proportion thereof shall be deducted in computing the profits of that trade, or of any trade or business which comprises that trade, for the purposes of the profits tax for any accounting period any part of which falls within the first-mentioned period ; and save as aforesaid, the said Rule 7 and the said section fifteen shall not apply to the computation of profits for the purposes of profits tax.

(2) Where, by virtue of subsection (2) of section twenty-nine of the Finance Act, 1944 (which relates to the sale of assets in respect of which allowances have been made under section twenty-eight of that Act), any amount is treated as a trading receipt of a trade for any period for the purposes of income tax under Case I of Schedule D, the whole of that amount or, as the case may be, the appropriate proportion thereof shall be treated as a trading receipt of the trade, or of any trade or business which comprises that trade, for the purposes of the profits tax for any accounting period any part of which falls within the first-mentioned period.

(3) In this paragraph, the expression “the whole of that amount or, as the case may be, the appropriate proportion thereof” means—

- (a) where the period which is in question as respects income tax coincides with or falls wholly within the accounting period, the whole of that amount ; and
- (b) where part only of the first-mentioned period coincides with or falls within the said accounting period, such proportion of that amount as is apportioned to the part of the first-mentioned period which falls within the accounting period.

(4) Where an amount would fall to be deducted or fall to be treated as a trading receipt of a trade for the purposes of income tax under Case I of Schedule D but for the fact that there are no profits or gains of the trade for the relevant period or the fact that the periods by reference to the facts of which assessments to income tax fall to be made under that Case do not include the relevant period, the like consequences shall ensue under the preceding provisions of this paragraph as would have ensued if the amounts had been so deducted or had been so treated as trading receipts.

4. Where the profits of a trade or business are not chargeable or not wholly chargeable to income tax under Case I of Schedule D, the like deductions and additions shall be made under paragraphs 1 to 3 of this Part of this Schedule in computing the profits of the trade or business for the purposes of the profits tax (being deductions and additions in respect of matters in respect of which no deductions or additions otherwise fall to be made under those paragraphs respectively) as would have fallen to be made for income tax purposes if the profits of the trade or business had been so chargeable or wholly so chargeable.

5.—(1) So much of any enactment as prevents any of the following provisions, that is to say—

- (a) section twenty-seven of the Finance Act, 1944 (which allows the deduction for income tax purposes of certain expenditure on scientific research not of a capital nature and of payments to research associations, universities, etc.),
- (b) subsection (1) of section thirty-nine of the Income Tax Act, 1945 (which allows the deduction for income tax purposes of expenses incurred in obtaining the grant or extension of patents),
- (c) section sixty-two of the Income Tax Act, 1945 (which allows the deduction for income tax purposes of expenses incurred in obtaining the registration of a design or a trade mark or the extension of the period of copyright in a design or the renewal of registration of a trade mark), and
- (d) section twenty-nine of the Finance Act, 1946 (which allows the deduction for income tax purposes of certain payments in aid of technical education),

applying, by virtue of subsection (1) of section twenty of the Finance Act, 1937, to the computation of profits for the purposes of the profits tax shall cease to have effect.

8TH SCH.
—cont.

(2) Subject to the provisions of Part II of this Schedule, the provisions of Part III of this Act relating to relief for income tax purposes for capital expenditure on rehabilitation costs shall apply and be deemed always to have applied to the computation of the profits of a trade or business for the purposes of the profits tax as they apply to the computation of profits or gains of a trade for the purposes of income tax, subject, however, to any necessary adaptations and, in particular, to the adaptation that for the reference to section nineteen of the Finance Act, 1941, there shall be substituted a reference to paragraph 3 of Part I of the Seventh Schedule to the Finance (No. 2) Act, 1939, and subsection (1) of section thirty-three of the Finance Act, 1940, as applied to the profits tax by subsection (2) of section forty-three of the Finance Act, 1941, and as amended by any subsequent enactment.

This sub-paragraph shall, in relation to the said provisions of Part III of this Act, have effect to the exclusion of any other enactment which would otherwise operate to apply the said provisions to the computation of profits for the purposes of the profits tax.

6.—(1) Section thirty-four of the Finance (No. 2) Act, 1945 (which directs that, for the purposes of excess profits tax and the profits tax, certain contributions and other payments made under redundancy schemes shall be left out of account) shall cease to have effect as respects the profits tax.

(2) Section twenty-five of the Finance (No. 2) Act, 1945 (which relates to the effect, for income tax purposes, of the cancellation of certificates granted under section twenty-five of the Finance Act, 1935) shall have effect also in relation to the profits tax, subject, however, to any necessary adaptations, and, in particular, as if—

- (a) the body of persons carrying on the scheme carried on a trade or business; and
- (b) the year of assessment specified in subsection (1) of the first-mentioned section twenty-five were a chargeable accounting period of that trade or business; and
- (c) the amount of the deductible contributions not repaid at the time specified in that subsection were profits arising from that trade or business; and
- (d) no net relevant distributions had been made for that chargeable accounting period by the body; and
- (e) the provisions for abatement had not been passed; and
- (f) references to deductible contributions were references to contributions allowed to be deducted for the purposes of the profits tax.

(3) Any profits tax chargeable by virtue of sub-paragraph (2) of this paragraph on the body of persons therein mentioned for any year of assessment shall be an allowable deduction in computing the amount, if any, on which income tax is to be charged for that year on that body under Case VI of Schedule D by virtue of section twenty-five of the Finance (No. 2) Act, 1945, and any repayment of the profits tax chargeable by virtue of that sub-paragraph on that body for any year of assessment shall be deemed to be an amount on which income tax is to be charged for that year on that body under Case VI of Schedule D by virtue of the said section twenty-five.

7.—(1) Any reference in this Part of this Schedule to an allowance or deduction includes a reference to an allowance or deduction which would be made but for an insufficiency of profits or gains, or other income, against which to make it.

8TH SCH.
—cont.

(2) Any reference in this Part of this Schedule to an allowance made for any year of assessment shall be construed as a reference to the allowance which would fall to be made for that year if no regard were had to the operation of paragraph (3) of Rule 6 of the Rules applicable to Cases I and II of Schedule D (either as originally enacted or as applied by any subsequent enactment) or to the operation of subsection (1) of section fifty-six of the Income Tax Act, 1945.

(3) Where, under this Part of this Schedule, an amount falls to be apportioned to a part of a year of assessment or period, the apportionment shall be made by reference to the number of months or fractions of months contained in that part, and in the remainder, of that year of assessment or period.

PART II.

EXCESS PROFITS TAX DEDUCTIONS.

1. Where the following conditions are fulfilled, that is to say—

(a) for the purposes of excess profits tax—

(i) costs of deferred repairs and renewals have, by virtue of paragraph (a) of subsection (1) of section thirty-seven of the Finance Act, 1946, been treated as reducing the profits of a trade or business for any accounting period which, or a part of which, is a chargeable accounting period for the purposes of excess profits tax; or

(ii) a deduction representing any sum dealt with under subsection (2) of section thirty-three of the Finance Act, 1940, has been allowed wholly or partly for any such accounting period; or

(iii) a deduction in respect of any payment or payments which, apart from the provisions of section twenty-three of the Finance Act, 1943 (which relates to payments to superannuation funds and certain other payments in respect of back service) would have been allowed, has not been allowed, or an election has been made under paragraph (i) or paragraph (ii) of the proviso to subsection (1) of that section in respect of any payment or payments; and

(b) apart from this paragraph, a deduction in respect of the costs in question or a deduction representing the sum in question or a deduction in respect of any of the payments in question, as the case may be, would be made in computing for the purposes of the profits tax, the profits of that trade or business for any accounting period ending after the end of the year nineteen hundred and forty-six, or would have been so made but for the fact that the trade or business is carried on by an individual or by individuals in partnership and the profits thereof are accordingly no longer chargeable to the profits tax,

8TH SCH.
—cont.

there shall, in computing the profits of the trade or business for the purposes of the profits tax for all accounting periods (including periods ending before the end of the said year) be made in respect of the costs in question, the sum in question or the payment or payments in question, as the case may be, the same deductions, if any, and no other deductions as were, or if excess profits tax had continued to be chargeable would have been, made in computing the profits of the trade or business for those accounting periods respectively for the purposes of excess profits tax :

Provided that if the person carrying on the trade or business so elects as respects any payment or payments to which paragraph (iii) of sub-paragraph (a) of this paragraph applies and as respects which the conditions specified in this paragraph are fulfilled but as respects which an election under paragraph (ii) of the proviso to subsection (1) of section twenty-three of the Finance Act, 1943, has not been made, the like consequences shall follow under this paragraph as would have followed thereunder if such an election had been made (and, in a case in which there was not in fact a right to make such an election, if there had been such a right).

2. Where the following conditions are fulfilled, that is to say—

(a) for the purposes of excess profits tax—

(i) a deduction representing any sum dealt with under subsection (2) of section thirty-three of the Finance Act, 1940, would, if the tax had continued to be chargeable, have been allowed wholly or partly in computing the profits of a trade or business for any accounting period ending after the end of the year nineteen hundred and forty-six ; or

(ii) a deduction in respect of any payment or payments would, if the tax had continued to be chargeable, have, by virtue of an election under paragraph (ii) of the proviso to subsection (1) of section twenty-three of the Finance Act 1943, been allowed partly for such an accounting period or periods ; and

(b) a deduction representing the sum in question or a deduction in respect of the payment or payments in question fell to be made in computing for the purposes of the profits tax the profits of the trade or business in question for an accounting period ending at or before the end of the year nineteen hundred and forty-six,

the like consequences shall follow as would have followed if the conditions specified in the preceding paragraph had been fulfilled, and that paragraph shall have effect accordingly.

3. Where, by virtue of paragraph (b) of subsection (1) of section thirty-seven of the Finance Act, 1946, the profits of a trade or business for a chargeable accounting period for the purposes of excess profits tax are treated as reduced by the amount of any rehabilitation costs or cancellation costs, the profits tax, if any, payable for any chargeable accounting period for the purposes of the profits tax which coincides with or includes the first mentioned chargeable accounting period shall, subject to the provisions of Part IV of this Act relating to chargeable accounting periods falling partly before and partly after the end of the year nineteen hundred and forty-six, be reduced by such percentage of

the amount of those costs as is equal to the rate per cent. at which the profits tax would have been chargeable on the profits of the trade or business if this Act had not been passed; and no deduction shall be made in respect of those costs in computing the profits of that trade or business for the purposes of the profits tax for any accounting period.

8TH SCH.
—cont.

PART III.

MISCELLANEOUS AMENDMENTS AS TO COMPUTATION OF PROFITS, ETC.

1. In paragraph 4 of the Fourth Schedule to the Finance Act, 1937, for the words "the directors shall be deemed to be carrying on the trade or business" there shall be substituted the words "the directors, other than whole-time service directors, shall be deemed to be carrying on the trade or business".

2. In sub-paragraph (c) of paragraph 13 of the said Schedule, after the words "is not the beneficial owner of" there shall be inserted the words "or able, either directly or through the medium of other companies or by any other indirect means, to control".

3. In computing the profits of a trade or business for the purposes of profits tax for any accounting period, there may be deducted expenditure incurred therein on additions or improvements to farm-houses, farm buildings or cottages owned by the persons carrying on the trade or business and forming part of the assets thereof, but only if no increased rent is payable in respect of the additions or improvements and only in so far as they are made in order to comply with the provisions of any statute or the regulations or bye-laws of a local authority.

4.—(1) In computing the profits of a trade or business for the purposes of the profits tax for any accounting period, there may be deducted the whole, or, as the case may be, the appropriate proportion, of any mineral rights duty or royalties welfare levy payable in respect of any period the whole or any part of which falls within that accounting period.

(2) In this paragraph, the expression "the whole, or, as the case may be, the appropriate proportion, of any mineral rights duty or royalties welfare levy" means, where the period for which the duty or levy is payable coincides or falls wholly within the accounting period, the whole of the duty or levy which is payable, and where part only of that period falls within the accounting period, so much of the duty or levy as is apportioned to the part of that period which falls within the accounting period, and any apportionment under this paragraph shall be made by reference to the number of months or fractions of months in the part of the period which falls, and in the part of the period which does not fall, within the accounting period.

5.—(1) Where—

- (a) an assurance company carries on life assurance business; and
- (b) the functions of a company which is a subsidiary of that company consist wholly or mainly in the holding of investments or other property; and

8TH SCH.
—cont.

- (c) the whole or any part of the ordinary share capital of that subsidiary is held by the assurance company and forms part of the investments of the life assurance fund of that company,

then, if the assurance company so elects, any income received from investments or other property held by the subsidiary shall, for the purposes of the profits tax, including, in its application to profits tax, the purposes of section sixteen of the Finance Act, 1923 (which confers relief in the case of profits belonging or allocated to or reserved for or expended on behalf of policy-holders or annuitants), be deemed not to be income of the subsidiary but to be profits of the assurance company in respect of its life assurance business :

Provided that where part only of the ordinary share capital of the subsidiary is held by and forms part of the life assurance fund of the assurance company, this paragraph shall apply in relation to so much only of the income received from investments or other property held by the subsidiary as bears to the whole amount of that income the same proportion as the said part of the said ordinary share capital bears to the whole of that ordinary share capital.

(2) Where an election is in force under this paragraph, the like consequences shall ensue in relation to the assurance company and the subsidiary as would have ensued if a notice given by the assurance company under subsection (1) of section twenty-two of the Finance Act, 1937, were in force with respect to the subsidiary.

(3) In this paragraph, the expressions " subsidiary " and " ordinary share capital " have the same meaning as they have for the purposes of section forty-two of the Finance Act, 1938.

Section 66.

NINTH SCHEDULE.

DOUBLE TAXATION.

PART I.

PROVISIONS AS TO RELIEF FROM INCOME TAX AND THE PROFITS TAX BY WAY OF CREDIT IN RESPECT OF FOREIGN TAX.

Interpretation.

1.—(1) In this Part of this Schedule, except where the context otherwise requires—

" the United Kingdom taxes " means income tax and the profits tax ;

" foreign tax " means, in relation to any territory arrangements with the Government of which have effect by virtue of Part V of the Finance (No. 2) Act, 1945, any tax chargeable under the laws of that territory for which credit may be allowed under the arrangements ;

" foreign income tax " means any foreign tax which corresponds to income tax ;

" income ", in relation to the profits tax, means profits.

(2) Where arrangements having effect by virtue of Part V of the said Act provide for any tax chargeable under the laws of the territory concerned being treated as income tax or as a profits tax, that tax shall, notwithstanding anything in the preceding provisions of this paragraph, be treated as foreign income tax or foreign tax other than foreign income tax, as the case may be.

9TH SCH.
—cont.

(3) Any reference in this Part of this Schedule to foreign tax or foreign income tax shall be construed, in relation to credit to be allowed under any arrangements, as a reference only to tax chargeable under the laws of the territory with the Government of which the arrangements were made.

General.

2.—(1) Subject to the provisions of this Part of this Schedule, where, under the arrangements, credit is to be allowed against any of the United Kingdom taxes chargeable in respect of any income, the amount of the United Kingdom taxes so chargeable shall be reduced by the amount of the credit.

(2) The credit to be allowed shall be first applied in reducing the amount of any profits tax chargeable in respect of the income and, so far as it cannot be so applied, in reducing the income tax chargeable in respect thereof.

(3) Nothing in this paragraph authorises the allowance of credit against any United Kingdom tax against which credit is not allowable under the arrangements.

Requirement as to residence.

3. Credit shall not be allowed against the profits tax for any chargeable accounting period or against income tax for any year of assessment unless the person in respect of whose income the tax is chargeable is resident in the United Kingdom for that period or year.

Limit on total credit—the profits tax.

4. The amount of the credit to be allowed against the profits tax in respect of any income for foreign tax shall not exceed the profits tax attributable to that income.

Limit on total credit—income tax.

5.—(1) The amount of the credit to be allowed against income tax in respect of any income for foreign tax shall not exceed the sum which would be produced by computing the amount of that income in accordance with the Income Tax Acts, and then charging it to income tax for the year of assessment for which the credit is to be allowed, but at the following rate, that is to say—

- (a) in the case of a person whose income is chargeable to income tax at the standard rate only, a rate ascertained by dividing the income tax payable by him for the year by the amount of his total income for the year ;

9TH SCH.
—cont.

(b) in the case of a person part of whose total income is chargeable to income tax at a rate or rates in excess of the standard rate, the sum of the following rates—

(i) the rate which would have been the appropriate rate in his case if his income had been chargeable at the standard rate only; and

(ii) the rate ascertained by dividing the surtax payable by him for the year by the amount of his total income for the year:

Provided that where, under the arrangements, credit is not to be allowed against surtax for the year, the rate shall be calculated in all cases as in the case of persons whose incomes are chargeable to income tax at the standard rate only, and where, under the arrangements, credit is not to be allowed except against surtax for the year, the rate shall be that ascertained by dividing the surtax payable by the person in question for the year by the amount of his total income for the year.

(2) For the purpose of determining the said rate, the tax payable by any person for any year shall be computed without regard to any relief in respect of life assurance premiums and without any reduction thereof for any credit allowed or to be allowed under any arrangements having effect by virtue of Part V of the Finance (No. 2) Act, 1945, but shall be deemed to be reduced by any tax which, otherwise than under Rule 20 of the General Rules, he is entitled to charge against any other person, and the total income of any person shall be deemed to be reduced by the amount of any income the income tax upon which he is entitled to charge as aforesaid.

6. Without prejudice to the provisions of the last preceding paragraph, the total credit to be allowed to a person against income tax for any year of assessment for foreign tax under all arrangements having effect by virtue of Part V of the Finance (No. 2) Act, 1945, shall not exceed the total income tax payable by him for that year of assessment, less any tax which, otherwise than under Rule 20 of the General Rules, he is entitled to charge against any other person.

Effect on computation of income of allowance of credit.

7.—(1) Subject to the provisions of this paragraph, where credit for foreign tax falls to be allowed against any of the United Kingdom taxes in respect of any income, no deduction for foreign tax (whether in respect of that or any other income) shall be made in computing the amount of that income for the purposes of the profits tax.

(2) Where the income includes a dividend and, under the arrangements, foreign tax not chargeable directly or by deduction in respect of the dividend is to be taken into account in considering whether any, and if so what, credit is to be allowed against the United Kingdom taxes in respect of the dividend, the amount of the income shall, for the purposes of the profits tax, be treated as increased by the amount of the foreign tax not so chargeable which falls to be taken into account in computing the amount of the credit.

(3) Notwithstanding anything in the preceding provisions of this paragraph, where part of the foreign tax in respect of the income (including any foreign tax which, under sub-paragraph (2) of this paragraph, falls to be treated as increasing the amount of the income) cannot be allowed as a credit against any of the United Kingdom taxes, the amount of the income shall be treated for the purposes of the profits tax as reduced by that part of that foreign tax.

8.—(1) Where credit for foreign tax falls to be allowed against any of the United Kingdom taxes in respect of any income, the following provisions of this paragraph shall have effect as respects the computation, for the purposes of income tax, of the amount of that income.

(2) Where the income tax payable depends on the amount received in the United Kingdom, the said amount shall be treated as increased by the amount of the credit allowable against income tax.

(3) Where the last preceding sub-paragraph does not apply—

(a) no deduction shall be made for foreign tax (whether in respect of the same or any other income); and

(b) where the income includes a dividend and under the arrangements foreign tax not chargeable directly or by deduction in respect of the dividend is to be taken into account in considering whether any, and if so what, credit is to be allowed against the United Kingdom taxes in respect of the dividend, the amount of the income shall be treated as increased by the amount of the foreign tax not so chargeable which falls to be taken into account in computing the amount of the credit; but

(c) notwithstanding anything in the preceding provisions of this sub-paragraph, where any part of the foreign tax in respect of the income (including any foreign tax which, under paragraph (b) of this sub-paragraph, falls to be treated as increasing the amount of the income) either falls to be allowed as a credit against the profits tax, or cannot be allowed as a credit against any of the United Kingdom taxes, the amount of the income shall be treated for the purposes of income tax as reduced by that part of that foreign tax.

(4) In relation to the computation of the total income of a person for the purpose of determining the rate mentioned in paragraph 5 of this Part of this Schedule, the preceding provisions of this paragraph shall have effect subject to the following modifications—

(a) for the reference in sub-paragraph (2) to the amount of the credit allowable against income tax, there shall be substituted a reference to the amount of the foreign tax in respect of the income (in the case of a dividend, foreign tax not chargeable directly or by deduction in respect of the dividend being left out of account); and

(b) paragraphs (b) and (c) of sub-paragraph (3) shall not apply, and subject to those modifications shall have effect in relation to all income in the case of which credit falls to be allowed for foreign tax under any arrangements for the time being in force by virtue of Part V of the Finance (No. 2) Act, 1945.

9TH SCH.
—cont.

Special provisions as to dividends.

9. Where, in the case of any dividend, foreign tax not chargeable directly or by deduction in respect of the dividend is, under the arrangements, to be taken into account in considering whether any, and if so what, credit is to be allowed against the United Kingdom taxes in respect of the dividend, the foreign tax not so chargeable which is to be taken into account shall be that borne by the body corporate paying the dividend upon the relevant profits in so far as it is properly attributable to the proportion of the relevant profits which is represented by the dividend.

The relevant profits are—

- (a) if the dividend is paid for a specified period, the profits of that period ;
- (b) if the dividend is not paid for a specified period, but is paid out of specified profits, those profits ;
- (c) if the dividend is paid neither for a specified period nor out of specified profits, the profits of the last period for which accounts of the body corporate were made up which ended before the dividend became payable :

Provided that if, in a case falling under sub-paragraph (a) or sub-paragraph (c) of this paragraph, the total dividend exceeds the profits available for distribution of the period mentioned in the said sub-paragraph (a) or the said sub-paragraph (c), as the case may be, the relevant profits shall be the profits of that period plus so much of the profits available for distribution of preceding periods (other than profits previously distributed or previously treated as relevant for the purposes of this paragraph or paragraph 9 of the Seventh Schedule to the Finance (No. 2) Act, 1945) as is equal to the excess ; and for the purposes of this proviso the profits of the most recent preceding period shall first be taken into account, then the profits of the next most recent preceding period, and so on.

10. Where—

- (a) the arrangements provide, in relation to dividends of some classes, but not in relation to dividends of other classes, that foreign tax not chargeable directly or by deduction in respect of dividends is to be taken into account in considering whether any, and if so what, credit is to be allowed against the United Kingdom taxes in respect of the dividends ; and
- (b) a dividend is paid which is not of a class in relation to which the arrangements so provide,

then, if the dividend is paid to a company which controls, directly or indirectly, not less than one half of the voting power in the company paying the dividend, credit shall be allowed as if the dividend were a dividend of a class in relation to which the arrangements so provide.

11. Any relief granted under section thirty-one of the Finance Act, 1946 (which provides for relief from income tax on dividends from companies resident abroad) shall, for the purposes of paragraph 2 of this Part of this Schedule, be deemed to reduce the amount of United Kingdom income tax chargeable in respect of the dividend in question.

*Miscellaneous.*9TH SCH.
—*cont.*

12. Credit shall not be allowed under the arrangements against the United Kingdom taxes chargeable in respect of any income of any person if he elects that credit shall not be allowed in respect of that income.

13.—(1) Subject to the provisions of paragraph 15 of this Part of this Schedule, any claim for an allowance by way of credit for foreign tax in respect of any income shall be made to the surveyor not later than six years from the end of the relevant year of assessment, and, if the surveyor objects to any such claim, it shall be heard and determined by the Special Commissioners as if it were an appeal to them against an assessment under Schedule D, and the provisions of the Income Tax Acts relating to the statement of a case for the opinion of the High Court on a point of law shall, with the necessary modifications, apply accordingly.

(2) In this paragraph, the expression "the relevant year of assessment" means, in relation to credit for foreign tax in respect of any income, the year of assessment for which that income falls to be charged to income tax or would fall so to be charged if any income tax were chargeable in respect thereof.

14.—(1) The provisions of this paragraph shall have effect where, by virtue of a notice given under section twenty-two of the Finance Act, 1937 (which relates to subsidiary companies), profits of a body corporate fall to be treated for any of the purposes of the enactments relating to the profits tax as profits of another body corporate:

Provided that this paragraph shall not apply where credit is not allowable under the arrangements against the profits tax.

(2) Any election under paragraph 12 of this Part of this Schedule as respects any income of the first mentioned body corporate and any claim for an allowance by way of credit for foreign tax in respect of any income of the first mentioned body corporate must be made jointly by both bodies corporate.

(3) If both bodies corporate jointly so elect, any credit falling to be allowed for foreign income tax in respect of income of the first mentioned body corporate shall, notwithstanding anything in paragraph 2 of this Part of this Schedule, be applied first in reducing the income tax chargeable in respect of that income.

15. Where the amount of any credit given under the arrangements is rendered excessive or insufficient by reason of any adjustment of the amount of any tax payable either in the United Kingdom or under the laws of any other territory, nothing in the Income Tax Acts or in the enactments relating to the profits tax limiting the time for the making of assessments or claims for relief shall apply to any assessment or claim to which the adjustment gives rise, being an assessment or claim made not later than six years from the time when all such assessments, adjustments and other determinations have been made, whether in the United Kingdom or elsewhere, as are material in determining whether any and if so what credit falls to be given.

PART II.

APPLICATION OF PART I.

1. In the case of income which is chargeable neither to excess profits tax nor to the profits tax, the Seventh Schedule to the Finance (No. 2) Act, 1945, shall apply as respects income tax for the year 1946-47 or any previous year of assessment and Part I of this Schedule shall apply as respects income tax for the year 1947-48 or any subsequent year of assessment.

2. In the case of profits chargeable to excess profits tax or the profits tax, the said Seventh Schedule shall apply in relation to the allowance of credit—

- (a) against excess profits tax ;
- (b) against the profits tax for any chargeable accounting period ending at or before the end of the year nineteen hundred and forty-six ;
- (c) against so much of the profits tax for any chargeable accounting period ending after the end of the said year as is apportionable to any part of the period falling before the end of the said year ;
- (d) against any income tax chargeable in respect of profits for a period falling wholly before the end of the said year ; and
- (e) against so much of any income tax chargeable in respect of profits for a period falling partly before and partly after the end of the said year as is properly attributable to the profits for the part of the period which ends at the end of the said year,

and, save as aforesaid, Part I of this Schedule shall apply.

3. Where a period on the profits of which foreign tax is chargeable falls partly before and partly after the end of the said year, and the profits in question are chargeable to excess profits tax or the profits tax, all such apportionments shall be made of that foreign tax between the two parts of the period as are necessary to secure that credit is allowed for the proper proportions thereof under the said Seventh Schedule and under Part I of this Schedule respectively.

4.—(1) In this Part of this Schedule, the expression “ foreign tax ” has the same meaning as in Part I of this Schedule, and references to profits chargeable to excess profits tax or profits chargeable to the profits tax shall be construed as references to profits which fall to be included in computing the profits of a trade or business for any chargeable accounting period for the purposes of those taxes respectively.

(2) Any apportionment of profits tax which falls to be made under sub-paragraph (c) of paragraph 2 of this Part of this Schedule shall be made in the same manner as for the purposes of section nineteen of the Finance (No. 2) Act, 1939.

TENTH SCHEDULE.

Section 67.

TREATMENT OF FARM ANIMALS, ETC., FOR INCOME TAX
AND PROFITS TAX PURPOSES.*The general rule.*

1.—(1) Subject to the provisions of this Schedule, animals kept by a farmer for the purposes of his farming shall be treated for the relevant tax purposes as trading stock :

Provided that animals forming part of production herds with respect to which an election made under paragraph 2 of this Schedule has effect shall not be treated for the said purposes as trading stock but shall be treated for the said purposes in accordance with the rules set out in paragraph 3 of this Schedule.

(2) An election under the said paragraph 2 is hereafter in this Schedule referred to as "an election for the herd basis".

Elections for the herd basis.

2.—(1) An election for the herd basis shall apply to all production herds of a particular class kept by the farmer making the election, including herds which he has ceased to keep before the making of the election or first begins to keep after the making thereof.

(2) An election for the herd basis must be made in writing to the surveyor and must specify the class of herds to which it relates.

(3) An election for the herd basis must be made not later than twelve months after the end of the first year of assessment after the year 1946-47 for which the farmer making the election is chargeable under Case I of Schedule D to tax in respect of the profits or gains of his farming, or is charged to tax under Rule 4 of the Rules applicable to Case III of Schedule D in respect of the profits of his farming, or is given relief under Rule 6 of the Rules applicable to Schedule B or section thirty-four of the Income Tax Act, 1918, in respect of his farming, being profits or gains, profits, or, as the case may be, relief, the amount of which is computed by reference to the facts of a period during the whole or some part of which the farmer kept a production herd of the class in question :

Provided that where that farmer kept a production herd of the class in question at any time during the year ending with the fifth day of April, nineteen hundred and forty-seven, for the purpose of any farming the profits or gains of which are chargeable to income tax under Case I of Schedule D for the year 1947-48, or the profits of which are charged to tax for that year under Rule 4 of Case III of Schedule D, the election must be made not later than the fifth day of April, nineteen hundred and forty-eight.

(4) An election for the herd basis shall be irrevocable and shall have effect for the purposes of income tax for the said first year of assessment and all subsequent years of assessment, and for the purposes of the profits tax for all chargeable accounting periods not falling wholly before the period by reference to the facts of which the profits or gains are computed for the purposes of income tax for the said first year of assessment.

10TH SCH.
—cont.

3.—(1) Where an election for the herd basis has effect, the consequences for the relevant tax purposes shall be as provided by the subsequent provisions of this paragraph.

(2) The initial cost of the herd and, subject to the provisions of this paragraph as to replacements, the cost of any animal added to the herd, shall not be deducted as an expense, and the value of the herd shall not be brought into account.

(3) Where an animal which has theretofore been treated as part of the trading stock of the farmer is added to the herd otherwise than by way of replacement, there shall be included as a trading receipt—

- (a) in the case of an animal bred by the farmer, a sum equal to the cost of breeding it and rearing it to maturity; and
- (b) in any other case, a sum equal to the initial cost to the farmer of acquiring the animal, together with any cost incurred by him in rearing it to maturity.

(4) Where an animal forming part of the herd dies or ceases to form part thereof and is replaced therein by another animal, any proceeds of sale of the animal which dies or ceases to form part of the herd shall be included as a trading receipt, and the cost of the animal which replaces it, except in so far as that cost consists of such costs as are allowable apart from the provisions of this Schedule as deductions in computing profits or gains of farming for the purposes of assessments under Case I of Schedule D, shall be deducted as an expense :

Provided that —

- (a) where the second-mentioned animal is of better quality than the animal which it replaces, the amount deducted shall not exceed the amount which it would have been necessary to expend in order to acquire an animal of the same quality as the animal which is replaced; and
 - (b) where the animal which is replaced was slaughtered by the order of any Ministry, Government department or local or public authority under the law relating to diseases of animals, and the animal which replaces it is of worse quality, the amount included as a trading receipt shall not exceed the amount allowable as a deduction.
- (5) Where the herd is sold as a whole and another production herd of the same class is acquired, the preceding provisions of this paragraph shall apply as though there had been sold from the original herd, and replaced therein, a number of animals equal to the number in the original herd or in the newly acquired herd, whichever is the less.

(6) If (either all at once or over a period not exceeding twelve months) either —

- (a) the whole of a herd is sold in circumstances in which the last preceding sub-paragraph does not apply; or
- (b) a part of a herd is sold on a substantial reduction being made in the number of animals in the herd,

any profit or loss arising from the transaction shall not be taken into account :

Provided that where, within five years of the sale, the seller acquires or begins to acquire another production herd of the class in question or, as the case may be, he acquires or begins to acquire animals to replace the part of the herd in question—

- (i) the provisions of the two last preceding sub-paragraphs shall apply to the acquisition or replacement, except that if the sale was one which the seller was compelled to effect by causes wholly beyond his control the amount included as a trading receipt in respect of any animal sold which is replaced by an animal of worse quality shall not exceed the amount allowable as a deduction in respect of the said animal of worse quality; and
- (ii) for the purposes of the application of those sub-paragraphs, the proceeds of sale of the animals comprised in the original herd or part of a herd shall be brought into account as if they had been respectively received at the times of the corresponding acquisitions.

(7) If an animal forming part of the herd is sold and none of the three last preceding sub-paragraphs applies, any profit or loss arising from the transaction shall be included or deducted, as the case may be; and for the purposes of this sub-paragraph the said profit or loss shall be computed by comparing—

- (a) in the case of an animal bred by the farmer, the cost of breeding it and rearing it to maturity; and
- (b) in any other case, a sum equal to the initial cost to the farmer of acquiring the animal (or, in the case of an animal acquired otherwise than for valuable consideration, its market value when it was acquired by the farmer) together, in both cases, with any cost incurred by him in rearing it to maturity,

with the proceeds of the sale.

(8) Where the herd is sold as a whole, and another production herd of the same class is acquired, and the number of animals in the newly acquired herd is less than the number in the original herd, and the difference is not substantial, sub-paragraph (6) of this paragraph shall not apply, and the last preceding sub-paragraph shall apply to a number of animals in the original herd equal to the difference.

(9) The preceding provisions of this paragraph shall apply in relation to the death or destruction of animals as they apply in relation to the sale of animals, as if any insurance or compensation moneys received by reason of the death or destruction thereof were proceeds of sale, and any references in this paragraph to the proceeds of sale of an animal include references to any proceeds of sale of its carcase or any part thereof.

Provisions applicable to special cases.

4. A farmer who, having kept a production herd of a particular class, ceases altogether to keep herds of that class for a period of at least five years shall, as respects production herds kept by him after the end of that period, be treated as if he had never kept any production herds of that class before the end of that period.

5.—(1) Where a farmer transfers to another person all or any of the animals which form part of a production herd otherwise than by way of sale, or by way of sale but for a price other than that which they would have fetched if sold in the open market, and either—

10TH SCH.
—cont.

- (a) the transferor is a body of persons over whom the transferee has control, or the transferee is a body of persons over whom the transferor has control, or both the transferor and the transferee are bodies of persons and some other person has control over both of them; or
- (b) it appears with respect to the transfer, or with respect to transactions of which the transfer is one, that the sole or main benefit or one of the main benefits which, apart from the provisions of this paragraph, might have been expected to accrue to the parties or any of them was a benefit resulting from the obtaining of a right to make an election for the herd basis, or from such an election having effect or ceasing to have effect, or from such an election having a greater effect or a less effect,

then the like consequences shall ensue for all relevant tax purposes in relation to all persons concerned as would have ensued if the animals had been sold for the price which they would have fetched if sold in the open market.

(2) In this paragraph, the expression "body of persons" includes a partnership and the expression "control" has the meaning assigned to it by subsection (1) of section sixty-eight of the Income Tax Act, 1945.

Savings, interpretation and application to trades other than farming, etc.

6. Nothing in this Schedule applies to any animals kept wholly or mainly for the work they do in connection with the carrying on of the farming.

7.—(1) In this Schedule, the expression "herd" includes a flock, and any other collection of animals, however named.

(2) For the purposes of this Schedule, immature animals kept in a herd shall not be treated as forming part of the herd unless the following conditions are fulfilled, that is to say, unless—

- (a) the land on which the herd is kept is such that animals which die or cease to form part of the herd cannot be replaced except by animals bred and reared on that land; and
- (b) the immature animals in question are bred in the herd, are maintained therein for the purpose of replacement and are necessarily maintained for that purpose,

and references in this Schedule to herds shall be construed accordingly, and references therein to an animal being added to a herd include references to an immature animal which is kept in the herd becoming a mature animal:

Provided that not more immature animals shall in any case be treated as forming part of a herd than are required to prevent a fall in the numbers of the herd.

Female animals shall be treated for the purposes of this Schedule as becoming mature when they produce their first young.

(3) In this Schedule, the expression "a production herd" means, in relation to a farmer, a herd of animals of the same species (irrespective of breed) kept by him wholly or mainly for the sake of the products which they produce for him to sell, being products obtainable from the living animal.

In this sub-paragraph the expression "product obtainable from the living animal" means—

10TH SCH.
—cont.

(a) the young of the animal; or

(b) any other product obtainable from the animal, not being a product obtainable only by slaughtering the animal itself.

(4) For the purposes of this Schedule, production herds kept by a farmer shall be deemed to be of the same class if and only if all the animals kept in the herds are of the same species (irrespective of breed) and the products produced for him to sell for the sake of which (either wholly or mainly) the herds are kept by him are of the same kinds in the case of all the herds; and elections for the herd basis shall be framed accordingly.

(5) Any reference to profits or gains chargeable to income tax under Schedule D includes a reference to profits or gains which would be so chargeable if there were any such profits or gains for the year of assessment in question.

8.—(1) The preceding provisions of this Schedule shall, with the necessary adaptations, apply in relation to trades other than farming, and trades consisting only in part of farming, as they apply in relation to farming, and references to farmers shall be construed accordingly.

(2) The said provisions (both in relation to farming and in relation to trades) shall apply in relation to living creatures other than animals as they apply in relation to animals.

Laying birds shall be treated for the purposes of this Schedule as becoming mature when they first lay.

(3) The provisions of this Schedule shall (both in relation to farming and in relation to trades) apply, with the necessary adaptations, in relation to animals or other creatures kept singly as they apply in relation to herds.

(4) Nothing in this Schedule shall apply in relation to any animal or other creature kept wholly or mainly for public exhibition or racing or other competitive purposes.

Supplemental.

9. Where an election for the herd basis is made, every person carrying on any farming or other trade affected by the election shall, if required to do so by notice from the surveyor, make and deliver to the surveyor, within the time specified in the notice, such returns as to, and as to the products of, the animals or other creatures kept by him for the purposes of the trade as may be required by the notice, and the provisions of section one hundred and seven of the Income Tax Act, 1918 (which relates to failure to deliver proper lists, declarations and statements) shall apply in relation to any such return as they apply in relation to the lists, declarations and statements therein referred to.

10.—(1) The provisions of this paragraph shall have effect where, after an assessment for a year or period has become final and conclusive, an election for the herd basis has effect for the purposes of income tax or, as the case may be, the profits tax, for that year or period.

(2) All such additional assessments and repayments of tax shall be made as are necessary to give effect to the election.

10TH SCH.
—cont.
17 & 18 Geo. 5.
c. 10.

(3) Section forty-one of the Finance Act 1927, (which contains provisions with respect to the making and determination of claims) shall apply in relation to any claims for relief from income tax by reason of the operation of the election as it applies in relation to claims for deductions of tax under section forty of that Act :

Provided that any such claim to which objection is made shall, if the claimant so elects when he makes the claim, be heard and determined by the Special Commissioners, and subsection (2) of the said section forty-one shall have effect accordingly.

(4) Subsection (4) of section forty-two of the said Act (which makes standard rate tax assessments conclusive for surtax purposes, and prohibits certain allowances and adjustments being made for surtax purposes unless they have previously been made for the purposes of standard rate tax) shall apply to the reliefs mentioned in the last preceding sub-paragraph as it applies in relation to the allowances and adjustments mentioned in that subsection.

(5) Any claim for relief from the profits tax by reason of the operation of the election shall be made in writing to the Commissioners of Inland Revenue and the provisions of Part II of the Fifth Schedule to the Finance Act, 1937 (which relate to appeals against assessments to the profits tax), including the provisions thereof enabling the Commissioners to make regulations, shall, with the necessary modifications, apply in relation to any determination by the Commissioners of any such claim.

Section 74.

ELEVENTH SCHEDULE.

ENACTMENTS REPEALED.

PART I.

MISCELLANEOUS.

Session and Chapter.	Short Title.	Extent of Repeal.
54 & 55 Vict. c. 21.	The Savings Banks Act, 1891.	Subsection (2) of section four.
54 & 55 Vict. c. 39.	The Stamp Act, 1891.	In section eighteen the words "court, inn"; section twenty-one except as respects persons admitted as members of one of the Inns of Court in England before the passing of this Act; section twenty-six; in the First Schedule, the first, third, fourth, fifth, sixth and seventh of the headings relating to "Admissions," and the headings "Commission to act as a notary public in Scotland," "Faculty, Licence, Commission or Dispensation," and "Licence to act as a notary public."

Session and Chapter.	Short Title.	Extent of Repeal.
63 & 64 Vict. c. 14.	The Colonial Solicitors Act, 1900.	In section one the words "stamp duties and."
19 & 20 Geo. 5. c. 27.	The Savings Banks Act, 1929.	In subsection (2) of section four the words from "and subsection (2) of section four" to the end of the section.
22 & 23 Geo. 5. c. 37.	The Solicitors Act, 1932.	In subsection (1) of section thirty-five, the words "stamp duties and".
23 & 24 Geo. 5. c. 21.	The Solicitors (Scotland) Act, 1933.	In section seven the words "stamp duty and"; in section fourteen the words "and shall be stamped with the stamps required by law to be impressed on the admission of solicitors"; in subsection (2) of section seventeen the words "on his paying the stamp duty for the time exigible by law from a notary public on admission"; in section twenty, in subsection (1) the words "who has paid the stamp duty exigible by law on admission to practice as a solicitor before the Court of Session," and in subsection (2) the words "who has paid the stamp duty exigible by law on admission to practice as a solicitor before a sheriff court"; and section twenty-three.
24 & 25 Geo. 5. c. 32.	The Finance Act, 1934.	Subsections (1), (2) and (4) of section two.
1 & 2 Geo. 6. c. 51.	The Essential Commodities Reserves Act, 1938.	Section three.
2 & 3 Geo. 6. c. 38.	The Ministry of Supply Act, 1939.	Subsection (3) of section three.
5 & 6 Geo. 6. c. 21.	The Finance Act, 1942.	In the Eighth Schedule the provisions amending section nineteen of, and the heading to the first column of the Seventh Schedule to, the Finance (No. 2) Act, 1940.
6 & 7 Geo. 6. c. 28.	The Finance Act, 1943.	Subsections (1), (2), (4) and (5) of section five; in subsection (1) of section eleven the words "and sub-paragraph (i) of paragraph (a) of subsection (3) of section nineteen of the Finance (No. 2) Act, 1940"; Parts I and II of the Fourth Schedule.

IIITH SCH.
—cont.

Session and Chapter.	Short Title.	Extent of Repeal.
9 & 10 Geo. 6. c. 13.	The Finance (No. 2) Act, 1945.	In section five, as from the first day of January, nineteen hundred and forty-eight, subsection (1); in section eight, subsections (1) and (2), in subsection (4) the words from "except" to "power for consumption outside the refinery" and in subsection (5) paragraph (ii); and, as from the first day of September, nineteen hundred and forty-seven, subsection (3) except as respects oils removed to a refinery before that date, in subsection (4) the words "(not being a refinery with respect to which a requirement under the last preceding subsection is in force)" and subsection (7).
9 & 10 Geo. 6. c. 64.	The Finance Act, 1946.	Section five and, as respects persons dying on or after the sixteenth day of April, nineteen hundred and forty-seven, paragraph 7 of Part III of the Tenth Schedule.

PART II.

REPEALS CONSEQUENTIAL ON PART IV OF THIS ACT.

Session and Chapter.	Short Title.	Extent of Repeal.
1 Edw. 8 & 1 Geo. 6. c. 54.	The Finance Act, 1937.	Subsection (3) of section nineteen; sections twenty-one and twenty-three; sub-paragraph (1) of paragraph 3, and paragraph 12, of the Fourth Schedule.
1 & 2 Geo. 6. c. 46.	The Finance Act, 1938.	Sections forty-four, forty-five and forty-six.
3 & 4 Geo. 6. c. 29.	The Finance Act, 1940.	Subsection (1) of section forty.
9 & 10 Geo. 6. c. 13.	The Finance (No. 2) Act, 1945.	In subsection (1) of section thirty-four the words "and the national defence contribution" and the words "or the national defence contribution"; and in subsection (3) of that section the words "and the national defence contribution".
9 & 10 Geo. 6. c. 64.	The Finance Act, 1946.	In section forty-five, the words "or the national defence contribution".

PART III.

REPEALS AS TO RELIEF FROM DOUBLE TAXATION.

11TH SCH.
—cont.

Session and Chapter.	Short Title.	Extent of Repeal
9 & 10 Geo. 6. c. 13.	The Finance (No. 2) Act, 1945.	The Seventh Schedule.

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