be deemed to be proper meters for the purpose of ascertaining the value of a supply of electricity) is to cease to apply to any meters.

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2.—(1) This Act may be cited as the Electricity Supply (Meters) Act, 1952.

(2) This Act shall not extend to Northern Ireland.

CHAPTER 33

Finance Act, 1952

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An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt and the Public Revenue, and to make further provision in connection with Finance. [9th July, 1952.]

Most Gracious Sovereign,

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

PART I

CUSTOMS AND EXCISE

Hydrocarbon oils, etc.

1.—(1) Sections one to three of the Finance Act, 1950 (which relate to the duties of customs and excise on hydrocarbon oils and to the duty of excise on petrol substitutes), and section one of the Finance Act, 1951, so far as it relates to the excise duty on spirits used for making power methylated spirits, shall have effect as if in subsection (1) of section one of the said Act of 1950, as originally enacted, (which relates to the rate of customs duty on hydrocarbon oils and indirectly determines the rates of the other

duties) for the words from " eighteen pence a gallon " onwards there were substituted the words " two shillings and sixpence a gallon ".

(2) In subsection (2) of section one of the said Act of 1950, as originally enacted, (which relates to the rates of the customs rebates allowed on the delivery for home consumption of heavy oils) for the words from " eighteen pence a gallon " to the end of paragraph (*a*) there shall be substituted the words " two shillings and sixpence a gallon ", and for the words from " seventeen pence a gallon " to the end of paragraph (*b*) there shall be substituted the words " two shillings and fivepence a gallon ".

(3) The amount of the allowance payable under subsection (4) of section eight of the Finance (No. 2) Act, 1945, in respect of indigenous oils used in a refinery shall, in the case of oils charged with the excise duty on their removal to a refinery, be determined by reference to the rates in force for the customs duty and rebates at the time of that removal, instead of by reference to the rates in force when the oils are used.

(4) This section shall have effect as from six o'clock in the evening of the eleventh day of March, nineteen hundred and fifty-two.

Classification of entertainments for purposes of entertainments duty, and rates of duty.

2.—(1) There shall be three scales of entertainments duty, of which the lowest (to be known as the first scale) shall consist of the reduced rates set out in the Seventh Schedule to the Finance Act, 1948, the next (to be known as the second scale) shall be the scale set out in Part I of the First Schedule to this Act, and the highest (to be known as the third scale) shall be the scale set out in Part II of the said First Schedule:

Provided that as respects payments for admission to entertainments held before the twenty-seventh day of July, nineteen hundred and fifty-two the third scale shall consist of the full rates set out in the First Schedule to the Finance Act, 1951.

(2) The first scale shall be applicable in the case of any entertainment where all the performers whose words or actions constitute the entertainment are actually present and performing and the entertainment consists solely of one or more of the following items, namely—

(*a*) a stage play,

(*b*) a ballet (whether a stage play or not),

(*c*) a performance of music,

(*d*) an eisteddfod,

(*e*) a lecture,

(*f*) a recitation,

PART I —*cont.*

(*g*) a music-hall or other variety entertainment,
(*h*) a puppet or marionette show,
(*i*) a circus, a travelling show or a menagerie.

(3) The third scale shall be applicable in the case of any entertainment which consists of or includes any item being a reproduction of the words or actions of performers not actually present and performing or of other events, scenes or objects (whether real or imaginary) or a reproduction of a musical performance.

(4) The second scale shall be applicable in the case of any entertainment which consists of or includes racing, games, other sports or an exhibition, being an entertainment not falling within either of the two last foregoing subsections, and in the case of any other entertainment not falling within either of those subsections.

(5) Section fifteen of the Finance Act, 1950 (which provides for a reduction of duty in the case of entertainments consisting of a cinematograph exhibition together with certain other items) shall have effect as if for references to duty chargeable at the reduced rates and at the full rates respectively there were substituted references to duty chargeable on the first scale and on the third scale respectively; and in subsection (2) of section sixteen of that Act (which charges duty at the reduced rates in the case of certain entertainments which would be exempted but for including items chargeable at the reduced rates) for the words " at reduced rates by virtue of the said subsection (3) " there shall be substituted the words " on the first scale " and for the words " the said subsection (3) " there shall be substituted the words " subsection (2) of section two of the Finance Act, 1952 ".

(6) In so far as the provisions of this section charging duty on the second scale provide for reductions of entertainments duty, they shall apply, and be deemed to have applied, as respects payments for admission (whenever made) to entertainments held on or after the thirtieth day of March, nineteen hundred and fifty-two; and where entertainments duty has been charged on any payment made before the commencement of this Act, and by virtue of this section the duty should have been charged at a lower rate than that at which it was in fact charged, the person by whom the duty was paid shall be entitled to repayment of the amount of the overcharge.

(7) In so far as the provisions of this section charging duty on the second scale provide for increases of entertainments duty, they shall apply, and be deemed to have applied, as respects payments for admission to entertainments held on or after the thirteenth day of September, nineteen hundred and fifty-two, other than payments made before the twelfth day of March in that year.

(8) For the purposes of this section—

(*a*) the expression " reproduction ", in relation to any matter, means that it is reproduced by one or more of the following means, that is to say, by the use of any description of record of sound, by means involving the use of cinematography, or from an apparatus which receives, or is associated with an apparatus which receives, matter transmitted from elsewhere;

(*b*) the expression " music " includes both instrumental and vocal music, and the expression " musical " shall be construed accordingly;

(*c*) the expression " stage play " has the meaning assigned to it by section twenty-three of the Theatres Act, 1843, except that it includes theatrical representations in booths and shows to which that Act does not apply by virtue of the proviso to that section;

and for the purposes of subsections (2) to (4) of this section a reproduction of music shall be disregarded where it is played at the beginning or end of an entertainment or in any interval between items of an entertainment, and the total time taken by music so played on any day amounts to less than one quarter of the total time taken by the entertainment or entertainments given in the premises in question on that day, or where it is played only as an accompaniment to, or incidentally to, another item.

(9) Nothing in this section shall affect the enactments relating to entertainments duty in so far as they provide for exemption from that duty or for any other matter which does not relate to the rates of duty.

(10) The enactments specified in Part II of the Fourteenth Schedule to this Act are repealed, subject to and in accordance with the following provisions:—

(*a*) in so far as any such enactment provides for reduced rates of duty in the case of entertainments falling within subsection (4) of this section, the repeal shall not affect duty in respect of such entertainments held before the thirteenth day of September, nineteen hundred and fifty-two;

(*b*) in so far as any such enactment provides for the full rates of duty in the case of entertainments falling within subsection (4) of this section, the repeal shall have effect, and be deemed to have had effect, as respects such entertainments held on or after the thirtieth day of March, nineteen hundred and fifty-two, and as respects payments for admission to such entertainments so held whenever made;

PART I —*cont.*

(*c*) notwithstanding anything in the last foregoing paragraph, the repeal of the First Schedule to the Finance Act, 1951 shall not affect duty in respect of entertainments held before the twenty-seventh day of July, nineteen hundred and fifty-two.

Music-hall and other variety entertainments not to be exempted from entertainments duty.

3.—(1) An entertainment consisting of one or more of the items specified in subsection (1) of section eight of the Finance Act, 1946 (which subsection exempts an entertainment consisting of one or more of certain specified items which is provided by a body not conducted or established for profit whose aims, objects and activities are partly educational), shall be treated as not falling within the said subsection (1) if it is a music-hall or other variety entertainment.

(2) This section shall apply, and be deemed to have applied, as respects payments for admission to entertainments held on or after the twelfth day of March, nineteen hundred and fifty-two, other than payments made before that day.

Extension of pool betting duty.

4.—(1) For the purposes of section six of the Finance (No. 2) Act, 1947 (which imposes the pool betting duty), and of the Fifth Schedule to that Act, any bet shall be deemed to be made by way of pool betting unless it is a bet at fixed odds.

(2) A bet is a bet at fixed odds within the meaning of this section only if each of the persons making it knows or can know, at the time he makes it, the amount he will win, except in so far as that amount is to depend on the result of the event or events betted on, or on any such event taking place or producing a result, or on the numbers taking part in any such event, or on the starting prices or totalisator odds for any such event, or on there being totalisator odds for any such event, or on the time when his bet is received by any person with or through whom it is made.

In this subsection the expression " starting prices " in relation to any event means the odds ruling at the scene of the event immediately before the start, and the expression " totalisator odds " in relation to any event means the odds paid on bets made by means of a totalisator at the scene of the event.

(3) A bet made with or through a person carrying on a betting business in the course of that business shall be deemed not to be a bet at fixed odds within the meaning of this section if the winnings of the person by whom it is so made consist or may consist in whole or in part of something other than money.

In this subsection the expression " betting business " means a business of receiving or negotiating bets.

(4) In the enactments relating to the pool betting duty references to winnings shall include winnings of any kind, and references to amount and to payment in relation to winnings shall be construed accordingly.

(5) For the purposes of the pool betting duty any payment which entitles a person to make a bet by way of pool betting shall, if he makes the bet, be treated as stake money on the bet, and this subsection shall apply to any payment entitling a person to take part in a transaction which is, on his part, only not a bet made by way of pool betting by reason of his not in fact making any stake, as if the transaction were such a bet, and the transaction shall accordingly be treated as a bet for the purposes of the pool betting duty.

(6) Nothing in this section shall be taken to restrict the operation of any previous enactment defining pool betting for the purposes of the pool betting duty.

(7) This section shall have effect as respects bets made at any time by reference to any event taking place on or after the fifteenth day of July, nineteen hundred and fifty-two, and subsections (1) and (2) of this section shall also have effect as respects bets made at any time by reference to any event taking place before the said day but after the twenty-first day of March, nineteen hundred and fifty-two.

(8) Paragraph 2 of the Fifth Schedule to the Finance (No. 2) Act, 1947 (which provides for the regulation of pool betting businesses for the purposes of the duty), shall have effect in relation to a person to whom it applies by virtue only of this section with the substitution for the references in sub-paragraphs (*a*) and (*b*) to the twenty-eighth day of December, nineteen hundred and forty-seven, and the fourth day of January, nineteen hundred and forty-eight, respectively of references to the fifteenth day and the twenty-second day of July, nineteen hundred and fifty-two.

Prohibition of certain activities for protection of pool betting duty.

5.—(1) With a view to protecting the revenue derived from the pool betting duty, it shall be an offence under this section for any person—

(*a*) to conduct in Great Britain any business or agency for the negotiation, receipt or transmission of bets to which this section applies; or

(*b*) knowingly to issue, circulate or distribute in Great Britain, or have in his possession for that purpose, any advertisement or other document inviting or otherwise relating to the making of such bets.

(2) This section applies to all bets made by way of pool betting, except (in the case of bets not made by means of a totalisator) where the promoter of the betting is in Great Britain or the promoter of the betting is in Northern Ireland and the bets are such as to be chargeable with a duty corresponding to the pool betting duty under an Act of the Parliament of Northern Ireland, or (in the case of bets made by means of a totalisator) where the totalisator is in Great Britain.

PART I —*cont.*

(3) A person guilty of an offence under this section shall be liable—

(*a*) on summary conviction, to a fine not exceeding one hundred pounds or, in the case of a second or subsequent conviction, to imprisonment for a term not exceeding three months or to a fine not exceeding two hundred pounds or to both; or

(*b*) on conviction on indictment, to a fine not exceeding five hundred pounds or, in the case of a second or subsequent conviction, to imprisonment for a term not exceeding one year or to a fine not exceeding seven hundred and fifty pounds or to both.

(4) A person who makes or tries to make a bet by way of pool betting, or who gets or tries to get any advertisement or other document given or sent to him, shall not be guilty of an offence by reason of his thereby procuring or inciting some other person to commit, or aiding or abetting the commission of, an offence under this section.

(5) For the purposes of this section the expression " bets made by way of pool betting," the expression " promoter " and the expression " totalisator " have the same meanings as they have for the purposes of section six of the Finance (No. 2) Act, 1947.

(6) This section shall come into force on the fifteenth day of August, nineteen hundred and fifty-two.

Permanent provision for imperial preference on sugar, etc., and consequential provision about excise duties.

6.—(1) The following provisions of this section shall have effect with a view to making permanent certain provisions as to imperial preference on sugar, molasses, glucose and saccharin which under section seven of the Finance Act, 1948, are limited to expire at the end of August, nineteen hundred and fifty-two, and to making consequential provision about the excise duties thereon.

(2) Subject to the next following subsection, sugar, molasses, glucose and saccharin, if Empire products, shall continue (while this subsection has effect) to be charged respectively with customs duties at preferential rates representing the full rates of the customs duty for the time being in force reduced by the respective amounts of the general preferential reductions specified in the Second Schedule to this Act, instead of at the preferential rates provided for by subsection (1) of section eight of the Finance Act, 1919, and subsections (2) and (3) of the said section eight shall apply accordingly:

Provided that, if at any time the full rate of the customs duty chargeable in respect of any article is decreased so as to be equal to or less than the amount of the general preferential reduction for that article, the article, if an Empire product, shall be free of duty.

PART I —*cont.*

(3) The customs duty in respect of certificated colonial sugar shall, notwithstanding the last foregoing subsection, be at the rates specified in Part II of the Fourth Schedule to the Finance Act, 1949, and the provisions of section one of the Finance Act, 1934, relating to drawback shall have effect with the substitution of a reference to a rate specified in the said Part II for the reference to a rate specified in Part I of the First Schedule to the said Act of 1934.

(4) There shall continue (while this subsection has effect) to be charged in respect of sugar, molasses, glucose and saccharin duties of excise at the rates specified in Part III of the Fourth Schedule to the Finance Act, 1949, and the provisions contained in Part III of the Second Schedule to the Finance Act, 1928, shall have effect with respect to those duties as they had effect with respect to the corresponding duties of excise chargeable immediately before the coming into force of this section.

(5) For the purposes of this section the expression " Empire product " has the same meaning as it has for the purposes of section eight of the Finance Act, 1919, and the Second Schedule to this Act is to be construed in accordance with paragraph 9 of Part III of the Second Schedule to the Finance Act, 1928.

(6) For the purposes of this section the expression " certificated colonial sugar " means sugar (being an Empire product) which is shown to the satisfaction of the Commissioners of Customs and Excise to have been consigned from and grown, produced or manufactured in, any of the countries and territories hereinafter mentioned and is accompanied by a quota certificate, that is to say, a certificate issued by the Secretary of State (whether under this section or under section one of the Finance Act, 1934) certifying that the sugar forms part of the quantity of sugar which may be imported from those countries and territories at the rates specified in Part II of the Fourth Schedule to the Finance Act, 1949; but quota certificates shall not be so issued in any financial year in respect of more than five hundred and twenty-five thousand tons of sugar.

The countries and territories referred to in this subsection are any colony other than Southern Rhodesia, any territory under Her Majesty's protection and any trust territory to which section five of the Import Duties Act, 1932, for the time being applies by virtue of an Order in Council made thereunder.

(7) This section shall have effect, and the enactments specified in Part III of the Fourteenth Schedule to this Act are repealed, from the first day of September, nineteen hundred and fifty-two.

Vehicles (excise).

7.—(1) From the beginning of the year nineteen hundred and fifty-three, the rate of the annual duty under the Vehicles (Excise) Act, 1949, in respect of a mechanically propelled vehicle chargeable under section six (other than an electrically propelled vehicle)

PART I —*cont.*

shall be twelve pounds ten shillings irrespective of the date of the vehicle's first registration, except that in the case of vehicles registered under the Roads Act, 1920, for the first time before the first day of January, nineteen hundred and forty-seven, the rate shall be nine pounds for vehicles not exceeding six horse power, and ten pounds ten shillings for vehicles exceeding six horse power but not exceeding seven horse power; and accordingly in the Fifth Schedule to that Act for paragraph 2 there shall be substituted the following paragraph:—

" 2. Other vehicles—	£	s.	d.
(*a*) vehicles not exceeding 6 horse power, if registered under the Roads Act, 1920, for the first time before the first day of January, nineteen hundred and forty-seven	9	0	0
(*b*) vehicles exceeding 6 horse power but not exceeding 7 horse power, if registered as aforesaid	10	10	0
(*c*) vehicles not included in the foregoing sub-paragraphs	12	10	0."

(2) From the beginning of the year nineteen hundred and fifty-three a vehicle which is constructed or adapted for use for the conveyance of goods or burden, but is not used for the conveyance thereof for hire or reward or for or in connection with a trade or business (including the performance by a local or public authority of its functions)—

(*a*) if its unladen weight exceeds twelve hundredweight, shall not be treated for the purposes of the Vehicles (Excise) Act, 1949, as a goods vehicle ; and

(*b*) if its unladen weight does not exceed twelve hundredweight, shall not be chargeable with any duty under subsection (2) of section five of that Act in respect of any use thereof for drawing a trailer ;

and section twenty-six of that Act shall apply for the purpose of determining the unladen weight of any vehicle for the purposes of this subsection as it applies for the purpose of determining the unladen weight of a goods vehicle for the purposes of section five of that Act.

(3) The Minister of Transport may by regulations made by statutory instrument provide that, in such cases and subject to such conditions as may be prescribed by the regulations, a mechanically propelled vehicle shall not be chargeable with any duty under the Vehicles (Excise) Act, 1949, by reason of any use made of it for the purpose of a public or local authority's functions in connection with civil defence as defined in the Civil Defence Act, 1948.

PART I —*cont.*

(4) In subsection (1) of section fifteen of the Vehicles (Excise) Act, 1949 (which penalises the use on public roads of unlicensed vehicles unless exempted from duty under section seven of that Act), the reference to section seven of that Act shall include a reference to any enactment under or by virtue of which vehicles are exempted from duty under that Act.

(5) For the purposes of section ten of the Vehicles (Excise) Act, 1949 (which relates to trade licences), a person who carries on a business consisting wholly or mainly of collecting and delivering mechanically propelled vehicles, and not including any other activities except activities as a manufacturer or repairer of, or dealer in, mechanically propelled vehicles, shall be deemed to be a dealer in mechanically propelled vehicles.

This subsection shall be deemed always to have had effect.

PART II

PURCHASE TAX

Abolition of special provision for utility articles.

8.—(1) Subject to the following provisions of this Part of this Act, purchase tax shall be chargeable in respect of goods of any description which are utility articles in the same cases and at the same rates as it is now chargeable in respect of goods of that description which are not utility articles.

(2) Accordingly in Part I of the Eighth Schedule to the Finance Act, 1948, there shall be made the amendments provided for by paragraph 1 of the Third Schedule to this Act.

(3) The foregoing provisions of this section shall have effect subject to any order made by the Treasury after the passing of this Act under section twenty-one of the Finance Act, 1948.

(4) Subsection (2) of the said section twenty-one (which applies section two of the Finance Act, 1945, so as to authorise Treasury orders to define a class of goods by reference to any mark the use of which the Board of Trade have power to regulate) shall cease to have effect.

(5) This section, except in relation to utility furniture and component parts of utility furniture, shall have effect as from the seventeenth day of March, nineteen hundred and fifty-two, but in relation to utility furniture and component parts of utility furniture shall not come into force (except the last foregoing subsection) until the coming into force under the next following section of a Treasury order containing a prescribed list for furniture.

Discharge or reduction of tax in certain cases.

9.—(1) This section applies to the three following classes of goods, namely,—

(*a*) wearing apparel (including handkerchiefs);

PART II —*cont.*

(*b*) cloth, plastic sheeting which is of a kind suitable for making garments or curtains, tablecloths and similar soft furnishings, domestic textile articles, soft furnishings and bedding, but excluding floor coverings and material for floor coverings;

(*c*) furniture of a kind used for domestic purposes, but excluding clocks, musical instruments, heating or lighting appliances and apparatus and appliances and apparatus operated by gas or electricity.

(2) Where purchase tax is or would but for this section be chargeable in respect of any article or articles falling within any of those three classes, being an article or articles of one of the descriptions specified in the prescribed list for that class, then subject to the following provisions of this section—

(*a*) if the wholesale value of that article or of any of those articles, as the case may be, does not exceed the amount specified in the list in relation to that description, the tax shall not be chargeable in respect of the article in question; and

(*b*) if the wholesale value of the article or of any of the articles does exceed the amount so specified, the tax chargeable in respect of the article in question shall be chargeable on the excess only instead of on the wholesale value of the article.

(3) The list contained in Part I of the Fourth Schedule to this Act shall be the prescribed list for the first of the classes mentioned in subsection (1) of this section, and the list contained in Part II of that Schedule shall be the prescribed list for the second:

Provided that the Treasury shall have power by order to make any addition to, omission from or other change in the descriptions specified in the lists for those classes, to vary the amounts so specified and to amend the said Schedule.

(4) The prescribed list for furniture shall be such list as may be prescribed by order of the Treasury.

(5) Subsections (3) to (6) of section twenty-one of the Finance Act, 1948 (which contain supplementary provisions about orders under that section, including provision for their submission to the House of Commons), shall apply to orders of the Treasury under this section, and any such order which has the effect of increasing the tax chargeable in respect of any articles shall be treated as an order increasing the rate of tax for the purposes of subsection (5) of that section (which relates to orders requiring affirmative approval by resolution of the House of Commons).

(6) An article shall be treated for the purposes of this section as excluded from any description specified in the prescribed list for a class of goods within which the article falls, if the article

is comprised in some other description so specified and, of the amounts specified in the list or lists in relation to those descriptions, the amount specified in relation to the second mentioned description is the lower (or, where either amount is such as to be different for different articles, is the lower for that article).

(7) Without prejudice to the generality of section thirty-three of the Finance (No. 2) Act, 1940, regulations may be made by the Commissioners under Part V of that Act providing for any matter for which provision appears to them to be necessary for the purpose of giving effect to this section, and in particular for prescribing a distinguishing mark for any material or class of material, for regulating the use of any such mark, and for treating articles of any description which are not marked with the distinguishing mark for a particular material or class of material as articles of some other material or class of material.

(8) Without prejudice to subsection (2) of the said section thirty-three (which penalizes offences under regulations of the Commissioners), any person who—

(*a*) knowingly or recklessly uses a distinguishing mark prescribed for the purposes of this section in connection with articles to which it is not appropriate; or

(*b*) with intent to deceive uses in connection with any articles any mark resembling a mark prescribed for those purposes;

shall be liable to a penalty of five hundred pounds or to imprisonment for a term not exceeding two years or to both; and for the purposes of this subsection a person shall be deemed to use a mark in connection with any article if he marks it with the mark or if he sells it, delivers it on sale or exposes or offers it for sale marked with the mark.

(9) In the enactments relating to purchase tax the expression " chargeable goods " shall include any article of a description in respect of which tax is for the time being expressed to be chargeable under Part I of the Eighth Schedule to the Finance Act, 1948, as amended, notwithstanding that by virtue of this section tax is not chargeable in respect of the article.

(10) Subsections (1) and (2) of section twenty-one of the Finance (No. 2) Act, 1940 (which define wholesale value and provide for arbitration on disputes as to wholesale value), shall apply in relation to the wholesale value of chargeable goods in respect of which by virtue of this section tax is not or may not be chargeable, as they would apply if the tax were chargeable; and in the proviso to subsection (2) of that section (which provides that, unless certain conditions are fulfilled, a dispute shall not be referred to arbitration, but tax shall be chargeable on the wholesale value as fixed by the Commissioners) for the words " on the wholesale value " there shall be substituted the words " on the basis of the wholesale value ".

PART II —*cont.*

(11) Section twenty-four of the Finance Act, 1948 (which relates to the effect of changes in the charge to tax in relation to pre-existing contracts), shall apply to any change made by or under this section in the goods in respect of which tax is chargeable or in the amount of tax chargeable in respect of any goods as it applies to changes made in the classes of goods which are chargeable goods or in the rate at which tax is chargeable in respect of any goods.

(12) This section, except in relation to the third of the classes mentioned in subsection (1), shall have effect as from the seventeenth day of March, nineteen hundred and fifty-two:

Provided that as respects the periods mentioned in Part III of the Fourth Schedule to this Act the prescribed lists shall be the lists contained in Parts I and II of that Schedule modified in accordance with the said Part III.

Intermediate rates of tax, and goods chargeable at those rates.

10.—(1) In addition to the first, second and third rates of purchase tax provided for by section twenty of the Finance Act, 1948 (which are respectively one-third, two-thirds and one hundred per cent. of the wholesale value of the goods), there shall be a first intermediate rate and a second intermediate rate which shall be respectively one quarter and one half of that value; and in Part I of the Eighth Schedule to the said Act the words "First intermediate" and "Second intermediate" shall be construed accordingly.

(2) In the said Part I the word "intermediate" shall be inserted in the second column after the word "First" throughout Groups 1 to 7 and after the word "Second" throughout those Groups and in Group 9.

(3) In paragraph (*a*) of subsection (1) of section twenty-one of the Finance Act, 1948 (under which the Treasury have power by order to alter the classes of chargeable goods and the rates at which they are chargeable), the reference to the rates of purchase tax provided for by the enactments relating to purchase tax shall include the rates provided for by this section, and subsection (2) of this section shall have effect subject to any order made by the Treasury under the said section twenty-one after the passing of this Act.

(4) This section shall have effect as from the fourteenth day of May, nineteen hundred and fifty-two.

Reduction of tax on fur-trimmed garments and fur gloves.

11.—(1) Garments trimmed with fur skin (including any skin with fur, hair or wool attached), but not otherwise made thereof, shall cease to be comprised in paragraph (*f*) of Group 1 in Part I of the Eighth Schedule to the Finance Act, 1948, and (except so far as they are comprised in some other paragraph of that Group) shall—

(*a*) if of a kind suitable for young children's wear, be exempt from purchase tax; and

(*b*) if not of such a kind, be comprised in paragraph (*a*) of the Group:

Provided that this subsection shall not apply to any such garment in the case of which the trimming of fur skin either—

(i) represents a cost to the manufacturer of the garment greater than the cost to him of the other components; or

(ii) has an area greater than one-fifth of the area of the outside material.

(2) Accordingly in the said Group 1 there shall be made the amendments provided for by paragraph 2 of the Third Schedule to this Act.

(3) For the purposes of subsection (1) of this section and of Part I of the said Eighth Schedule, the cost of any component of a garment to the manufacturer of the garment is to be taken to be the total cost to him of that component ready for assembly into the garment:

Provided that where the Commissioners are not satisfied both—

(*a*) that the whole of the cost of the component was actually borne by the manufacturer of the garment; and

(*b*) as to the amount thereof;

there shall be substituted for the actual cost to him the cost which in their opinion would be incurred by a manufacturer of a similar garment who did bear the whole of the said cost.

(4) If, in ascertaining the amount of tax for which any person is accountable, any dispute arises as to the amount which is to be taken for the purposes aforesaid to be the cost of any component of a garment to the manufacturer of the garment, subsections (2) and (3) of section twenty-one of the Finance (No. 2) Act, 1940 (which provide for arbitration in the event of disputes as to wholesale value), shall apply with the necessary modification of any reference to the wholesale value of the goods.

(5) Subsections (1) and (2) of this section shall have effect subject to any order made by the Treasury after the passing of this Act under section twenty-one of the Finance Act, 1948, and any such order varying or revoking subsection (1) of this section may, in connection therewith, vary or revoke subsection (3) of this section.

(6) Subject to any order made by the Treasury under the said section twenty-one after the passing of this Act, gloves made wholly or partly of fur skin (including any skin with fur, hair or wool attached) shall be comprised in paragraph (*a*) of Group 3 in Part I of the Eighth Schedule to the Finance Act, 1948, and paragraphs (*b*) and (*c*) of that Group shall accordingly be omitted.

PART II —*cont.*

The Purchase Tax (No. 11) Order, 1950 (which amended the said paragraph (*b*)), is hereby revoked.

(7) This section shall have effect as from the seventeenth day of March, nineteen hundred and fifty-two, except that the last foregoing subsection shall only have effect as from the fourteenth day of May, nineteen hundred and fifty-two.

Giving of invoices, and taking of samples.

12.—(1) Without prejudice to the generality of section thirty-three of the Finance (No. 2) Act, 1940, regulations may be made by the Commissioners under Part V of that Act for requiring invoices or similar documents to be given, in such cases as may be prescribed, in connection with sales of purchase tax goods, in connection with sales of other goods in the course of a business which includes the selling of purchase tax goods and in connection with contracts for the application by one person to the order of another of a process of manufacture resulting in purchase tax goods, not being goods which at the time of the completion of the process are the property of the person applying the process.

(2) Regulations made for the purposes of the foregoing subsection may include provision—

(*a*) for prescribing the form of any document to be given under the regulations and the particulars to be stated in it, and for requiring it to be given within such time as may be fixed by or under the regulations;

(*b*) for imposing on a person to whom any document is required to be given in connection with a transaction entered into in the course of his business an obligation to ask for it in the event of any failure to give it and, if the failure continues, to report that fact to the prescribed person;

(*c*) for requiring a person to whom any document is given as aforesaid in accordance with the regulations to keep it for the prescribed time, and for requiring a person giving any document as aforesaid in accordance with the regulations to keep a copy of it for the prescribed time;

(*d*) for any incidental or supplementary matters.

(3) An officer of Customs and Excise, if it appears to him necessary for the protection of the revenue against mistake or fraud, may at any time take, from the goods in the possession of any person in the course of a business which includes the manufacture or sale of purchase tax goods, such samples as the officer may require with a view to determining how the goods or the materials of which they are made ought to be or to have been treated for purposes of purchase tax.

(4) Any sample taken under this section shall be disposed of and accounted for in such manner as the Commissioners may direct.

PART II —*cont.*

(5) Where a sample is taken under this section from the goods in any person's possession and is not returned to him within a reasonable time and in good condition, the Commissioners shall pay him by way of compensation a sum equal to the cost of the article to him or such larger sum as they may determine.

(6) The expenses of the Commissioners under the last foregoing subsection shall be defrayed out of moneys provided by Parliament.

(7) In this section the expression " purchase tax goods " means goods of any description for the time being included in Part I of the Eighth Schedule to the Finance Act, 1948, as amended, whether chargeable goods or not; and for the purposes of this section the question whether any goods are purchase tax goods—

(*a*) in relation to the giving of an invoice or similar document in connection with a sale of those goods, shall be determined as at the time when they are delivered in pursuance of the sale; and

(*b*) in relation to the giving of an invoice or similar document in connection with a contract for the application of a process of manufacture resulting in those goods, shall be determined as at the time when the process is completed.

PART III

INCOME TAX

Charge of income tax for 1952–53.

13. Income tax for the year 1952-53 shall be charged at the standard rate of nine shillings and sixpence in the pound and, in the 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.

Alterations in existing personal reliefs, etc.

14.—(1) Section two hundred and twenty of the Income Tax Act, 1952 (which relates to the reduced rate relief), shall be amended as follows:—

(*a*) for the references to fifty pounds and to two hundred pounds respectively there shall be substituted references to one hundred pounds and to one hundred and fifty pounds, and accordingly for the references to one hundred pounds and to four hundred pounds respectively there shall be substituted references to two hundred pounds and to three hundred pounds; and

(*b*) at the end of paragraph (*b*) of subsection (1) there shall be added the words " together with an additional deduction, where the excess is greater than the tax referred to in sub-paragraph (ii) of this paragraph, equal to

PART III —*cont.*

four-nineteenths of the difference or to four-nineteenths of the tax at the standard rate on one hundred and fifty pounds, whichever is the less"; in subsection (4) for the second reference to subsection (1) there shall be substituted a reference to sub-paragraph (ii) of paragraph (*b*) of subsection (1); and after subsection (4) there shall be inserted the following subsection:—

"(4A) Where the earned income of the wife available for relief under the said subsection (1) exceeds two hundred and fifty pounds, a reference to one hundred and fifty pounds plus the amount of the excess or to three hundred pounds, whichever is the smaller, shall be substituted in the said subsection (1) for the second reference to one hundred and fifty pounds:

Provided that where the other income available for relief under the said subsection (1) does not exceed two hundred and fifty pounds, this subsection shall not apply, and where the said other income exceeds two hundred and fifty pounds and falls short of four hundred pounds, the amount references to which are to be substituted as aforesaid under this subsection shall be diminished by the amount of the deficiency."

(2) In section two hundred and ten of the said Act (which relates to personal reliefs) for the references to one hundred and ten pounds and one hundred and ninety pounds there shall be substituted references to one hundred and twenty pounds and to two hundred and ten pounds.

(3) In sections two hundred and twelve and two hundred and thirteen of the said Act (which relate to relief in respect of children) for the references to seventy pounds there shall be substituted references to eighty-five pounds.

(4) In paragraph (*b*) of subsection (3) of section two hundred and twelve of the said Act (which relates to relief in respect of children undergoing training) for the reference to thirteen pounds there shall be substituted a reference to twenty-six pounds.

(5) In section two hundred and eleven of the said Act (which relates to the earned income and old age reliefs) for the words "one-fifth" in both places there shall be substituted the words "two-ninths", and for the reference in subsection (1) to four hundred pounds there shall be substituted a reference to four hundred and fifty pounds; and in subsection (2) of section two hundred and ten (which relates to the additional personal relief on a wife's earned income) for the words "four-fifths" there shall be substituted the words "seven-ninths".

PART III —*cont.*

(6) In section two hundred and sixteen of the said Act (under which a relief is given to a person maintaining a dependent relative with a total income not exceeding one hundred and thirty pounds a year, but the relief is reduced where the relative's total income exceeds eighty pounds a year) a reference to one hundred and thirty-five pounds shall be substituted for the reference to one hundred and thirty pounds, and a reference to eighty-five pounds for the reference to eighty pounds.

(7) The changes effected by this section shall not be deemed to have affected the amounts of tax deductible or repayable under section one hundred and fifty-seven of the said Act before the eighth day of June, nineteen hundred and fifty-two, but nothing in this subsection shall prevent the resulting under-deductions, over-deductions, under-repayments and over-repayments of tax from being adjusted subsequently by means of increased or diminished deductions or repayments under the said section one hundred and fifty-seven, or, if need be, by an assessment.

Relief for small incomes.

15.—(1) Subject to the provisions of this section a claimant, if he proves that his total income for the year of assessment does not exceed two hundred and fifty pounds, shall be entitled to a deduction from the amount of income tax with which he is chargeable equal to tax at the standard rate on two-ninths of the amount of that income.

(2) Subject as aforesaid a claimant not entitled to relief under the foregoing subsection, if he proves that his total income does not exceed three hundred and fifty pounds, shall be entitled to have the amount of the income tax payable in respect of his total income reduced, where necessary, so as not to exceed a sum equal to the aggregate of the two following amounts, that is to say, the amount of the tax which would have been payable if his total income had amounted to, but had not exceeded, two hundred and fifty pounds and two-fifths of the amount by which his total income exceeds two hundred and fifty pounds.

(3) A claimant shall not be entitled to relief under this section if he is entitled to relief under subsection (2) of section two hundred and eleven of the Income Tax Act, 1952 (which relates to old age relief), and any relief under this section shall be in substitution for and not in addition to relief under subsection (1) of the said section two hundred and eleven (which relates to earned income relief).

(4) The Income Tax Act, 1952, and in particular Part VIII thereof, shall have effect as if the foregoing provisions of this section were substituted for section two hundred and nine of that Act:

Provided that a reference to subsection (1) of this section shall be included among the sections referred to in subsection (1) of

PART III —*cont.*

section two hundred and twenty of that Act and among those referred to in subsection (4) of section two hundred and twenty-five of that Act, and subsection (2) of section three hundred and fifty-eight of that Act shall apply in relation to relief under this section as it applies in relation to relief under subsection (2) of section two hundred and eleven of that Act.

Extension of provisions relating to W.R.N.S. to its reserves.

16. In paragraph 2 of the Tenth Schedule to the Income Tax Act, 1952 (which lists the women's services treated in the same way as the armed forces for the purposes of tax deduction under the pay-as-you-earn system and for the purposes of certain exemptions), after the words " Women's Royal Naval Service " there shall be inserted the words " or any reserve thereof ", and any regulations in force for the purposes of section one hundred and fifty-seven of that Act at the passing of this Act shall have effect accordingly.

Korea gratuity.

17. Sums paid or payable to or in respect of members of the armed forces of the Crown, or to or in respect of women serving in any of the capacities mentioned in the Tenth Schedule to the Income Tax Act, 1952, on account of the Korea gratuity, in pursuance of the scheme for payment of that gratuity announced on behalf of His Majesty's Government in the United Kingdom on the fourth day of October, nineteen hundred and fifty-one, shall not be regarded as being or having been income for any income tax purposes.

Sources of income taxable under Case III, IV or V of Schedule D which are disposed of or cease to yield income.

18.—(1) Subject to the provisions of this section, if in the year 1952-53 or any subsequent year of assessment a person charged or chargeable in respect of any profits or income chargeable under Case III, IV or V of Schedule D ceases to possess any particular source of any such profits or income or any part of any such source, the following provisions shall apply to the income tax in respect of the profits or income from that source or part:—

(*a*) notwithstanding anything in subsection (3) of section one hundred and thirty-one or subsection (1) of section one hundred and thirty-four of the Income Tax Act, 1952, the tax shall for that year and (if necessary) for the preceding year be computed separately;

(*b*) subject to the following paragraph, the tax shall for that year be computed on the amount of the profits or income arising within the year (instead of the profits or income arising within the preceding year), and shall for that preceding year also be computed on the amount of the profits or income arising within it if greater than the amount on which tax is to be computed for that preceding year apart from this provision;

(*c*) if no profits or income arose within those two years, and the person charged or chargeable makes a claim under

this section not later than twelve months after the end of them, then subject to the following subsections—

(i) the two foregoing paragraphs shall apply to the year of assessment in which profits or income did last arise and the year preceding it as apart from this paragraph they would apply to the year in which he ceases to possess the source or part and the year preceding it; and

(ii) tax shall not for the year of assessment following that in which profits or income did last arise be chargeable on the amount of the profits or income so arising.

(2) A person shall not be entitled by virtue of paragraph (*c*) of the foregoing subsection to make a claim under this section in respect of any source of profits or income or any part of such a source more than seven years after the end of the year of assessment in which profits or income last arose from that source; but, subject to the following subsections, a person possessing a source of profits or income chargeable under Case III, IV or V of Schedule D, and having possessed it for six consecutive years of assessment without any profits or income arising from it, shall be entitled (if profits or income did arise from it in the year preceding those six years) to make a claim under this section not later than twelve months after the end of those six years, and if he does so—

(*a*) the foregoing subsection shall apply as if he had ceased to possess the source of income immediately before the end of those six years; and

(*b*) proviso (*b*) to subsection (3) of section one hundred and thirty-one or subsection (3) of section one hundred and thirty-four of the Income Tax Act, 1952, shall apply (in relation to later years of assessment) as if he had acquired the source as a new source immediately after the end of those six years.

(3) A person shall not be entitled to make a claim under this section in respect of any source of profits or income from which profits or income last arose before the year 1951-52 or in respect of a part of any such source.

(4) Where income in respect of which a person has previously been charged or chargeable under Case IV or V of Schedule D becomes at any time chargeable to income tax by deduction under the provisions of Chapter IV of Part VII of the Income Tax Act, 1952, this section shall apply as if the security or possession in question were a source of income which he ceased to possess at that time.

(5) References in this section to income arising shall, in cases where income tax is to be computed by reference to the amount of income received in the United Kingdom, be construed as references to income being so received.

PART III —*cont.*

(6) This section shall not apply—

(*a*) to tax in respect of the property in hereditaments or heritages to which section one hundred and eighty-two of the Income Tax Act, 1952, applies (which section relates to tithes, manorial incidents, etc.); or

(*b*) to tax in respect of small maintenance payments within the meaning of Chapter VII of Part VII of the Income Tax Act, 1952; or

(*c*) to tax in respect of income to which subsection (1) of section four hundred and thirty of the Income Tax Act, 1952, applies (which section relates to the taxation of investment income of certain life assurance companies).

(7) There shall be made all such adjustments, whether by way of repayment of tax, additional assessment or otherwise, as may be necessary to give effect to this section, and notwithstanding anything in the Income Tax Act, 1952, any adjustment to give effect to a claim under this section may be made at any time.

(8) The provisions of the Sixth Schedule to the Income Tax Act, 1952, shall apply to any claims made under this section:

Provided that—

(*a*) any such claim shall be made in such form as the Commissioners of Inland Revenue may direct and shall be delivered to the surveyor;

(*b*) where a surveyor objects to any such claim, it shall be heard and determined by the Commissioners concerned in like manner as in the case of an appeal against an assessment under Schedule D, and the provisions of the Income Tax Act, 1952, relating to the statement of a case for the opinion of the High Court on a point of law shall apply;

(*c*) 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 paragraph (*b*) of this proviso shall have effect accordingly.

(9) A person's executors or administrators may make any claim under this section which he might have made, if he had not died, in respect of any source of profits or income or part of such a source which he ceased to possess before his death, and may also make a claim under this section in respect of sources of profits or income which he ceased to possess by dying, and after a person's death—

(*a*) any tax paid by him and repayable by virtue of a claim under this section (whether made by him or by his executors or administrators) shall be repaid to his executors or administrators; and

(*b*) any additional tax chargeable by virtue of such a claim shall be assessed and charged upon his executors or administrators and shall be a debt due and payable out of his estate.

Expenditure by mining concerns on abortive exploration.

19.—(1) Subject to the provisions of this section, where the person carrying on a trade which consists of or includes the working of any mine, oil well or other source of mineral deposits of a wasting nature incurs expenditure in connection with that trade on searching for, or on discovering and testing, the mineral deposits of any source or winning access thereto, but gives up the search, exploration or inquiry upon which the expenditure is incurred without having carried on any trade which consists of or includes the working of the source in question, then in computing for the purposes of income tax the profits or gains or losses of the trade in connection with which the expenditure is incurred there shall be allowed a deduction of an amount equal to the amount of that expenditure as if it were expenses incurred for the purpose of the trade at the time when he gives up the search, exploration or inquiry.

(2) This section shall not apply—

(*a*) to expenditure incurred before the beginning of the year 1952-53; or

(*b*) to expenditure incurred in the course of a trade which consists of or includes the searching for, discovering and testing of mineral deposits and winning access thereto, if it is expenditure which is, apart from this section, allowed to be deducted in computing, for the purposes of income tax, the profits or gains of that trade; or

(*c*) to any other expenditure incurred by a person in connection with a source, unless it would have been expenditure to which Chapter III of Part X of the Income Tax Act, 1952, applies if he had begun working the source in the course of a trade at the time when he gives up the search, exploration or inquiry;

and the same expenditure shall not be taken into account for the purposes of this section in relation to more than one trade.

(3) The foregoing provisions of this section shall not affect the right to any deduction or allowance under any other provision of the Income Tax Acts, but—

(*a*) a person shall not be entitled to a deduction or allowance in respect of the same expenditure both under this section and under some other provision of those Acts; and

(*b*) subsection (2) of section three hundred and nine of the Income Tax Act, 1952 (which enables a person working

PART III —*cont.*

a source of mineral deposits to receive an allowance in respect of expenditure on the exploration of that source incurred by a person who did not work it), shall not apply to expenditure in respect of which a deduction has been allowed under this section.

(4) The Income Tax Act, 1952, shall have effect, and this section shall be construed, as if this section were contained in Chapter III of Part X of that Act.

Expenditure by mining concerns on machinery and plant used for exploration.

20.—(1) Notwithstanding paragraph (iii) of the proviso to subsection (1) of section three hundred and five of the Income Tax Act, 1952 (which excludes expenditure on machinery or plant from the expenditure for which allowances may be made under Chapter III of Part X of that Act), the expenditure on searching for or on discovering and testing mineral deposits, or winning access thereto, to which the said Chapter III applies shall, subject to the other provisions of that Chapter and of this section, include expenditure on machinery or plant, and the said Part X shall have effect accordingly:

Provided that this section and the said Part X shall have effect subject to the provisions of the Fifth Schedule to this Act.

(2) Notwithstanding anything in the foregoing subsection, where in any year of assessment (including a year before the year 1952-53) a machinery or plant allowance is or has been made in respect of any expenditure, that expenditure shall not by virtue of this section be treated in relation to that or any subsequent year of assessment as expenditure to which the said Chapter III applies.

In this subsection "machinery or plant allowance" means an initial allowance under Chapter II of Part X of the Income Tax Act, 1952, or under section fifteen of the Income Tax Act, 1945, or an annual allowance within the meaning of the said Chapter II.

(3) Where an allowance under the said Chapter III is made in respect of expenditure to which that Chapter applies by virtue of this section, then for the purposes of the said Chapter II the amount of that expenditure (whether it is the whole or part only of the capital expenditure on the machinery or plant in question) shall be taken to be equal only to the amount of any residue of that expenditure immediately after the making of the allowance or last allowance in respect thereof under the said Chapter III, and the cost of the machinery or plant shall be treated as correspondingly reduced.

(4) The Income Tax Act, 1952, shall have effect, and this section shall be construed, as if this section were contained in Chapter III of Part X of that Act.

PART III —*cont.* Expenditure by mining concerns on acquisition of land outside the United Kingdom.

21.—(1) Subject to the provisions of this section, capital expenditure incurred by any person in connection with the working of a mine, oil well or other source of mineral deposits of a wasting nature under a foreign concession, being expenditure on the acquisition of land outside the United Kingdom which is to be used in connection with the working of the source and is likely to become valueless when the concession comes to an end to the person working the source immediately before the concession comes to an end, shall, notwithstanding anything in section three hundred and five of the Income Tax Act, 1952, be expenditure to which Chapter III of Part X of that Act applies, and Part X of that Act shall have effect accordingly:

Provided that this section and the said Part X shall have effect subject to the provisions of the Fifth Schedule to this Act.

(2) This section shall not apply—

(*a*) to expenditure which, apart from this section, is expenditure to which the said Chapter III applies; or

(*b*) to expenditure on machinery or plant, or on any asset which has been treated for any year of assessment as machinery or plant; or

(*c*) to expenditure on the acquisition of a building or structure for use in connection with the working of a source of mineral deposits, in so far as the expenditure is attributable to the building or structure and not to its site, if—

(i) the building or structure when so used is an industrial building or structure within the meaning of Chapter I of the said Part X; and

(ii) the interest acquired is the relevant interest within the meaning of that Chapter in relation to the capital expenditure incurred on the construction of that building or structure.

(3) The reference in paragraph (*a*) of subsection (6) of section three hundred and ten of the Income Tax Act, 1952, to expenditure which, apart from that section, is expenditure to which the said Chapter III applies shall be construed as if this section had not been passed.

(4) In no case shall the amount on which a balancing charge is made upon a person be increased by virtue of the provisions of this section by more than the total amount by which annual allowances made to that person are increased by virtue thereof.

(5) The Income Tax Act, 1952, shall have effect, and this section shall be construed, as if this section were contained in Chapter III of Part X of that Act.

PART III —*cont.*

Contributions by mining concerns to public services, etc., outside the United Kingdom.

22.—(1) Subject to the provisions of this section, where a person for the purposes of a trade carried on by him which consists of or includes the working of a mine, oil well or other source of mineral deposits of a wasting nature outside the United Kingdom, incurs expenditure by contributing a capital sum to the cost of—

(*a*) buildings to be occupied by persons employed at or in connection with the working of that source; or

(*b*) works for the supply of water, gas or electricity wholly or mainly to buildings occupied or to be occupied by persons so employed; or

(*c*) works to be used in providing other services or facilities wholly or mainly for the welfare of persons so employed or their dependants;

and the buildings or works are likely to be of little or no value when the source is no longer worked, then for each of the ten relevant years of assessment there shall be made to him an allowance equal to one tenth of that expenditure.

(2) This section shall not apply—

(*a*) to expenditure incurred before the beginning of the year 1952-53; or

(*b*) to expenditure resulting in the acquisition of an asset by the person incurring the expenditure; or

(*c*) to expenditure in respect of which an allowance may be made under any other provision of the Income Tax Acts (or might be so made if this section had not been passed).

(3) If a person who has incurred expenditure to which this section applies in connection with any source of mineral deposits sells his interest in that source to a person who buys it for the purpose of a trade carried on or to be carried on by him, being a trade which consists of or includes the working of that source, then—

(*a*) no allowance in respect of that expenditure shall be made to the first mentioned person for any year of assessment after that in the basis period for which the sale takes place and the allowance (if any) to be made to him for the last mentioned year shall be the fraction of the full allowance which the part of the basis period before the sale is of the whole basis period; and

(*b*) the second mentioned person shall be entitled to the remainder of the allowance for the last mentioned year of assessment, and shall be treated for any remaining year of the ten relevant years of assessment as having

incurred for the purposes of the said trade and in connection with the said source expenditure to which this section applies of an amount equal to that incurred by the first mentioned person.

(4) If a person who has incurred expenditure to which this section applies in connection with any source of mineral deposits sells his interest in part of that source to a person who buys it for the purpose of a trade carried on or to be carried on by him, being a trade which consists of or includes the working of that part of the source, then the last foregoing subsection shall apply to so much of the expenditure as is referable to that part of the source as it would apply to the whole of the expenditure on a sale extending to the whole of the source, and any allowance in respect of the expenditure shall be apportioned accordingly.

(5) For the purposes of this section the ten relevant years of assessment, in relation to any expenditure to which this section applies, are the year of assessment in the basis period for which the expenditure was incurred by the person making the contribution in question, and each of the nine succeeding years of assessment.

(6) The Income Tax Act, 1952, shall have effect, and this section shall be construed, as if the foregoing provisions of this section were contained in Chapter III of Part X of that Act.

(7) In sub-paragraph (1) of paragraph 1 of Part I of the Eighth Schedule to the Finance Act, 1947 (which lists certain income tax allowances which are to be made also for the purposes of the profits tax), there shall be inserted after paragraph (*d*) the following paragraph:—

" (*e*) an allowance under section twenty-two of the Finance Act, 1952 (which provides for allowances in the case of certain contributions by mining concerns to public services outside the United Kingdom) ".

Fees and expenses in connection with unsuccessful applications for patents.

23. The following provisions of the Income Tax Act, 1952 (which provide for a deduction or allowance in respect of fees paid and expenses incurred in obtaining a patent), that is to say,—

(*a*) section one hundred and thirty-nine (which relates to payments made for the purposes of a trade); and

(*b*) subsection (1) of section three hundred and twenty (which relates to payments not so made);

shall have effect in relation to fees paid or expenses incurred in connection with any application for a patent where the application has been rejected or abandoned, as they would have effect in relation to those fees or expenses if the patent had been granted.

PART III —*cont.*

Amendments as to allowances, etc., in respect of machinery or plant and patent rights.

24. The provisions of the Sixth Schedule to this Act shall have effect in relation to allowances, deductions and charges under Chapter II of Part X of the Income Tax Act, 1952, in respect of machinery and plant and under Chapter V of the said Part X in respect of patent rights.

Allowances for buildings, etc., of tunnel undertakings.

25.—(1) Subject to the following subsections, the Income Tax Act, 1952, shall have effect as if in subsection (1) of section two hundred and seventy-one (which defines "industrial building or structure" to mean a building or structure in use for the purposes listed in paragraphs (*a*) to (*f*) of the subsection) for the words "or hydraulic power undertaking" in paragraph (*b*) there were substituted the words "hydraulic power or tunnel undertaking".

(2) No allowance or charge shall be made by virtue of this section for any year of assessment earlier than the year 1952-53, and in any case in which, on the day immediately preceding any such year of assessment, a building or structure is to be treated as an industrial building or structure by virtue only of this section, subsection (5) of section two hundred and sixty-eight of the Income Tax Act, 1952 (which provides for treating part of the expenditure on a building or structure as written off in years in which no annual allowance or scientific research allowance is made in respect of it), shall apply with the omission of proviso (*a*) (which excludes the operation of the subsection in the case of industrial buildings and structures).

(3) This section shall not affect any allowance or charge which would have been made under Part X of the Income Tax Act, 1952, if this section had not been passed, and where by virtue of this section a balancing charge is made on a person in respect of any expenditure, the amount on which it is made shall not exceed the amount of the allowances made to him in respect of that expenditure by virtue of this section.

Tied premises.

26.—(1) In computing for the purposes of income tax the profits or gains or losses of a trade carried on by a lessor of tied premises—

(*a*) there shall be taken into account as a trading receipt any untaxed rent payable for the premises to him, and there shall be allowed as a deduction any untaxed rent paid for the premises by him; but

(*b*) no deduction shall be allowed in respect of the premises either by reference to his being entitled to a rent for the premises less than the rent which might have been obtained (or less than the annual value of, or the rent payable by him for, the premises) or, subject to the foregoing paragraph, in respect of the rent or annual value of the premises.

(2) For the purposes of this section, premises shall be deemed to be tied premises in relation to any lessor thereof and in relation to any trade carried on by him, if but only if in the course of that trade he is concerned, whether as principal or agent, in the supply of goods sold or used on the premises, and accordingly deals with the premises or his interest therein as property employed for the purposes of that trade, and " the relevant trade " in relation to any tied premises and to any lessor thereof means any trade carried on by him in relation to which they are tied premises.

(3) Where part only of premises in respect of which rent is paid by or payable to a lessor of the premises are tied premises in relation to him, the rent paid or payable for the tied premises shall for the purposes of this section be taken to be that part of the entire rent which on a fair and just apportionment is attributable to them.

(4) References in this section to untaxed rent do not include any part of the rent under a long lease ; but where—

(*a*) the amount of any payment of rent for tied premises which is payable under a short lease by the occupier exceeds the Schedule A assessment on the premises or, if the payment is for a period less than a year, a proportionate part of that assessment ; or

(*b*) the amount of any payment of rent for tied premises which is payable under a short lease otherwise than by the occupier exceeds the amount which, if charged to tax at the standard rate, would yield a sum of tax equal to the Schedule A deduction from the payment ;

then a part of the payment equal to the excess is to be treated as untaxed rent for the purposes of this section.

(5) For the purposes of paragraph (*a*) of the last foregoing subsection—

(*a*) " the Schedule A assessment " means, in relation to any payment of rent for any premises, the amount of the assessment on those premises under Schedule A for the year when the payment becomes due, as reduced for the purpose of collection, (or, if the premises are for that year comprised in the same unit of assessment as other land, a proportionate part of the assessment on the unit for that year, as so reduced) ; and

(*b*) in the case of a payment of rent for a period extending into more than one year of assessment, the part accruing during each of those years shall be treated as a separate payment becoming due in that year, if the amount of the Schedule A assessment on the premises is not the same for each year ;

PART III —*cont.*

and for the purposes of paragraph (*b*) of that subsection " the Schedule A deduction " means, in relation to any payment of rent, the amount (if any) of the tax deductible from the payment under section one hundred and seventy-four of the Income Tax Act, 1952, or the corresponding provision repealed by that Act (assuming, if it is not so, that all payments of rent and tax and all deductions of tax from rent have been made in due course), and " the standard rate " means the rate at which tax is or was deductible.

(6) Subject to the next following subsection, a lessor of tied premises who is chargeable to tax for any year of assessment in respect of the profits or gains of the relevant trade shall not be liable for that year (or for the part of it during which he carries on the said trade) to any tax in respect of the premises under section one hundred and seventy-five or one hundred and seventy-six of the Income Tax Act, 1952 (which sections provide for taxing excess rents arising under short leases).

(7) Where for any year of assessment or part of such a year a lessor of tied premises is chargeable with tax either—

(*a*) under section one hundred and seventy-five of the Income Tax Act, 1952, in respect of land comprised in the same unit of assessment as the tied premises; or

(*b*) under section one hundred and seventy-six of that Act in respect of land comprised in the same lease as the tied premises (being a lease the rent under which is payable to him);

but is by virtue of the last foregoing subsection relieved of liability to tax in respect of the tied premises under the section in question, his liability under that section shall in the first instance be computed as if this section had not been passed, but his total liability (so computed) in respect of the land comprised in the unit of assessment or in the lease, as the case may be, shall be reduced by the part which on a fair and just apportionment is attributable to the tied premises for the period for which he is so relieved of liability in respect of them.

(8) In the case of tied premises outside the United Kingdom—

(*a*) subsection (1) of this section shall apply with the omission of the word " untaxed " wherever occurring; and

(*b*) the lessor if he is chargeable to tax for any year of assessment in respect of the profits or gains of the relevant trade shall not be liable for that year (or for the part of it during which he carries on the said trade) to tax under Case V of Schedule D in respect of any rent for the premises.

PART III —*cont.*

(9) Where the person carrying on a trade is, in the case of any premises, entitled in equity to the interest of any lessor of those premises, then in relation to that person subsections (1) to (5) of this section shall apply as if he were the lessor of the premises and as if any rent payable to or paid by the lessor were payable to or paid by him, and in relation to the lessor of the premises subsections (6) and (7) (or, in the case of premises outside the United Kingdom, paragraph (*b*) of subsection (8)) shall apply as they would apply to the person carrying on the trade if the lessor's interest in the premises and in any other relevant land were vested in him.

(10) In this section, " lease ", " lessor ", " long lease ", " short lease " and " unit of assessment " mean the same as in Chapter II of Part VII of the Income Tax Act, 1952.

Removal of limit of time for carrying forward of losses and management expenses.

27.—(1) In section three hundred and forty-two of the Income Tax Act, 1952 (which permits trading and other losses to be carried forward for six years)—

(*a*) in subsection (1), for the words " for the six following years of assessment " there shall be substituted the words " for subsequent years of assessment "; and

(*b*) in subsection (3), the words " for any year within the said six following years " and the word " such " shall be omitted,

and the other provisions of Part XII of the said Act shall have effect accordingly.

(2) In section three hundred and forty-six of the said Act (which permits losses on certain transactions falling within Case VI of Schedule D to be carried forward for six years)—

(*a*) in subsection (1) for the words " any of the six following years of assessment " there shall be substituted the words " any subsequent year of assessment "; and

(*b*) in subsection (3), the words " within the said six following years " shall be omitted.

(3) In subsection (2) of section four hundred and twenty-five of the said Act (which allows management expenses to be carried forward for relief purposes for six years) for the words " for any of the six years of assessment next following " there shall be substituted the words " for any subsequent year of assessment ", and section four hundred and thirty-eight of that Act shall have effect accordingly.

(4) This section applies to—

(*a*) losses or expenses incurred after the beginning of the year 1952-53; and

PART III —*cont.*

(*b*) so much of any loss or expense incurred before the beginning of the said year as could, apart from this section, be carried forward to the said year; and

(*c*) so much of any losses incurred before the end of the year 1946-47 as could, by virtue of subsection (1) of section twenty-two of the Finance (No. 2) Act, 1945, have been carried forward to the year 1952-53, if the relevant years, as defined in the said subsection (1), had included the year 1946-47,

but does not apply to any other losses or expenses, and so much of the proviso to subsection (2) of section five hundred and thirty-one of the Income Tax Act, 1952, as relates to the application of that section to sections three hundred and forty-two, three hundred and forty-five, three hundred and forty-six, four hundred and twenty-five and four hundred and thirty-eight of that Act shall have effect subject to the provisions of this subsection.

Rents for easements for wires etc. of radio relay services.

28.—(1) Subsection (2) of section one hundred and eighty of the Income Tax Act, 1952 (which relates to rents in respect of easements enjoyed in connection with electric, telegraphic or telephonic wires or cables), shall be amended by the addition at the end of the proviso thereto of the following paragraph—

"and

(*c*) any payment of rent to which this subsection applies which is made subject to deduction of tax shall, if it is paid by a person carrying on a trade which consists of or includes the provision of a radio relay service and the wire or cable in question is used by that person for the purposes of that service—

(i) be deductible (notwithstanding anything in paragraph (*n*) of section one hundred and thirty-seven of this Act) in computing the amount of the profits or gains of the trade to be charged under Case I of Schedule D; and

(ii) be deemed for the purposes of sections one hundred and sixty-nine and one hundred and seventy of this Act not to be payable out of profits or gains brought into charge to tax",

and in subsection (3) of the said section one hundred and eighty, after the definition of "rent", there shall be inserted the following definition—

"'radio relay service' means the retransmission by wire to their customers of broadcast programmes (which may

PART III —*cont.*

or may not be television programmes) which the persons carrying on the service receive either by wire or by wireless from the British Broadcasting Corporation or from the persons outside the United Kingdom who broadcast the programmes in question ".

(2) In section three hundred and forty-five of the Income Tax Act, 1952 (which allows assessments under section one hundred and seventy of that Act to be allowed as losses for certain purposes), at the end of subsection (2) thereof (which specifies certain payments to which the said section three hundred and forty-five shall not apply) there shall be added the following paragraph—

" or

(*d*) any such payment of rent as is referred to in paragraph (*c*) of the proviso to subsection (2) of section one hundred and eighty of this Act ".

(3) Section twenty-seven of the Finance Act, 1950, and section nineteen of the Finance Act, 1928, (being the provisions respectively corresponding, in the enactments repealed by the Income Tax Act, 1952, to the relevant portions of section one hundred and eighty, and to section three hundred and forty-five of that Act) shall, as respects tax for years of assessment before the year 1952-53, have effect and be deemed always to have had effect as if there had been made in them (with the necessary adaptations of wording and in particular with the necessary adaptations of the references to other enactments) the amendments which are directed by subsections (1) and (2) of this section to be made in sections one hundred and eighty and three hundred and forty-five of the Income Tax Act, 1952, and all such assessments, additional assessments, withdrawals or reductions of assessments and repayments of tax shall be made as are necessary to give effect to this subsection:

Provided that nothing in this subsection affects tax for any year of assessment before the year 1950-51.

Reserves of marketing boards.

29.—(1) Where a marketing board to which this section applies carries on a trade which includes the buying and selling of the board's commodity, and the board is required in connection with arrangements for maintaining guaranteed prices to producers of that commodity to pay the whole or part of any surplus derived from dealings in the commodity into a reserve fund satisfying the conditions of the next following subsection, then—

(*a*) in computing for the purposes of income tax the profits or gains or losses of the said trade there shall be allowed as deductions any sums required to be paid by the

PART III —*cont.*

board into the reserve fund out of the profits or gains of the trade, and there shall be taken into account as trading receipts any sums withdrawn by the board from the fund except in so far as the sums withdrawn are required to be paid to a Minister of the Crown or Government department or are distributed to producers of the board's commodity; and

(*b*) in computing for the purposes of income tax the profits or gains or losses of a trade carried on by any person there shall be taken into account as a trading receipt any payment made to him on a distribution by the board to producers of the board's commodity of sums withdrawn from the fund.

(2) The conditions to be satisfied by the reserve fund are—

(*a*) that no sum may be withdrawn from it by the board without the authority or consent of a Minister of the Crown or Government department; and

(*b*) that, where money has been paid to the board by a Minister of the Crown or Government department in connection with the arrangements for maintaining guaranteed prices to producers of the board's commodity, sums afterwards standing to the credit of the fund are required to be applied in whole or in part in repaying that money; and

(*c*) that the sums standing to the credit of the fund and not otherwise applied become, at intervals fixed by or under any scheme or arrangements approved by or made with a Minister of the Crown or Government department, available for distribution to producers of the board's commodity.

(3) In this section—

(*a*) " marketing board to which this section applies " means any body of persons established by or under any enactment and having for its object or one of its objects to regulate in the interests of producers in the United Kingdom or any class of them the marketing of a particular commodity, and " the board's commodity " refers to that commodity;

(*b*) " required " means required by or under any scheme or arrangements approved by or made with a Minister of the Crown or Government department;

(*c*) " Minister of the Crown or Government department " includes a Minister of the Crown or Government department in Northern Ireland;

PART III —*cont.*

(*d*) " producer " includes a person who produces one type or quality of the commodity from another and (except in so far as the context otherwise requires) a person who has been a producer and the personal representatives of a producer who has died.

(4) For the purposes of paragraph (*b*) of subsection (1) of this section, a payment made to a person in respect of a trade he has ceased to carry on, and a payment made to a person's personal representatives but referable to his having carried on the trade in respect of which it is made, shall be treated as if it had been made to him on the last day on which he was engaged in carrying on the trade.

(5) This section shall have effect as respects the year 1950-51 and any subsequent year of assessment.

Priority in bankruptcy, winding up etc. of employers' liability for tax deducted.

30.—(1) There shall be included among the debts which under section thirty-three of the Bankruptcy Act, 1914, are to be paid in priority to all other debts in the distribution of the property of a bankrupt or person dying insolvent any sums due at the relevant date from the bankrupt or person dying insolvent on account of tax deductions for the twelve months next before that date, and for the purposes of this subsection the expression " the relevant date " means the date of the receiving order or of the death, as the case may be.

(2) There shall be included among the debts which under section three hundred and nineteen of the Companies Act, 1948, are to be paid in priority to all other debts in the winding up of a company any sums due at the relevant date from the company on account of tax deductions for the twelve months next before that date, and for the purposes of this subsection the expression " the relevant date " has the meaning assigned to it by the said section three hundred and nineteen.

(3) Where a receiver is appointed on behalf of the holders of any debentures of a company secured by a floating charge, or possession is taken by or on behalf of those debenture holders of any property comprised in or subject to the charge, there shall be included among the debts which under section ninety-four of the Companies Act, 1948, are to be paid in priority to any claim for principal or interest in respect of the debentures any sums due at the relevant date from the company on account of tax deductions for the twelve months next before that date, and for the purposes of this subsection the expression " the relevant date " means the date of the appointment of the receiver or of possession being taken as aforesaid, as the case may be.

(4) References in this section to sums due from a person on account of tax deductions for any period refer to the amount of

PART III —*cont.*

the deductions of income tax from emoluments paid during the period which that person was liable to make by virtue of section one hundred and fifty-seven of the Income Tax Act, 1952 (or section one of the Income Tax (Employments) Act, 1943), less the amount of the repayments of income tax which that person was liable to make as aforesaid during the same period.

(5) Nothing in subsection (1), (2) or (3) of this section shall apply in a case where the relevant date for the purposes of the subsection in question is earlier than the date of the passing of this Act.

(6) In the application of this section to Scotland, the following subsection shall be substituted for subsection (1):—

"(1) There shall be included among the debts which, under section one hundred and eighteen of the Bankruptcy (Scotland) Act, 1913, are to be paid in priority to all other debts in the division of a bankrupt's estate, any sums due at the relevant date from the bankrupt on account of tax deductions for the twelve months next before that date, and for the purposes of this subsection the expression "the relevant date" means the date mentioned in subsection (4) of the said section one hundred and eighteen.";

and subsection (3) of this section shall not apply to a company registered in Scotland.

(7) In the application of this section to Northern Ireland, the following subsection shall be substituted for subsection (1):—

"(1) Section one of the Preferential Payments in Bankruptcy Act (Northern Ireland), 1933, shall have effect as if after paragraph (*f*) of subsection (1) there were added the following paragraph:—

"(*g*) any sums due at the date of the order of adjudication from the bankrupt on account of tax deductions for the twelve months next before that date (within the meaning of section thirty of the Finance Act, 1952);"

and for the purposes of this subsection the expression "the relevant date" means the date of the order of adjudication (or in a case to which subsection (6) or (8) of the said section one applies, the date substituted by that subsection for the date of the order of adjudication).";

and subsections (2) and (3) of this section shall have effect as if references to section two hundred and thirty-four and to section seventy-six of the Companies Act (Northern Ireland), 1932, were respectively substituted for references to section three hundred and nineteen and to section ninety-four of the Companies Act, 1948.

PART III —*cont.*

Surtax assessments.

31. No provision in regulations of the Commissioners of Inland Revenue for surtax to be assessed and charged by the Special Commissioners at an office or a particular office of theirs shall be taken to affect or to have affected the validity of any assessment to surtax, wherever made by them and whether made before or after the beginning of the year 1952-53.

Meaning of "Income Tax Acts".

32. In this Act and in any other Act passed after the commencement of the Income Tax Act, 1952, the expression "the Income Tax Acts", except in so far as the context otherwise requires, means the Income Tax Act, 1952, and any other enactments relating to income tax.

PART IV

PROFITS TAX

Relation of profits tax to income tax, rates of profits tax, etc.

33.—(1) The profits tax payable for any chargeable accounting period ending after the end of the year nineteen hundred and fifty-one shall not be allowed as a deduction in computing the profits or gains or losses of a trade or business for the purposes of income tax for the year 1951-52 or any subsequent year of assessment, and sums disbursed in discharge of profits tax for any such period shall not be treated as sums disbursed as expenses of management for the purposes of any income tax relief for any such year of assessment in respect of expenses of management.

(2) As respects the profits tax for any chargeable accounting period ending after the end of the year nineteen hundred and fifty-one, twenty-two and a half per cent. shall be substituted for fifty per cent. as the rate of any tax not being a distribution charge and twenty per cent. shall be substituted for forty per cent. as the rate of any relief for non-distribution.

(3) Where any accounting period of a body corporate, unincorporated society or other body falls partly before and partly after the end of the year nineteen hundred and fifty-one, the parts thereof falling before and after the end of the year shall be separate chargeable accounting periods for the purposes of the profits tax.

(4) The consequential and transitional provisions contained in the Seventh Schedule to this Act shall have effect in relation to the preceding provisions of this section.

Increase, in certain cases, of deductions allowable for directors' remuneration.

34. The following paragraph shall, as respects chargeable accounting periods ending after the end of the year nineteen hundred and fifty-one, be substituted for paragraph 11 of the Fourth Schedule to the Finance Act, 1937—

"**11.**—(1) In the case of a trade or business carried on in a chargeable accounting period by a company the directors whereof have a controlling interest therein, the deduction

PART IV —*cont.*

to be allowed in respect of the remuneration of the directors other than whole-time service directors shall not exceed whichever is the greatest of the following amounts, that is to say—

(*a*) fifteen per cent. of the profits arising from the trade or business in that period (computed before making any deduction in respect of the remuneration of the directors other than whole-time service directors); or

(*b*) two thousand five hundred pounds; or

(*c*) where, for more than half that period, there are two or more directors to whom sub-paragraph (2) of this paragraph applies, the amount specified in that sub-paragraph,

so, however, that in no case shall the deduction exceed fifteen thousand pounds.

(2) The directors to whom this sub-paragraph applies are any directors who are required to devote substantially the whole of their time to the service of the company in a managerial or technical capacity and are not whole-time service directors, and the amount referred to in paragraph (*c*) of sub-paragraph (1) of this paragraph is—

(*a*) four thousand pounds where, for more than half the chargeable accounting period, there are two (but not more than two) directors to whom this sub-paragraph applies;

(*b*) five thousand five hundred pounds where, for more than half the chargeable accounting period, there are three (but not more than three) such directors; and

(*c*) seven thousand pounds where, for more than half the chargeable accounting period, there are four or more such directors:

Provided that in no case shall the amount referred to in paragraph (*c*) of sub-paragraph (1) of this paragraph exceed the aggregate remuneration for the chargeable accounting period of all the directors to whom this sub-paragraph applies, reduced by the sum of the following amounts, that is to say—

(i) the amount, if any, by which the remuneration for the chargeable accounting period of the highest paid such director exceeds two thousand five hundred pounds;

PART IV —*cont.*

(ii) the respective amounts, if any, by which the remuneration for the chargeable accounting period of any other such director exceeds one thousand five hundred pounds,

so, however, that where the remuneration of the highest paid such director falls short of two thousand five hundred pounds the reduction required to be made by paragraph (ii) of this proviso shall be made only to the extent, if any, that it exceeds the deficiency.

In this paragraph, "the highest paid such director" means, where all such directors have the same remuneration, one such director and, where two or more such directors have the same remuneration and that remuneration is higher than that of the remaining such directors, one such director with that remuneration.

(3) In relation to a chargeable accounting period of less than twelve months, the references in the preceding provisions of this paragraph to two thousand five hundred pounds, fifteen thousand pounds, four thousand pounds, five thousand five hundred pounds, seven thousand pounds and one thousand five hundred pounds shall be construed as references to amounts which bear to those amounts respectively the same proportion as the length of the period bears to twelve months.

(4) Where, in respect of any chargeable accounting period of the trade or business of a company, the deduction which would otherwise be allowable in respect of the remuneration of the directors is decreased under the preceding provisions of this paragraph and the directors have a controlling interest in the company during part only of that period, the decrease which would, but for this sub-paragraph, fall to be made in that deduction shall be reduced so as to bear to the full amount thereof the same proportion as the said part of the period bears to the full length thereof."

Amendment of Finance Act, 1947, s. 40 (3).

35. Subsection (3) of section forty of the Finance Act, 1947 (which provided, among other things, that certain payments made by Area Electricity Boards to the British Electricity Authority should not be allowed as a deduction in computing the profits of the said boards for the purposes of the profits tax and should not be taken into account in computing the profits of the said authority for those purposes), shall apply, and be deemed always to have applied, in relation to Area Gas Boards, the Gas Council and payments of the like nature made by Area Gas Boards to the Gas Council, as it would apply to the first-mentioned boards,

PART IV —*cont.*

authority and payments but for section seventy-nine of the Finance Act, 1948 (under which profits tax is chargeable as if any trade or business carried on by an Area Electricity Board were part of the trade or business carried on by the British Electricity Authority).

PART V

THE EXCESS PROFITS LEVY

Principal provisions

Charge of the excess profits levy.

36.—(1) Where the profits for any chargeable accounting period of a body corporate which is carrying on a trade or business to which this Part of this Act applies exceed its standard profits, there shall, subject to the provisions of this Part of this Act, be charged on it in respect of the excess a tax (to be called the excess profits levy) equal to thirty per cent. of the excess.

(2) In the provisions of this Act relating to the excess profits levy, " chargeable accounting period " means, except where the context shows that the reference is to a chargeable accounting period for the purposes of the profits tax—

(*a*) any accounting period of the body corporate which falls wholly within the period of charge to the excess profits levy ; and

(*b*) so much of any accounting period of the body corporate falling partly within and partly outside the said period of charge as falls within the said period of charge,

and " the period of charge to the excess profits levy " means the period beginning with the first day of January, nineteen hundred and fifty-two, and ending with such day as Parliament may hereafter determine.

(3) In the provisions of this Act relating to the excess profits levy, " standard profits " means, in the case of any body corporate, its standard profits for a full year calculated in relation to the chargeable accounting period in question in accordance with the provisions of this Part of this Act in that behalf :

Provided that, in relation to a chargeable accounting period which is less than twelve months, the body corporate's standard profits shall be its standard profits for a full year proportionately reduced so as to correspond with the length of the period.

(4) The excess profits levy shall be charged in addition to income tax and the profits tax and, in computing any income, profits or losses for the purposes of income tax or the profits tax, no deduction shall be made on account of liability to pay, or payment of, the excess profits levy.

PART V —*cont.*

Scope of the excess profits levy.

37.—(1) Save as otherwise provided in this Part of this Act, the trades or businesses to which this Part of this Act applies are all trades or businesses of any description carried on in the United Kingdom by a body corporate or carried on, whether by itself or through an agent, by a body corporate ordinarily resident in the United Kingdom:

Provided that this Part of this Act does not apply to a trade or business carried on by a body corporate as the personal representative, or as one of the personal representatives, of a deceased person.

(2) Where the functions of a body corporate consist wholly or mainly in the holding of investments or other property, the holding of the investments or property shall be deemed for the purposes of the excess profits levy to be a business carried on by the body corporate.

(3) Save as otherwise expressly provided, all the trades or businesses to which this Part of this Act applies carried on from time to time by the same body corporate shall be treated, for the purposes of the excess profits levy, as one and the same trade or business, and references in the provisions of this Act relating to the excess profits levy to the trade or business of a body corporate shall be construed as references to all the trades or businesses to which this Part of this Act applies from time to time carried on by that body corporate.

(4) This Part of this Act does not apply to a trade or business carried on by a body corporate ordinarily resident in the United Kingdom if—

(*a*) apart from the central control and management of the body corporate, all the operations thereof forming part of the carrying on of its trade or business are carried on outside the United Kingdom; and

(*b*) the whole of its share capital is beneficially owned by a body corporate or bodies corporate not ordinarily resident in the United Kingdom; and

(*c*) at least nine-tenths of the share capital of that body corporate or, as the case may be, each of those bodies corporate is beneficially owned, whether directly or through a body corporate or bodies corporate, by individuals who are neither resident nor ordinarily resident in the United Kingdom;

and the provisions of Part I of the Fourth Schedule to the Finance Act, 1938, shall, with any necessary adaptations, apply for the purpose of determining under this subsection the ownership by an individual of share capital of a body corporate as they apply for the purpose of determining under section forty-two of the said Act the ownership by a body corporate of ordinary share capital of another body corporate.

PART V —*cont.*

Standard profits for a full year where trade or business commenced on or before 1 January, 1947.

38.—(1) Subject to the provisions of this Act, a body corporate's standard profits for a full year shall, where its trade or business commenced on or before the first day of January, nineteen hundred and forty-seven, be half its profits for the standard years.

(2) Where, after the beginning of the first of the standard years and before the end of the chargeable accounting period, the body corporate—

(*a*) receives any sum in cash in respect of any issue of share capital thereof; or

(*b*) pays any sum in cash by way of repayment of any of its share capital,

the amount arrived at under subsection (1) of this section shall be increased by twelve per cent. of the sum so received or, as the case may be, decreased by twelve per cent. of the sum so paid:

Provided that—

(i) in the case of a sum received or paid after the beginning of the first and before the end of the second of the standard years, the amount of the increase or decrease shall be reduced so as to bear to twelve per cent. of the sum received or paid the same proportion as the length of so much of the standard years as precedes the receipt or payment bears to two years; and

(ii) in the case of a sum received or paid during the chargeable accounting period, the amount of the increase or decrease shall be reduced so as to bear to twelve per cent. of the sum received or paid the same proportion as the length of the part of the chargeable accounting period subsequent to the receipt or payment bears to the full length of the chargeable accounting period.

(3) If, within the meaning of the provisions of this Act relating to the ascertainment of undistributed profits and over-distributions of profits for the purposes of the excess profits levy, there are undistributed profits or an over-distribution of profits of the body corporate for the period beginning with the relevant date (as defined in subsection (6) of this section) and ending twelve months before the end of the chargeable accounting period, the amount arrived at under subsections (1) and (2) of this section shall be increased by twelve per cent. of the amount of the said undistributed profits or, as the case may be, decreased by twelve per cent. of the amount of the said over-distribution of profits.

(4) A body corporate may, if it thinks fit, elect—

(*a*) that its profits for one of the two standard years (to be specified in the election) shall be taken for the purposes of subsection (1) of this section to have been

an amount equal to eight per cent. of the average amount of its paid-up share capital in that year; or

(*b*) that an amount equal to ten per cent. of the amount of its paid-up share capital at the end of the year nineteen hundred and forty-six or the year nineteen hundred and fifty-one (as may be specified in the election) shall be taken for the purposes of this section to be the amount arrived at in its case under subsection (1) of this section; or

(*c*) that an amount equal to eight per cent. of the amount by which at the end of the year nineteen hundred and forty-six or of the year nineteen hundred and fifty-one (as may be specified in the election), the value of its assets, computed in accordance with the provisions of the Eighth Schedule to this Act, exceeds the amount of its liabilities so computed, shall be taken for the purposes of this section to be the amount arrived at in its case under the said subsection (1);

and the preceding provisions of this section shall have effect accordingly:

Provided that where an election is made under paragraph (*b*) or paragraph (*c*) of this subsection, subsection (2) of this section shall not apply to sums received or paid before the end of the year specified in that election.

(5) Subject to the provisions of this Act, the standard years for the purposes of the excess profits levy shall, in the case of any body corporate, be the years nineteen hundred and forty-seven and nineteen hundred and forty-eight, the years nineteen hundred and forty-seven and nineteen hundred and forty-nine or the years nineteen hundred and forty-eight and nineteen hundred and forty-nine, as the body corporate may elect:

Provided that where, at the beginning of the period of charge to the excess profits levy, the main part of the body corporate's trade or business was carried on in territory which, at any time during the years nineteen hundred and forty-two to nineteen hundred and forty-five, was under Japanese occupation, the body corporate may, if it thinks fit, elect that the standard years shall be the years nineteen hundred and forty-nine and nineteen hundred and fifty.

(6) The relevant date referred to in subsection (3) of this section is, where an election is made under paragraph (*b*) or paragraph (*c*) of subsection (4) of this section, the first day of January immediately following the year specified in the election, and in any other case, the date specified in the following Table opposite the years which, in the case of the body corporate, are the standard years.

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TABLE

Standard years	*Relevant date*
1947 and 1948	1st July 1947
1947 and 1949	1st January 1948
1948 and 1949	1st July 1948
1949 and 1950	1st July 1949

(7) Where, in the chargeable accounting period, the directors of the body corporate have a controlling interest therein, the preceding provisions of this section shall have effect as if the references to twelve per cent. were references to fourteen per cent., the references to ten per cent. were references to twelve per cent. and the references to eight per cent. were references to ten per cent.:

Provided that where the directors of the body corporate have a controlling interest therein during part only of the chargeable accounting period, the increase provided for by this subsection in the said percentages shall be reduced so as to bear to the full amount of the increase the same proportion as the length of that part of the chargeable accounting period bears to the full length of the chargeable accounting period.

Standard profits for a full year where trade or business commenced after 1 January, 1947.

39.—(1) Subject to the provisions of subsection (2) of this section, where the trade or business of a body corporate commenced after the first day of January, nineteen hundred and forty-seven, its standard profits for a full year shall be calculated under subsection (3) of this section.

(2) Where the trade or business of a body corporate commenced after the first day of January, nineteen hundred and forty-seven, then—

(*a*) if its trade or business commenced before the first day of January, nineteen hundred and forty-eight, the body corporate may elect either that its standard profits for a full year shall be calculated under subsection (4) of this section or that they shall be calculated under subsection (5) of this section;

(*b*) if its trade or business commenced on or after the first day of January, nineteen hundred and forty-eight but before the first day of January, nineteen hundred and forty-nine, the body corporate may elect that its standard profits for a full year shall be calculated under subsection (5) of this section;

(*c*) if the condition specified in the proviso to subsection (5) of the last preceding section is fulfilled in its case and its trade or business commenced before the first day of January, nineteen hundred and fifty, the body

corporate may elect that its standard profits for a full year shall be calculated under subsection (6) of this section.

(3) Where a body corporate's standard profits for a full year fall to be calculated under this subsection, they shall, subject to the provisions of this Act, be twelve per cent. of the amount by which the total of the sums received by it in cash before the end of the chargeable accounting period in respect of any issue of share capital thereof exceeds the total of the sums, if any, paid by it in cash before the end of the chargeable accounting period by way of repayment of any of its share capital:

Provided that—

(*a*) the said amount shall be calculated as if any such sum as aforesaid which is received or paid during the chargeable accounting period were reduced so as to bear to the full amount thereof the same proportion as the length of the part of the chargeable accounting period subsequent to the receipt or payment bears to the full length of the chargeable accounting period; and

(*b*) if, within the meaning of the provisions of this Act relating to the ascertainment of undistributed profits and over-distributions of profits for the purposes of the excess profits levy, there are undistributed profits or an over-distribution of profits of the body corporate for the period beginning with the commencement of its trade or business and ending twelve months before the end of the chargeable accounting period, the said amount shall be increased by the amount of the said undistributed profits or, as the case may be, decreased by the amount of the said over-distribution of profits.

(4) Where a body corporate's standard profits for a full year fall to be calculated under this subsection they shall be the sum arrived at—

(*a*) by taking an amount equal to half its profits for the standard years; and

(*b*) by applying the provisions of subsections (2) and (3) of the last preceding section as if that amount were the amount arrived at under subsection (1) thereof;

and the standard years shall be the year beginning with the commencement of its trade or business and the subsequent year:

Provided that the said subsection (3) shall have effect as if the reference to the relevant date as defined in subsection (6) of that section were a reference to the relevant date as defined in subsection (7) of this section.

(5) Where a body corporate's standard profits for a full year fall to be calculated under this subsection, they shall be the sum arrived at—

(*a*) by ascertaining its profits for the standard years; and

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(*b*) by reducing those profits so that they bear to the full amount thereof the same proportion as one year bears to two years less so much, if any, of the first of the standard years as preceded the commencement of its trade or business; and

(*c*) by applying the provisions of subsections (2) and (3) of the last preceding section to the result as if it were the amount arrived at under subsection (1) thereof;

and the standard years shall be the years nineteen hundred and forty-eight and nineteen hundred and forty-nine:

Provided that where the body corporate's trade or business commenced after the beginning of the first standard year, subsections (2) and (3) of the last preceding section shall have effect as if—

(i) in the said subsection (2), the reference to the beginning of the first of the standard years were a reference to the commencement of the body corporate's trade or business and the reference to two years were a reference to two years less so much of the first of the standard years as preceded the commencement of the body corporate's trade or business; and

(ii) in the said subsection (3), the reference to the relevant date as defined in subsection (6) of that section were a reference to the relevant date as defined in subsection (7) of this section.

(6) Where a body corporate's standard profits for a full year fall to be calculated under this subsection they shall be calculated as under the last preceding subsection except that the standard years shall be the years nineteen hundred and forty-nine and nineteen hundred and fifty.

(7) The relevant date referred to in subsection (3) of the last preceding section, as modified by subsections (4) to (6) of this section, is—

(*a*) where the body corporate's standard profits for a full year fall to be calculated under subsection (4) of this section, the date falling six months after the date of the commencement of its trade or business;

(*b*) where the body corporate's standard profits for a full year fall to be calculated under subsection (5) of this section, the first day of July, nineteen hundred and forty-eight or the date of the commencement of its trade or business, whichever is the later;

(*c*) where the body corporate's standard profits for a full year fall to be calculated under subsection (6) of this section, the first day of July, nineteen hundred and forty-nine or the date of the commencement of its trade or business, whichever is the later.

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(8) Where, in the chargeable accounting period, the directors of the body corporate have a controlling interest therein, the preceding provisions of this section shall have effect as if the references to twelve per cent. were references to fourteen per cent.:

Provided that where the directors of the body corporate have a controlling interest therein during part only of the chargeable accounting period, the increase provided for by this subsection in the said percentage shall be reduced so as to bear to the full amount of the increase the same proportion as the length of that part of the chargeable accounting period bears to the full length of the chargeable accounting period.

Effect on standard profits of borrowed money.

40.—(1) Where a body corporate's standard profits for a full year fall to be calculated by reference to its profits during the standard years, then—

(*a*) if the average amount of its borrowed money in the chargeable accounting period exceeds the average amount of its borrowed money during the standard years, its standard profits for a full year shall be increased by an amount equal to four per cent. of the difference; and

(*b*) if the average amount of its borrowed money in the chargeable accounting period is less than the average amount of its borrowed money during the standard years, its standard profits for a full year shall be decreased by an amount equal to four per cent. of the difference:

Provided that where the body corporate makes an election under paragraph (*a*) of subsection (4) of section thirty-eight of this Act paragraphs (*a*) and (*b*) of this subsection shall have effect as if it had had no borrowed money during the year specified in the election.

(2) Where a body corporate's standard profits for a full year fall to be calculated otherwise than by reference to its profits during the standard years, its standard profits for a full year shall be increased by an amount equal to four per cent. of the average amount of its borrowed money in the chargeable accounting period:

Provided that this subsection shall not apply to any chargeable accounting period for which an election under section forty-one of this Act has effect as respects the body corporate.

Minimum standard profits for a full year.

41.—(1) Notwithstanding anything in sections thirty-eight and thirty-nine of this Act, but subject to the provisions of this section and to any other provision of this Act relating to the excess profits levy, a body corporate may elect, in relation to any chargeable accounting period, that its standard profits for a full year shall be taken to be the sum of five thousand pounds:

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Provided that, in the case of a body corporate incorporated after the beginning of the period of charge to the excess profits levy, this subsection shall not apply as respects any chargeable accounting period if, at any time during that chargeable accounting period, it and some other body corporate (whenever incorporated) carrying on a trade or business to which this Part of this Act applies are under common control.

(2) If, in the case of any two or more bodies corporate incorporated after the beginning of the period of charge to the excess profits levy, the following conditions are fulfilled as respects chargeable accounting periods thereof which correspond to one another, that is to say—

(*a*) that each body corporate is, throughout its chargeable accounting period, carrying on a trade or business to which this Part of this Act applies; and

(*b*) that each body corporate is, at any time during its chargeable accounting period, under common control with all the others of the said bodies corporate; and

(*c*) that none of the said bodies corporate is, at any time during its chargeable accounting period, under common control with any body corporate which has a trade or business to which this Part of this Act applies and is not one of the said bodies corporate,

the said bodies corporate may jointly elect that, notwithstanding anything in section thirty-nine of this Act, but subject to the other provisions of this Act relating to the excess profits levy, their standard profits for a full year shall, in relation to those chargeable accounting periods, be taken to be such portion of the sum of five thousand pounds as may be apportioned to them respectively by the Commissioners.

(3) Chargeable accounting periods of different bodies corporate shall be taken for the purposes of subsection (2) of this section to correspond to one another if they coincide or the whole or part of one of them is contained in the other; and the Commissioners may make such alterations, if any, in the periods which would otherwise be chargeable accounting periods of any body corporate as they may in their discretion think expedient for the proper operation of the said subsection (2).

(4) If any of the bodies corporate concerned is dissatisfied with any apportionment of the Commissioners under subsection (2) of this section, it may appeal to the Special Commissioners, and on any such appeal the other bodies corporate concerned shall be entitled to appear and be heard, and the Special Commissioners may make a new apportionment of the said sum of five thousand pounds or may confirm the apportionment made by the Commissioners.

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The decision of the Special Commissioners on any such appeal shall (subject to any appeal therefrom which is competent under the provisions applied by or under the following provisions of this subsection) be binding on the Commissioners and on the appellant and on all persons entitled to appear and be heard as aforesaid.

The provisions of this Act relating to appeals from assessments to the excess profits levy (including the provisions thereof authorising the Commissioners to make regulations) shall, with any necessary modifications, apply in relation to any appeal under this subsection.

Relief in respect of deficiencies of profits.

42.—(1) A body corporate shall be deemed, for the purposes of the excess profits levy, to have a deficiency of profits for a chargeable accounting period if its profits for that period are less than its standard profits, or if it has a loss for that period; and the amount of a body corporate's deficiency of profits for any such period shall be taken to be—

(*a*) where it has profits for the period, the amount by which its profits fall short of its standard profits;

(*b*) where it has a loss for the period, the amount of its loss added to the amount of its standard profits.

(2) Subject to the provisions of this section, where a body corporate has a deficiency of profits for any chargeable accounting period, then, on a claim being duly made in that behalf, relief shall be granted in accordance with the following provisions—

(*a*) the aggregate amount of its profits chargeable with the excess profits levy for its previous chargeable accounting periods, if any, shall be deemed to be reduced by the amount of the deficiency, and the amount of the levy payable in respect thereof shall be deemed to be reduced accordingly, and the relief necessary to give effect to the reduction shall be given by repayment or otherwise;

(*b*) where the amount of the deficiency exceeds the aggregate amount of its profits so chargeable for its previous chargeable accounting periods, if any, the balance of the deficiency shall be applied in reducing its profits, if any, for the next chargeable accounting period which are so chargeable, and, if and so far as it exceeds the amount of those profits, its profits, if any, for its next chargeable accounting period which are so chargeable, and so on.

(3) If, in the case of any body corporate, there is a break in continuity for deficiency relief purposes, as defined in subsection (5) of this section, and the break occurs at the end of a chargeable accounting period, no deficiency of profits or part of a

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deficiency of profits for any chargeable accounting period ending at or before the break shall be applied in reducing the body corporate's profits chargeable to the excess profits levy for any chargeable accounting period ending after the break, and no deficiency of profits or part of a deficiency of profits for any chargeable accounting period ending after the break shall be applied in reducing the body corporate's profits chargeable with the excess profits levy for a chargeable accounting period ending at or before the break.

(4) If, in the case of any body corporate, there is a break in continuity for deficiency relief purposes, as defined in subsection (5) of this section, and the break occurs during a chargeable accounting period—

(*a*) the parts of that chargeable accounting period falling before and after the break shall be deemed for the purposes of this section to be separate chargeable accounting periods; and

(*b*) the body corporate shall be deemed for those purposes to have had, for each of those parts, standard profits and profits or a loss equal to such portions of its standard profits and profits or loss for the whole chargeable accounting period as may be apportioned to those parts respectively,

and the preceding provisions of this section shall have effect accordingly.

Any apportionment under this subsection of the standard profits for a chargeable accounting period and, unless the Commissioners, having regard to any special circumstances, in their discretion otherwise direct, any apportionment thereunder of the profits or loss for a chargeable accounting period shall be made by reference to the number of months or fractions of months in each of the two parts of the chargeable accounting period.

(5) If, after the beginning of the period of charge to the excess profits levy—

(*a*) a body corporate comes under the control of another body corporate or of up to seven individuals, and thereafter there is a substantial change in the nature of the trade or business carried on by it; or

(*b*) a body corporate wholly ceases to carry on the trade or business theretofore carried on by it; or

(*c*) a body corporate's trade or business which consists wholly or mainly in the holding of investments or other property ceases to consist, or to consist mainly, in the holding of investments or other property; or

(*d*) a body corporate, either in one step or by a series of cessations, whether connected or not, ceases to carry on a part or parts of its trade or business with the

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result that the trade or business which it continues to carry on is less important than the part or parts thereof discontinued as a result of the cessation or cessations,

there shall be deemed for the purposes of this section to be a break in continuity for deficiency relief purposes occurring at the date of the change, of the cessation or of the last of the cessations, as the case may be.

Overriding limit on the amount payable by way of the excess profits levy.

43.—(1) Subject to the provisions of this section if, in the case of any chargeable accounting period of a body corporate, the amount payable by it by way of the excess profits levy, when added to the amount so payable by it for its previous chargeable accounting periods, if any, exceeds fifteen per cent. of its profits for the whole period from the beginning of the period of charge to the excess profits levy to the end of the first-mentioned chargeable accounting period, such relief shall be given as is necessary to reduce the amount payable by it by way of the levy for all those periods to fifteen per cent. of its profits for the said whole period:

Provided that any such relief shall be provisional only, and if, in the case of any subsequent chargeable accounting period of the body corporate, the amount payable by it by way of the excess profits levy is less than fifteen per cent. of its profits for that chargeable accounting period or nothing is payable by it by way of the excess profits levy, the relief given in respect of previous chargeable accounting periods shall be adjusted so as to do no more than reduce the total amount payable by it by way of the levy for all its chargeable accounting periods up to and including the said subsequent chargeable accounting period to fifteen per cent. of its profits for the whole period from the beginning of the period of charge to the excess profits levy to the end of the said subsequent chargeable accounting period.

(2) In relation to a body corporate ordinarily resident in the United Kingdom which, throughout all its chargeable accounting periods, carries on the whole, or substantially the whole, of its trade or business through a permanent establishment situated in territory outside the United Kingdom the preceding subsection shall have effect as if the references to fifteen per cent. were references to ten per cent.

(3) Effect may be given to any adjustment under the proviso to subsection (1) of this section either by reducing any relief from the levy for any chargeable accounting period or by increasing the amount assessed for any chargeable accounting period or by an assessment or additional assessment for any chargeable accounting period.

(4) The references in the preceding provisions of this section to the beginning of the period of charge to the excess profits levy shall, in relation to a body corporate which was not carrying

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on a trade or business to which this Part of this Act applies at the beginning of the said period, be construed as references to the commencement of its trade or business.

Accounting periods, computation of profits and undistributed profits, etc.

Accounting periods for excess profits levy purposes.

44. The accounting periods of a body corporate shall be determined for the purposes of the excess profits levy as follows—

(*a*) in a case where its accounts are made up for successive periods of twelve months, each of those periods shall be an accounting period;

(*b*) in a case where its accounts have been made up as aforesaid but have ceased to be so made up, its accounting periods from the end of the last period of twelve months for which they were so made up shall be such periods not exceeding twelve months as the Commissioners may in their discretion determine;

(*c*) in any other case, its accounting periods shall be such periods not exceeding twelve months as the Commissioners may in their discretion determine.

Computation of profits and losses for excess profits levy purposes.

45.—(1) Subject to the provisions of this Act and, in particular, to the provisions of the Ninth Schedule to this Act, the profits or loss of a body corporate for any accounting period shall be computed for the purposes of the excess profits levy as if the computation were the computation for the purposes of the profits tax of the profits or loss arising from its trade or business in that period.

(2) Where, for the purposes of the excess profits levy, the profits or loss of a body corporate have to be ascertained for any period which is not an accounting period, its profits or losses for any accounting periods wholly or partly included within that period shall be computed in accordance with subsection (1) of this section, and such division and apportionment to specific periods of its profits or losses for those accounting periods, and such aggregation of those profits or losses, or any apportioned part thereof, shall be made as appears necessary to arrive at the profits or loss for the first-mentioned period.

(3) Any apportionment under subsection (2) of this section shall be made in proportion to the number of months or fractions of months in the respective parts of the accounting period, unless the Commissioners, having regard to any special circumstances, in their discretion otherwise direct or the apportionment is under subsection (5) of this section required to be made as mentioned in that subsection.

(4) Where an accounting period of a body corporate begins before but ends within the first of the standard years, and another

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accounting period of that body begins within but ends after the other standard year, the fact that sufficient accounts are available as to the part of one of those accounting periods which falls within a standard year shall not be treated under subsection (3) of this section as a special circumstance affecting any apportionment of profits or a loss for that accounting period unless the accounts were drawn up before the end of the year nineteen hundred and fifty-one and sufficient accounts so drawn up are also available as to the part of the other accounting period which falls within a standard year:

Provided that where the standard years are not consecutive years this subsection shall apply to each standard year separately as if all the references to a standard year referred to it.

(5) Where part, but not the whole, of an accounting period of a body corporate—

(*a*) falls within a standard year and the fact that sufficient accounts are available as to that part may, under the last preceding subsection, be treated as a special circumstance affecting the apportionment of profits or a loss for that accounting period; or

(*b*) falls after the beginning of the period of charge to the excess profits levy and sufficient accounts are available as to that part,

the body corporate may, by notice in writing given to the Commissioners, require that the apportionment of the profits or loss for that accounting period shall be made in accordance with the accounts for that part.

(6) For the purposes of this section accounts of a body corporate for any period shall not be treated as sufficient unless the body corporate has at the beginning and at the end of that period balanced its books and, if it has any stock, taken stock.

Ascertainment of undistributed profits and over-distributions of profits for excess profits levy purposes.

46.—(1) Subject to the provisions of this Act, the undistributed profits or over-distribution of profits of a body corporate for any accounting period shall be ascertained in accordance with the provisions of the Tenth Schedule to this Act, and references in this Act to undistributed profits and over-distributions of profits shall be construed accordingly.

(2) Where, for the purposes of the excess profits levy, the undistributed profits or over-distribution of profits of a body corporate have to be ascertained for any period which is not an accounting period, its undistributed profits or over-distributions of profits for any accounting periods wholly or partly included within that period shall be computed in accordance with subsection (1) of this section, and such division and apportionment to specific periods of its undistributed profits or over-distributions of profits for those accounting periods, and

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such aggregation of those undistributed profits or over-distributions of profits, or any apportioned part thereof, shall be made as appears necessary to arrive at the undistributed profits or over-distribution of profits for the first-mentioned period:

Provided that where a body corporate's trade or business commenced after the first day of January, nineteen hundred and forty-seven, then, for the purpose of ascertaining its undistributed profits or over-distribution of profits for any period beginning at the relevant date (as defined in the provisions of this Act applicable to the body corporate) and ending at any time after the end of the year nineteen hundred and fifty-one, its losses for the period beginning at the said relevant date and ending at the end of the year nineteen hundred and fifty-one shall be left out of account to the extent, if any, that they exceed its profits for the last mentioned period.

(3) Any apportionment under subsection (2) of this section shall be made in proportion to the number of months or fractions of months in the respective parts of the accounting period, unless the Commissioners, having regard to any special circumstances, in their discretion otherwise direct:

Provided that the Commissioners shall not give a direction under this subsection in the case of any accounting period if the apportionment made in its case under subsection (2) of the last preceding section is made in proportion to the number of months or fractions of months in the respective parts thereof.

Transfers of trades and businesses, and special provisions as to interconnected bodies corporate

Effect of transfers of going concerns on standard profits and computation of profits and losses.

47.—(1) Where the whole, or substantially the whole, of the trade or business of a body corporate which commenced before the first day of January, nineteen hundred and forty-nine, is, at any time after the first day of January, nineteen hundred and forty-seven, transferred as a going concern to another body corporate and there is no substantial alteration in the character of the trade or business in the period ending twelve months after the transfer, the relevant provisions of the Eleventh Schedule to this Act shall, unless the transferee body corporate otherwise elects, have effect with respect to the standard profits of, and the computation of the profits and losses of, both bodies corporate:

Provided that where the two bodies corporate are under common control, so much of this subsection as enables an election to be made thereunder shall not have effect.

(2) Where a part, not amounting to substantially the whole, of the trade or business of a body corporate which commenced before the first day of January, nineteen hundred and forty-nine,

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is, at any time after the first day of January, nineteen hundred and forty-seven, transferred as a going concern to another body corporate and there is no substantial alteration in the character of that part of the trade or business in the period ending twelve months after the transfer, the relevant provisions of the Eleventh Schedule to this Act shall, if both bodies corporate jointly so elect, have effect with respect to the standard profits of, and the computation of the profits and losses of, both bodies corporate:

Provided that where the two bodies corporate are under common control, the relevant provisions of the said Eleventh Schedule shall have effect without any election in that behalf by them.

(3) Where the whole, or substantially the whole, of a trade or business carried on by an individual or by two or more individuals in partnership is, at any time after the first day of January, nineteen hundred and forty-seven, transferred as a going concern to a body corporate over which any of the following persons, that is to say—

(*a*) the said individual or individuals; and

(*b*) any other individual who, either alone or in partnership with other individuals, carried on the trade or business at any time before the transfer; and

(*c*) the spouses, children, brothers and sisters of the individuals mentioned in the preceding paragraphs (*a*) and (*b*); and

(*d*) the personal representatives of, and the beneficiaries under the will or on the intestacy of, any of the persons mentioned in the preceding paragraphs (*b*) and (*c*) who are deceased,

have, alone or together, control, subsection (1) of this section shall, if the transferee body corporate so elects, have effect as if the trade or business had been carried on by a body corporate instead of by the individual or individuals in question:

Provided that, in relation to any such transfer, the provisions of the Eleventh Schedule to this Act shall have effect subject to the modifications provided for by paragraph 6 of that Schedule.

In this subsection, "spouse", in relation to a deceased person, means a person who was his spouse immediately before his death, "child" includes a step-child, an adopted child and an illegitimate child, and "brother" and "sister", in relation to any person, include respectively any male or female person who is a child of any person of whom that person is also a child; and references to an individual by whom a trade or business is carried on shall be construed, in relation to a trade or business carried on by an individual on behalf of another individual, as including references to the individual on whose behalf it is carried on.

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(4) Where the whole or any part of any trade or business which, or any part of which, has been the subject of any such transfer as is mentioned in the preceding provisions of this section had been previously transferred, before the beginning of the period of charge to the excess profits levy, as a going concern and there was no substantial alteration in the character thereof in the period ending twelve months after the transfer, then, if the later transfer extends to the whole or substantially the whole of the trade or business of the transferor thereunder, the transferee thereunder, and, if the later transfer does not so extend, the transferor and the transferee thereunder acting jointly, shall stand in the place of the transferee under the preceding transfer as regards elections under this section in relation to the preceding transfer, and so on for earlier transfers.

(5) An election under this section must be by notice in writing given to the Commissioners within six months from the passing of this Act or from the date of the transfer, whichever is the later, or within such longer period as the Commissioners may, having regard to any special circumstances, in their discretion allow.

Special provisions as to transfers of trades or businesses to newly created bodies corporate without change of ultimate control.

48. Where—

(*a*) after the beginning of the period of charge to the excess profits levy, the whole or substantially the whole of the trade or business of a body corporate is transferred as a going concern to another body corporate which has not previously carried on any trade or business; and

(*b*) the circumstances are such that there is, as respects the transferor body corporate, a break in continuity for deficiency relief purposes within the meaning of section forty-two of this Act; and

(*c*) at the time of the transfer the two bodies corporate are under common control; and

(*d*) there is no substantial alteration in the character of the trade or business in the period ending twelve months after the transfer,

the following provisions shall have effect—

(i) such relief or additional relief shall be given to the transferee body corporate under the said section forty-two as would have fallen to be given to the transferor body corporate if the trade or business had not been transferred and all the transferee body corporate's deficiencies of profits and profits chargeable to the excess profits levy for chargeable accounting periods after the transfer had arisen to the transferor, to the exclusion of any deficiencies of profits or

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profits chargeable to the excess profits levy which in fact arose to the transferor for chargeable accounting periods after the transfer; and

(ii) in the case of both bodies corporate, the relief and adjustments of relief to be given and made under section forty-three of this Act (which relates to the overriding limit on the amount payable by way of the excess profits levy) as the result of profits or losses made by them respectively for chargeable accounting periods after the transfer shall be the relief and adjustments which would have fallen to be made as the result of those profits or losses if the amounts payable by the transferor body corporate by way of the levy for chargeable accounting periods before the transfer and the profits and losses of the transferor body corporate for such chargeable accounting periods had been amounts payable by, and profits and losses of, the transferee body corporate; and

(iii) subsection (1) of the last preceding section shall have effect in relation to the transfer as if the words "which commenced before the first day of January, nineteen hundred and forty-nine" were omitted, and accordingly the relevant provisions of the Eleventh Schedule to this Act shall apply whenever the trade or business was commenced; and

(iv) where the transfer takes place during a chargeable accounting period of the transferor body corporate, the Commissioners may in their discretion direct that the parts of that period falling before and after the transfer shall be separate chargeable accounting periods.

Interconnected bodies corporate.

49. The provisions of the Twelfth Schedule to this Act shall have effect in relation to bodies corporate connected with one another in the manner specified in that Schedule.

Bodies corporate holding shares in other bodies corporate.

50.—(1) The following provisions of this section shall have effect, where, during the whole of any chargeable accounting period of a body corporate ordinarily resident in the United Kingdom—

(*a*) that body corporate, or, if it is a member of a group within the meaning of the Twelfth Schedule to this Act, the members of the group together, own at least one quarter of the ordinary share capital of another body corporate ordinarily resident in the United Kingdom; and

(*b*) the first-mentioned body corporate and the said other body corporate are not members of one group within the meaning of the said Twelfth Schedule.

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(2) If the standard profits for a full year of the first-mentioned body corporate fall to be computed by reference to its profits for the standard years—

(*a*) sub-paragraphs (1) and (2) of paragraph 12 and sub-paragraph (*a*) of paragraph 13 of the said Twelfth Schedule shall, for the purposes of computing its profits for the said chargeable accounting period, and its standard profits for a full year in relation to that period, apply as if it and the said other body corporate were members of a group; and

(*b*) where it makes an election under paragraph (*a*) of subsection (4) of section thirty-eight of this Act, the said subsection (4) shall have effect, for the purpose of computing the said standard profits, as if the average amount of its paid-up share capital in the year specified in the election were reduced by an amount bearing to the amount paid by it in cash for any share capital of the said other body corporate owned by it during the year specified in the election the same proportion as the average amount of that share capital so owned by it bears to the full amount thereof.

(3) If the standard profits for a full year of the first-mentioned body corporate fall to be calculated by reference to the percentage of an amount (other than the amount referred to in paragraph (*a*) of subsection (4) of the said section thirty-eight)—

(*a*) its standard profits for a full year in relation to the said chargeable accounting period shall be reduced by an amount equal to the like percentage of the amount paid by it in cash for any share capital of the said other body corporate owned by it during the whole of the chargeable accounting period; and

(*b*) in computing its profits or losses (otherwise than for the purpose of ascertaining its undistributed profits or over-distribution of profits for any period) for the said chargeable accounting period any dividends received from that share capital shall be left out of account.

(4) The preceding provisions of this section shall not apply in any case where the provisions of the next following section have effect as respects the liability to the excess profits levy of the first-mentioned body corporate by reason of its acquisition of the ordinary share capital of the said other body corporate.

(5) For the purposes of this section a body corporate shall be taken to own ordinary share capital of another body corporate if it owns it directly or through another body corporate or other bodies corporate or partly directly and partly through another body corporate or other bodies corporate; and the provisions of subsections (2) and (3) of section forty-two of, and

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Part I of the Fourth Schedule to, the Finance Act, 1938 (which defines certain expressions used in this section and in the said section forty-two), shall have effect for the purposes of this section as they have effect for the purposes of the said section forty-two.

New holding companies.

51. Where a body corporate formed wholly or mainly for the purpose of acquiring share capital of another body corporate or other bodies corporate is incorporated after the beginning of the period of charge to the excess profits levy and acquires not less than three-quarters of the ordinary share capital of the other body corporate or, as the case may be, any of the other bodies corporate, the following provisions shall have effect as respects the liability to the excess profits levy of the body corporate so incorporated—

(*a*) its standard profits shall be computed as if all amounts paid by it in cash in respect of the acquisition of share capital of that other body corporate had been paid by it in cash by way of repayment of its share capital; and

(*b*) in computing its profits or losses (otherwise than for the purpose of ascertaining its undistributed profits or over-distribution of profits for any period) any dividends from share capital of that other body corporate shall be left out of account; and

(*c*) if any of the share capital of that other body corporate of any class which has been acquired by it is sold or disposed of by it or is repaid to it, its standard profits shall be computed as if it had, at the date of the sale, disposal or repayment, received in respect of an issue of its own share capital an amount which bears to the amount paid by it in cash in respect of the acquisition the same proportion as the amount of the share capital sold, disposed of or repaid bears to the amount of the share capital acquired.

Provisions applicable to special cases

Bodies corporate deriving income mainly from investments.

52.—(1) Subject to the provisions of subsection (2) of this section, where the functions of a body corporate consist wholly or mainly in the holding of investments, the provisions of this Act relating to the excess profits levy shall have effect in relation to it as if each of the following amounts, that is to say—

(*a*) the excess of its profits for a chargeable accounting period over its standard profits,

(*b*) the deficiency of its profits for a chargeable accounting period,

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(*c*) its profits for the whole period mentioned in subsection (1) of section forty-three of this Act,

were reduced by such an amount as bears to the whole thereof the same proportion as so much of its profits for the said chargeable accounting period or, as the case may be, the said whole period, as is attributable to sums received by it by way of dividend or distribution of profits from other bodies corporate ordinarily resident in the United Kingdom bears to the full amount of its profits for that period.

(2) This section does not apply to a body corporate which is a member of a group within the meaning of the Twelfth Schedule to this Act unless the functions of each of the other members of the group also consist wholly or mainly in the holding of investments.

(3) For the avoidance of doubt it is hereby declared that the references in this section to the holding of investments do not include a reference to the holding of land.

Bodies corporate not ordinarily resident in the United Kingdom.

53.—(1) References in the provisions of this Act relating to the excess profits levy to—

(*a*) the paid-up share capital of a body corporate; or

(*b*) the amount by which the value of the assets of a body corporate exceeds the amount of its liabilities; or

(*c*) sums received in cash by a body corporate in respect of any issue of share capital thereof; or

(*d*) sums paid by a body corporate by way of repayment of its share capital; or

(*e*) amounts distributed by way of dividend or cash bonus to the members, or any class of members, of a body corporate, as such, or the value of any assets distributed to the members, or any class of members, of a body corporate, as such,

shall, in relation to a body corporate not ordinarily resident in the United Kingdom, be construed as references to such part thereof as may be properly apportionable to the trade or business of the body corporate to which this Part of this Act applies carried on in the United Kingdom; and any apportionment of the amounts or value mentioned in paragraph (*e*) of this subsection shall, unless, having regard to any special circumstances, the Commissioners, or, on appeal, the Special Commissioners, otherwise direct, be made by applying thereto the proportion which the profits of the trade or business to which this Part of this Act applies bear to the total profits of the body corporate.

(2) Where a body corporate liable to assessment to the excess profits levy for any chargeable accounting period in respect

of the profits arising from its trade or business is not ordinarily resident in the United Kingdom for that period, an assessment may be made upon any agent, manager or factor ordinarily resident in the United Kingdom through whom the trade or business was carried on in that period.

(3) In subsection (2) of this section, "agent" means, in relation to a body corporate, an authorised person carrying on the regular agency of that body corporate:

Provided that where sales or transactions are carried out on behalf of a body corporate through a broker in the ordinary course of his business as such and the broker—

(*a*) is a person carrying on bona fide the business of a broker in the United Kingdom; and

(*b*) receives in respect of the business of the body corporate which is transacted through him remuneration at a rate not less than that customary in the class of business in question,

he shall not be taken to be an agent for the purposes of the said subsection (2) by reason only that he acts regularly for that body corporate as such broker.

In this subsection "broker" includes a general commission agent.

(4) Any person who has been charged under subsection (2) of this section in respect of any body corporate not ordinarily resident in the United Kingdom may retain, out of money coming into his hands on behalf of that body corporate, so much thereof from time to time as is sufficient to pay the tax charged, and shall be indemnified for all such payments made in pursuance of that subsection.

Application to bodies corporate without share capital.

54. Notwithstanding the references, in the provisions of this Act relating to the excess profits levy, to the share capital of a body corporate, so much of those provisions as is capable of applying to a body corporate without a share capital applies to such bodies, and none of the provisions of the Eleventh or the Twelfth Schedule to this Act shall be deemed to be incapable of applying to such bodies by reason only that it directs, in whatever form of words, that the same consequences are to follow in the case of a body corporate as would follow if that body had paid a sum in reduction of its share capital or had received a sum in respect of an issue of its share capital.

Minerals: addition to standard profits.

55.—(1) Where a body corporate's trade or business consists of or includes the working of any source of mineral deposits consisting of mines of coal or metal or oil wells or asbestos, the percentages of four per cent., eight per cent., ten per cent., twelve per cent., and fourteen per cent. referred to in the

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provisions of this Act relating to the standard profits for a full year shall, where the estimated life of the source is not more than thirty years, each be deemed to be increased by six per cent., and, where the said estimated life is more than thirty years and not more than sixty years, each be deemed to be increased by three per cent.

(2) The Board of Referees may, on an application made in that behalf, by order direct, as respects a source of mineral deposits of a wasting nature of any kind other than those mentioned in the preceding subsection, that where a body corporate's trade or business consists of or includes the working of such a source, each of the percentages referred to in the provisions mentioned in the preceding subsection shall be deemed to be increased to such extent, not being more than six per cent., as the Board think necessary having regard to the extent to which, by reason of the wasting nature of the source, the benefit of capital expenditure incurred in that trade or business may be exhausted at a greater rate than in the case of other classes of trades or businesses.

(3) Where the body corporate's trade or business includes, but does not consist wholly of, the working of such a source as is mentioned in the preceding provisions of this section, the increase in respect of it shall be reduced to such extent as may be just having regard to the extent to which the trade or business consists in the working thereof.

(4) In order to ascertain, for the purposes of subsection (1) of this section, the estimated life of a source, the sum of the output from it in the chargeable accounting period and the total potential future output thereof, estimated as at the end of that period, shall be divided by the output thereof in the chargeable accounting period and the number resulting from the division shall be taken to be the number of years in the estimated life of the source:

Provided that where the chargeable accounting period is less than twelve months, the second reference in this subsection to the output for that period shall be deemed to be a reference to an output bearing to that output the same proportion that twelve months bears to the length of that period.

(5) The regulations from time to time in force under paragraph (*a*) of subsection (1) of section three hundred and eleven of the Income Tax Act, 1952, shall apply for the purposes of this section as they apply for the purposes of Chapter III of Part X of that Act.

(6) The Commissioners may by statutory instrument make regulations with respect to the making of applications to the Board of Referees under subsection (2) of this section and the procedure on such applications.

Any statutory instrument made under this subsection shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament. PART V —*cont.*

Minerals: allowance for additional output.

56.—(1) If the Treasury certify that an increase in output of any metal, or of oil or asbestos, over output at the normal rate is essential in the national interest, a body corporate whose trade or business consists of or includes the mining of the metal, the getting of oil from oil wells or the extraction of asbestos from natural deposits may, by notice in writing given to the Commissioners within twelve months from the end of its first chargeable accounting period, or within such longer period as the Commissioners may in their discretion allow, elect that its profits shall be computed, for the purposes of the excess profits levy, in accordance with the following provisions of this section, and those provisions shall have effect accordingly unless the certificate is revoked.

(2) If in any chargeable accounting period the profits of the body corporate include profits attributable to the output of the metal, oil or asbestos in excess of the output at the normal rate as defined in the next two following subsections (in this section referred to as " additional output "), a deduction shall be allowed equal to an amount representing profit at the normal rate on so much of the additional output as was achieved within the chargeable accounting period.

(3) Where a body corporate's standard profits for a full year fall to be calculated by reference to its profits during the standard years, its output of the metal, oil or asbestos at the normal rate shall be taken to be its output thereof during the standard years, reduced so as to bear to the whole of that output the same proportion as the length of the chargeable accounting period bears to two years less so much, if any, of the first of the standard years as preceded the commencement of the body corporate's trade or business:

Provided that where, by virtue of an election under paragraph (*a*) of subsection (4) of section thirty-eight of this Act, the amount mentioned in that paragraph is treated as its profits for the year specified in the election, its output in that year shall be taken to have been an output profit on which at the normal rate would be equal to that amount.

(4) Where the body corporate's standard profits for a full year fall to be calculated otherwise than by reference to its profits during the standard years, its output at the normal rate of the metal, oil or asbestos shall be taken to be an output profit on which at the normal rate would be equal to its standard profits, calculated without regard to any undistributed profits or over-distribution of profits and without regard to any sums received

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or paid in cash by the body corporate after the date specified in the next following subsection in respect of any issue of its share capital or, as the case may be, by way of repayment of any of its share capital.

(5) The date referred to in the last preceding subsection is—

(*a*) where the body corporate makes an election under paragraph (*b*) or paragraph (*c*) of subsection (4) of section thirty-eight of this Act, the end of the year specified in the election;

(*b*) in any other case the date falling twelve months after the commencement of its trade or business.

(6) Where the body corporate's trade or business includes, but does not consist wholly of, the mining of the metal, the getting of the oil or the extraction of the asbestos, as the case may be, its output, or output at the normal rate, of the metal, oil or asbestos as calculated under the proviso to subsection (3) or under subsection (4) of this section shall be reduced to such extent as may be just having regard to the extent to which its trade or business consists in the said mining, getting or extraction.

(7) Whether or not the profits of the body corporate include profits attributable to additional output, they shall be computed as if section twenty-two of the Finance Act, 1949, section three hundred and ten of the Income Tax Act, 1952, and section twenty-one of this Act had not been passed.

(8) The Treasury may by statutory instrument make regulations for carrying this section into effect, and those regulations may in particular lay down rules to be followed (subject to the preceding provisions of this section) in determining for the purposes of this section the question whether there is any, and if so what, additional output achieved in any period, and the question what amount is to be taken to represent profit at the normal rate on any output.

Any statutory instrument made under this section shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.

(9) This section does not apply in relation to any chargeable accounting period for which an election under section forty-one of this Act has effect as respects the body corporate.

Local and public authorities, statutory undertakers etc.

57.—(1) Subject to the provisions of this subsection, in computing the profits or loss of a local authority for any accounting period for the purposes of the excess profits levy, a deduction shall be made equal to the total amount which is required to be raised by it for sinking fund purposes in connection with its trade or business in respect of that period:

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Provided that a local authority may, by notice in writing given to the Commissioners within six months from the passing of this Act or such longer period as the Commissioners may allow, elect that this subsection shall not apply and shall be deemed never to have applied to the authority.

(2) Subsection (1) of this section shall apply in relation to any public authority in the case of which the following conditions are fulfilled,—

(*a*) that it has no share capital; and

(*b*) that the interest on all its stock and other loan capital is interest at a fixed rate,

as it applies in relation to a local authority:

Provided that—

(i) this subsection shall not apply to any authority mentioned in the next following section; and

(ii) in the case of an authority to which this subsection applies, no deduction shall be made for any amount required to be raised for sinking fund purposes unless the requirement is imposed on the authority by or by virtue of an Act of Parliament or an Act of the Parliament of Northern Ireland.

(3) The profits and losses of any such body corporate as is mentioned in subsection (5) or (6) of section nineteen of the Finance Act, 1937 (which exempted certain statutory undertakers carrying on public utility concerns and the British Broadcasting Corporation from the profits tax) shall be computed for the purposes of the excess profits levy as if the said subsections (5) and (6) had not been passed.

Nationalised undertakings.

58.—(1) Section forty-seven of this Act and the Eleventh Schedule to this Act shall not apply to any transfer of the whole or any part of a trade or business to the National Coal Board, the British Transport Commission, the British Electricity Authority, any Area Electricity Board, the Gas Council or any Area Gas Board.

(2) Section seventy-nine of the Finance Act, 1948 (which relates to the position, for profits tax purposes, of the British Electricity Authority and the Area Electricity Boards), and section forty-one of the Electricity Act, 1947, as amended by the said section seventy-nine, shall have effect as if any reference therein to the profits tax included a reference to the excess profits levy.

(3) In the case of the following bodies corporate, that is to say, the British Transport Commission, the British Electricity Authority, the Gas Council, the Area Gas Boards, the National Coal Board, the North of Scotland Hydro-Electric Board, the

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British Overseas Airways Corporation, the British European Airways Corporation and the Iron and Steel Corporation, the following provisions shall have effect subject, in the case of the National Coal Board, to the provisions of the next following subsection—

(*a*) the body corporate may, in relation to any chargeable accounting period, elect that its standard profits for a full year shall be computed as if—

(i) it had had from time to time paid-up share capital of an amount equal to the nominal amount from time to time of the stock represented by so much of the interest and other payments referred to in subsection (3) of section forty of the Finance Act, 1947, as fell, by virtue of that subsection, to be disallowed in computing the profits of the body corporate's trade or business for the purposes of the profits tax; and

(ii) as and when any increase or decrease occurred in the said nominal amount, it had received in cash in respect of an issue of its share capital or, as the case may be, paid in cash by way of repayment of its share capital, a sum equal to the amount of the increase or decrease;

(*b*) in computing the body corporate's undistributed profits or over-distributions of profits, its profits or losses shall be computed as if the said subsection (3) had not been passed.

(4) Paragraph (*a*) of the last preceding subsection shall not apply in relation to the National Coal Board, but the National Coal Board may, in relation to any chargeable accounting period, elect that its standard profits for a full year shall be computed as if—

(*a*) at the end of the year nineteen hundred and fifty-one all compensation and payments provided for by sections ten, seventeen, eighteen and forty-four of the Coal Industry Nationalisation Act, 1946, had been made by the issue of stock at par;

(*b*) no increase in the amount of that stock had occurred after the end of that year;

(*c*) at the time of any payment made by the Board to the Crown under section twenty-eight of the said Act of 1946 in respect of expenses and liabilities incurred by virtue of the provisions of the said sections a decrease had occurred in the nominal amount of that stock equal to so much of the payment as represents principal; and

(*d*) it had had from time to time paid-up share capital of an amount bearing to the amount of stock arrived at under the preceding paragraphs of this subsection the same proportion as so much of the payments referred to in paragraph (*c*) of subsection (3) of section forty of the Finance Act, 1947, as fell, by virtue of that subsection, to be disallowed in computing the profits of the Board for the purposes of the profits tax bears to the full amount of those payments less so much thereof as is referable to liabilities incurred by the Crown under section thirty-two of the said Act of 1946.

(5) For the purposes of section forty of this Act—

(*a*) the following amounts shall, subject as hereinafter provided, be deemed to be borrowed money of the National Coal Board, that is to say—

(i) the nominal amount of any stock treated under paragraph (*a*) of the last preceding subsection as having been issued, decreased as provided by paragraph (*c*) of that subsection; and

(ii) the nominal amount of the stock issued under section thirty-two of the Coal Industry Nationalisation Act, 1946, decreased by so much of any payment under section twenty-eight of that Act as represents principal of that stock;

(*b*) to the extent that responsibility in respect of any stock issued by the Gas Council is allocated under section forty-four of the Gas Act, 1948, to an Area Gas Board, the stock shall be deemed not to be borrowed money of the Gas Council but shall, subject as hereinafter provided, be deemed to be borrowed money of that Area Gas Board;

and to the extent that the nominal amount of any stock is taken into account under subsections (3) and (4) of this section for the purpose of computing the standard profits for a full year of a body corporate, it shall be disregarded in computing the average amount of that body corporate's borrowed money in any period.

(6) The Twelfth Schedule to this Act (which relates to interconnected bodies corporate) shall have effect as if the references therein to a body corporate ordinarily resident in the United Kingdom did not include a reference to the Iron and Steel Corporation.

(7) In this section, "Area Electricity Board" means an Area Electricity Board established under the Electricity Act, 1947, "Gas Council" and "Area Gas Board" mean, respectively, the Gas Council or an Area Gas Board established under the Gas Act, 1948, and "the Iron and Steel Corporation" means the Iron and Steel Corporation of Great Britain established under the Iron and Steel Act, 1949.

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Bodies corporate whose income is apportioned for surtax purposes.

59.—(1) The profits and losses of a body corporate shall be computed for the purposes of the excess profits levy as if subsections (2) to (4) of section thirty-one of the Finance Act, 1947 (which relate to the effect on the profits tax of apportionments of income for surtax purposes under section twenty-one of the Finance Act, 1922, or under Chapter III of Part IX of the Income Tax Act, 1952), had not been passed.

(2) Subject to the provisions of subsection (4) of this section, 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 body corporate, 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, or under or for the purposes of Chapter III of Part IX of the Income Tax Act, 1952, and all the persons to whom it is apportioned are individuals, that chargeable accounting period and the profits or loss thereof shall be left out of account for the purposes of the excess profits levy.

(3) Subject to the provisions of subsection (4) of this section, 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 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 or the said Chapter III, and the persons to whom the income is apportioned are all either individuals or bodies corporate ordinarily resident in the United Kingdom, 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 in their discretion allow, the first-mentioned body corporate and the bodies corporate to which the income is apportioned jointly so elect—

(*a*) the following chargeable accounting periods and the profits and losses thereof, that is to say—

(i) the said chargeable accounting period ; and

(ii) any subsequent chargeable accounting period the whole of which is included in a year or period or years or periods for which the actual income from all sources of the first-mentioned body corporate is so apportioned to the other bodies corporate aforesaid and persons who are individuals,

shall, in relation to the first-mentioned body corporate, be left out of account for the purposes of the excess profits levy ; and

(*b*) where any such chargeable accounting period so falls to be left out of account, each body corporate to which income of the first-mentioned body corporate is so

apportioned for any year or period falling wholly or partly within that chargeable accounting period shall, for the purpose of the computation of its profits and losses for excess profits levy purposes—

(i) be deemed to have, on the last day of that year or period, received by way of dividend the amount so apportioned to it; and

(ii) if it in fact receives from the first-mentioned body corporate any dividend expressed to be paid in respect of that year or period, be deemed only to receive so much thereof as is equal to the excess, if any, of the amount in fact so received by it over the amount so apportioned to it.

(4) The provisions of subsection (2) and subsection (3) of this section shall not affect the computation of profits and losses for the purpose of ascertaining undistributed profits or over-distributions of profits.

(5) In ascertaining for the purposes of subsections (2) and (3) of this section 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 section two hundred and fifty-four of the Income Tax Act, 1952, 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.

Partnerships.

60.—(1) Where a trade or business is being or has been 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 for the purposes of the excess profits levy as if it were or had been carrying on the trade or business itself and not in partnership with any other person, but as if the profits and losses thereof were or had been confined to its share in those profits or losses.

(2) Where, for the purpose of ascertaining a body corporate's liability to the excess profits levy for any chargeable accounting period, its share in the profits or losses of such a business as aforesaid falls to be determined in calculating its profits or loss for the standard years, then, if at any time before the end of the chargeable accounting period there has been an alteration in its share in the profits or losses of the business—

(*a*) any sum paid or received in cash by the body corporate in respect of the alteration shall be treated as having been paid by it in cash by way of repayment of its share capital or, as the case may be, received by it in cash in respect of an issue of its share capital; and

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(*b*) its profits or loss for the standard years shall be computed (except for the purpose of ascertaining undistributed profits or over-distributions of profits) as if throughout the standard years it had had the same share (if any) in the profits or losses of the trade or business as it had during the chargeable accounting period.

References in this subsection to an alteration in a body corporate's share in the profits or losses of a trade or business include a reference to the acquisition or disposal of its share; and the reference in paragraph (*b*) of this subsection to the share in the profits or losses of the trade or business which a body corporate had during a chargeable accounting period shall be construed, where that share was altered during that period, as a reference to its average share during that period in the said profits or losses.

Liquidators, receiverships, etc.

61. Where the trade or business of a body corporate is being or has been carried on by a liquidator, receiver, manager, trustee or judicial factor, or by any person acting in any capacity similar to the capacities aforesaid, the trade or business shall, for the purposes of the excess profits levy, be treated as if it were being or had been carried on by the body corporate, except that the levy for any chargeable accounting period during which the trade or business is so carried on shall be assessed on the liquidator, receiver, manager, trustee, judicial factor or other person.

Supplemental provisions

Assessment and collection, etc.

62.—(1) The excess profits levy shall be assessed and collected by the Commissioners and shall be due and payable at the expiration of one month from the date of assessment, and shall be recoverable as a debt due to the Crown from the person on whom it is assessed, and the following enactments, that is to say—

(*a*) section eight of the Finance (No. 2) Act, 1947, and section forty-one of the Finance Act, 1950 (which relate to interest on tax in arrear); and

(*b*) paragraphs 3 and 5 of Part III of the Fifth Schedule to the Finance Act, 1937 (which relate to the duties of liquidators and to priorities in bankruptcy, winding up, etc.), and paragraph 4 of the said Part III, so far as it provides for the punishment of contraventions of the said paragraph 3,

shall apply in relation to the excess profits levy as they apply in relation to the profits tax:

Provided that no relief from the profits tax shall be treated for the purposes of subsection (4) of section eight of the Finance (No. 2) Act, 1947, as affecting tax charged by any assessment to

the excess profits levy and no relief from the excess profits levy shall be treated for those purposes as affecting tax charged by any assessment to the profits tax.

(2) Any claim for relief under section forty-two of this Act (which relates to deficiencies of profits) shall be determined by the Commissioners and their determination shall, subject to the right of appeal conferred by the next following section, be final:

Provided that subsections (2) to (6) of section fifty-one of the Finance Act, 1949 (which relate to the settlement by agreement of certain claims for relief) shall apply in relation to claims for relief under section forty-two of this Act as they apply in relation to claims for relief from excess profits tax for deficiencies of profits.

(3) The Commissioners may by statutory instrument make regulations with respect to the assessment and collection of the excess profits levy and the making and determination of claims for relief from the levy for deficiencies of profits, and may by those regulations apply and adapt any enactment relating to the assessment and collection of, or claims for relief from, income tax which does not otherwise apply.

Any statutory instrument made under this subsection shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.

Appeals.

63.—(1) Subject to the provisions of this subsection, any person who is dissatisfied with—

(*a*) any assessment to the excess profits levy made on him by the Commissioners; or

(*b*) any determination of the Commissioners as respects any relief claimed by him under section forty-two of this Act (which relates to the relief for deficiencies of profits),

may appeal to the General Commissioners for the division in which he is assessed to income tax or to the Special Commissioners, and the provisions of paragraphs 2 to 5 of Part II of the Fifth Schedule to the Finance Act, 1937 (which relate to witnesses at appeals, Northern Ireland appeals, the statement of cases for the High Court and the payment of tax pending appeals), and the provisions of section fifty-one of the Finance Act, 1949, relating to the settlement of appeals by agreement shall apply in relation to any such appeal as they apply in relation to appeals from assessments to the profits tax:

Provided that—

(i) where the appeal involves any question as to the operation of any of the following provisions of this Act, that is

PART V —*cont.*

to say, section forty-one, sections forty-seven to forty-nine, section fifty-one, sections fifty-three to fifty-six, paragraphs 8 to 10 of the Ninth Schedule, and the Eleventh and Twelfth Schedules, or where the appellant is a member of a group within the meaning of the Twelfth Schedule to this Act, the appeal shall lie to the Special Commissioners and not to the General Commissioners; and

(ii) no apportionment as respects which a right of appeal is given by any other provision of this Act and no decision of the Commissioners on any matter which, under any provision of this Act, is left to their discretion, shall be called in question on any appeal under this subsection.

(2) The provisions of the Fifth Schedule to the Finance (No. 2) Act, 1945 (which relates to relief for error or mistake in any return or statement) shall apply in relation to the excess profits levy as they apply in relation to the profits tax, and the provisions of section fifty-one of the Finance Act, 1949, relating to the settlement of appeals by agreement shall apply in relation to any appeal under that Schedule relating to the excess profits levy as they apply in relation to appeals thereunder relating to the profits tax.

(3) The Commissioners may by statutory instrument make regulations with respect to the hearing of appeals relating to the excess profits levy and may by those regulations apply and adapt any enactment relating to the hearing of appeals as to income tax which does not otherwise apply.

Any statutory instrument made under this subsection shall be subject to annulment in pursuance of a resolution of the Commons House of Parliament.

Returns and particulars, etc.

64.—(1) Any surveyor may by notice in writing require any person who carries on or has carried on any trade or business to which this Part of this Act applies to deliver to him a return (in such form as the Commissioners may prescribe) of the profits or loss arising from the trade or business in any period during which it was carried on by that person and to furnish him with any other particulars relating to the trade or business and that person shall comply with the requirement within one month from the date of the notice:

Provided that—

(*a*) where any such person as aforesaid is a body corporate which is being or has been wound up, or where the trade or business of that person is being or has been carried on by a receiver, manager, trustee or judicial factor, or by any person acting in any capacity similar to the capacities aforesaid, the notice may be given to

the liquidator or person performing the functions of a liquidator or, as the case may be, to the receiver, manager, trustee, judicial factor or other person; and

(*b*) where the person who carries on or has carried on the trade or business is not ordinarily resident in the United Kingdom, the notice may be given to any agent, manager or factor ordinarily resident in the United Kingdom through whom he is or was carrying on the trade or business; and

(*c*) the notice shall not require any return of profits or losses for, or other particulars relating to, any period ending before the first day of January, nineteen hundred and forty-seven, except such returns and particulars as are required for the purposes of the Eighth Schedule to this Act or of paragraph 9 or paragraph 12 of the Ninth Schedule to this Act.

(2) All Commissioners and other persons employed for any purpose in connection with the assessment or collection of the excess profits levy shall be subject to the same obligations as to secrecy with respect to the levy as they are subject to with respect to income tax:

Provided that, in any case to which section forty-seven of this Act applies, nothing in this subsection shall prevent the disclosure of any such information as may be necessary to enable a body corporate to decide with adequate knowledge whether or not to make, or concur in, any such election as is provided for by that section or of any such information as may be necessary for the proper operation of the Eleventh Schedule to this Act.

(3) Section five hundred and four of the Income Tax Act, 1952 (which relates to evidence in cases of fraud or wilful default) and the Eighth Schedule to the Finance Act, 1943, and section forty of the Finance Act, 1951 (which relate to penalties for neglect to deliver returns and particulars), shall apply in relation to the excess profits levy as they apply in relation to the profits tax.

Extension of levy to unincorporated societies

Extension of excess profits levy to unincorporated societies.

65. The provisions of this Act relating to the excess profits levy shall apply in relation to unincorporated societies as they apply in relation to bodies corporate and accordingly, in the preceding sections of this Part of this Act, in the next following section and in the Eighth, Ninth, Tenth, Eleventh and Twelfth Schedules to this Act, any reference to a body corporate shall be deemed to include a reference to an unincorporated society.

PART V —*cont.*

Interpretation, etc.

Interpretation, etc.

66.—(1) In the provisions of this Act relating to the excess profits levy, except so far as the context otherwise requires—

"the Board of Referees" means the Board of Referees appointed for the purposes of section two hundred and eighty-seven of the Income Tax Act, 1952;

"the Commissioners" means the Commissioners of Inland Revenue;

"control", in relation to a body corporate, means the power of a person to secure, by means of the holding of shares or the possession of voting power in or in relation to that or any other body corporate, or by virtue of any powers conferred by the articles of association or other document regulating that or any other body corporate, that the affairs of the first-mentioned body corporate are conducted in accordance with the wishes of that person;

"director" has, in relation to any body corporate, the same meaning as it has in section two hundred of the Companies Act, 1948, in relation to a company, except that it includes any person who—

(*a*) is a manager of the body corporate or otherwise concerned in the management of its trade or business; and

(*b*) is remunerated out of the funds of its trade or business; and

(*c*) is the beneficial owner of not less than twenty per cent. of the ordinary share capital of the body corporate;

"General Commissioners", "Special Commissioners" and "surveyor" mean, respectively, the General Commissioners, the Special Commissioners and a surveyor for the purposes of the Income Tax Act, 1952;

"ordinary share capital" has the meaning assigned to it by subsection (3) of section forty-two of the Finance Act, 1938;

and two bodies corporate shall be deemed for the purposes of the provisions of this Act relating to the excess profits levy to be under common control if one has control over the other or some third person has control over both of them.

(2) The share premium account of any company under section fifty-six of the Companies Act, 1948, and the amount of any premiums shown in the accounts of any other body corporate as having been received by it on the issue of any of its share capital shall be deemed for the purposes of the excess profits levy to be paid-up share capital of the company or other body corporate and any sum transferred to the share premium account of

PART V —*cont.*

a company in respect of any issue of shares before the coming into force of the said section fifty-six, shall be deemed for those purposes to have been paid-up share capital of the company as from the date of the receipt by the company of the relevant premiums.

In this subsection " company " means a company within the meaning of section four hundred and fifty-five of the Companies Act, 1948.

(3) Where valuable consideration is given otherwise than in the form of money by or to a body corporate, so much of any provision of this Act relating to the excess profits levy as refers to payments in cash made or received by a body corporate shall have effect as if that body corporate had instead paid in cash or, as the case may be, received in cash a sum equal to the value of that consideration.

PART VI

MISCELLANEOUS AND GENERAL

Lloyd's and other underwriters; income tax and profits tax.

67.—(1) The Twenty-first Schedule to the Income Tax Act, 1952 (which contains provisions as to arrangements for special reserve funds in relation to Lloyd's and other underwriters), shall have effect as if, in sub-paragraph (1) of paragraph 6 thereof (which specifies the maximum gross amount which the underwriter may pay into his special reserve fund or funds), for the words " one thousand five hundred pounds or one quarter of that profit, whichever is the less," there were substituted the words " five thousand pounds or thirty-five per cent. of that profit, whichever is the less, or such less sum as may be specified in the arrangements ":

Provided that the amendment effected by the preceding provisions of this subsection shall not apply to any arrangements which permit an underwriter, by reason of the making of a profit for an underwriting year corresponding to a year of assessment earlier than the year 1952-53, to pay into his special reserve fund or funds more than is provided for by the said sub-paragraph (1) as in force apart from this subsection.

(2) Where income tax for any year of assessment is computed under Case I of Schedule D in respect of the business of an underwriter and the period on the profits or gains of which that income tax is so computed is or includes the whole or part of a chargeable accounting period ending after the end of the year nineteen hundred and fifty-one for which the profits tax is payable in respect of the business, there shall, in computing his total income for surtax purposes for that year of

PART VI —*cont.*

assessment, be deducted the amount which, after deducting income tax at the standard rate for that year of assessment, would be equal to the profits tax payable in respect of the profits of that chargeable accounting period or, where part only of that chargeable accounting period falls within the first-mentioned period, to so much of that profits tax as bears to the full amount thereof the same proportion as the length of that part of the chargeable accounting period bears to the full length thereof.

(3) In paragraph (*b*) of sub-paragraph (5) of paragraph 10 of the said Twenty-first Schedule, the reference to the profits tax payable for the chargeable accounting period shall, in relation to a chargeable accounting period ending after the end of the year nineteen hundred and fifty-one, be construed as a reference to the amount which, after deducting income tax at the standard rate for the year of assessment in which that period ends, would be equal to the profits tax payable for that period.

(4) Expressions occurring in the preceding provisions of this section to which a meaning is assigned by the said Twenty-first Schedule shall be construed as if they occurred in that Schedule.

(5) The references in this section to the said Twenty-first Schedule shall, in relation to years of assessment and periods to which the Income Tax Act, 1952, does not apply, be construed as references to the Tenth Schedule to the Finance Act, 1949.

Bodies corporate liable to surtax (deductions for profits tax and excess profits levy).

68.—(1) Where for the purposes of section twenty-one of the Finance Act, 1922, or Chapter III of Part IX of the Income Tax Act, 1952 (which provide for the payment of surtax, in certain cases, on undistributed income of companies), the actual income from all sources of a body corporate for a year or period ending after the end of the year nineteen hundred and fifty-one falls to be computed under paragraph 6 of the First Schedule to the said Act of 1922 or subsection (3) of section two hundred and fifty-five of the said Act of 1952, then, if any amount is payable by the body corporate by way of the profits tax or the excess profits levy, respectively, for any chargeable accounting period falling wholly or partly within that year or period, a deduction shall be allowed, in computing the said actual income, of such an amount as would, after deduction of income tax at the standard rate in force for the year of assessment during which the said year or period ends, be equal to so much of the amount so payable by the body corporate as is apportionable to the said year or period:

Provided that this subsection does not apply in relation to any chargeable accounting period ending at or before the end of the year nineteen hundred and fifty-one.

PART VI —*cont.*

(2) Paragraph (*a*) of the proviso to subsection (2) of section two hundred and sixty-two of the Income Tax Act, 1952 (which relates to the deductions allowable in computing the actual income from all sources of an investment company in relation to which a direction is in force under subsection (1) of that section), shall have effect as if instead of authorising a deduction for profits tax payable by the company it authorised a deduction, in relation to any amount payable by the company by way of profits tax or the excess profits levy, of such an amount as would, after deduction of income tax at the standard rate in force for the year of assessment in respect of which the direction is given, be equal to the first-mentioned amount.

(3) The last preceding subsection shall, in relation to any chargeable accounting period ending after the end of the year nineteen hundred and fifty-one, apply to paragraph (*a*) of the proviso to subsection (2) of section fourteen of the Finance Act, 1939, as it applies to paragraph (*a*) of the proviso to subsection (2) of section two hundred and sixty-two of the Income Tax Act, 1952.

(4) If—

(*a*) the amount payable by a body corporate in respect of the excess profits levy for any chargeable accounting period is reduced by reason of a deficiency of profits for a subsequent period; and

(*b*) the amount deducted under the preceding provisions of this section in computing the actual income from all sources of the body corporate was arrived at without regard to the reduction and is excessive in view thereof,

such apportionments, assessments or additional assessments to surtax shall be made as are necessary to counteract the excessive deduction and may be so made notwithstanding that the time limited by law for making assessments or additional assessments has expired.

(5) For the purposes of this section—

(*a*) any amount recovered under paragraph 20 of the Twelfth Schedule to this Act by one member of a group from another member shall be treated as an amount of excess profits levy payable by that other member and as correspondingly reducing the amount of excess profits levy payable by the first-mentioned member;

(*b*) any amount paid by a subsidiary to the principal company (as defined in section twenty-two of the Finance Act, 1937) by way of reimbursement of profits tax which, by virtue of a notice having been given under the said section twenty-two, was paid by the principal

PART VI —*cont.*

company shall be treated as an amount of profits tax payable by the subsidiary and as correspondingly reducing the amount of profits tax payable by the principal company.

Amendment, and extension to excess profits levy, of provisions as to avoidance of liability to tax.

69.—(1) Section thirty-two of the Finance Act, 1951 (which relates to transactions designed to avoid liability to the profits tax) shall have effect as if the references therein to the profits tax (other than the last reference in subsection (7) thereof) were references to the profits tax, the excess profits levy or the profits tax and the excess profits levy, and, for the purposes of the reference in subsection (3) of that section to the provisions of the law in force at the time when the transaction or transactions was or were effected, the provisions of the Bill for this Act, and any amendments made therein before the passing thereof, shall be deemed to have been in force as from the introduction of the said Bill into the Commons House of Parliament or the date on which the said Bill was ordered by that House to be printed with the said amendments, as the case may be.

(2) Section twenty-four of the Finance Act, 1943 (except subsection (8) thereof) and section sixty-four of the Finance Act, 1947 (which relate to the disposal of stock in trade of a company at an under-value), shall apply in relation to the excess profits levy as if the references therein to excess profits tax were references to the excess profits levy and as if the reference therein to section thirty-five of the Finance Act, 1941, were a reference to section thirty-two of the Finance Act, 1951 ; and the provisions of this Act relating to appeals from assessments to the excess profits levy (including the provisions thereof enabling the Commissioners to make regulations) shall, with any necessary modifications, apply in relation to any appeal under the said section twenty-four as applied by this subsection.

Amendments as to relief for double taxation of profits or income.

70.—(1) In paragraph (*c*) of sub-paragraph (3) of paragraph 8 of the Sixteenth Schedule to the Income Tax Act, 1952 (which provides that, in certain cases, income shall be treated for the purposes of income tax as reduced by foreign tax in respect thereof which 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), for the words " as a credit against the profits tax " there shall be substituted the words " as a credit against profits tax chargeable for a chargeable accounting period ending at or before the end of the year nineteen hundred and fifty-one ".

(2) Sections three hundred and forty-seven and three hundred and forty-eight of, and the Sixteenth and Seventeenth Schedules to, the Income Tax Act, 1952, shall have effect as if references to the profits tax included references to the excess profits levy:

Provided that—

(*a*) sub-paragraph (2) of paragraph 2 of the said Sixteenth Schedule shall have effect as if it had provided that the credit to be allowed shall be applied first in reducing the amount of any excess profits levy chargeable in respect of the income and, so far as it cannot be so applied, in reducing the amount of any profits tax chargeable in respect thereof, and, so far as it cannot be so applied, in reducing the income tax chargeable in respect thereof;

(*b*) paragraphs 4 and 7 of the said Sixteenth Schedule shall apply separately in relation to the excess profits levy and the profits tax and, in relation to the excess profits levy, shall have effect subject to the following provisions of this section;

(*c*) the references in sub-paragraph (1) of paragraph 14 of the said Sixteenth Schedule to the profits tax shall not be deemed to include references to the excess profits levy.

(3) In computing the profits of a person for any accounting period falling wholly or partly within a standard year for the purpose of arriving at his standard profits for a full year for excess profits levy purposes in relation to a chargeable accounting period, paragraph 7 of the said Sixteenth Schedule shall have effect—

(*a*) as if all arrangements which are, or by virtue of subsection (2) of the said section three hundred and forty-eight are to be treated as being, in force as respects the chargeable accounting period had been, or had to be treated as having been, similarly in force as respects the accounting period, and as if all credit allowable thereunder had been effectively claimed and allowed; but

(*b*) as if sub-paragraph (3) of the said paragraph 7 were omitted:

Provided that nothing in this subsection affects the computation of profits for the purpose of ascertaining whether a person has any and if so what undistributed profits or over-distribution of profits for any period.

(4) In computing, for any of the purposes of the excess profits levy, the profits of a person for any accounting period falling wholly or partly within the period of charge to the excess profits levy—

(*a*) sub-paragraph (3) of paragraph 7 of the said Sixteenth Schedule shall not apply; but

PART VI —*cont.*

(*b*) the difference, if any, between—

(i) any foreign tax in respect of any income included in those profits; and

(ii) the total credit which would have been allowable for that tax against all the United Kingdom taxes chargeable in respect of that income if no deduction under this paragraph, under the said sub-paragraph (3) or under paragraph (*c*) of sub-paragraph (3) of paragraph 8 of the said Sixteenth Schedule had been allowable in respect of that or any other income,

shall be deducted.

(5) The question how much of the excess profits levy chargeable for any chargeable accounting period is to be treated for the purposes of paragraph 4 of the said Sixteenth Schedule as attributable to any particular income shall be determined by applying to the amount payable by way of the levy for that period the fraction of which—

(*a*) the numerator represents that income, reduced by the deduction, if any, falling to be made in connection with that income under paragraph (*b*) of the last preceding subsection in computing the profits for that chargeable accounting period; and

(*b*) the denominator represents those profits:

Provided that where the said chargeable accounting period is part only of an accounting period, paragraphs (*a*) and (*b*) of this subsection shall have effect as if the references therein to the income and the profits for the chargeable accounting period were respectively references to the income for that accounting period which arises from the source in question and is subjected to foreign tax of the territory in question, and the profits for that accounting period.

(6) In the provisions of this Act relating to the excess profits levy, references to the profits tax payable or the excess profits levy payable shall be construed as references to the profits tax or excess profits levy payable apart from any relief by way of credit under the said Sixteenth Schedule.

(7) Where, under the Twelfth Schedule to this Act, the profits of any member of a group fall to be assessed to the excess profits levy on the principal member of the group—

(*a*) any election under paragraph 12 of the said Sixteenth Schedule and any claim for an allowance by way of credit for foreign tax in respect of any income of the first-mentioned member must be made jointly by both members; and

(*b*) if both members jointly so elect, any credit falling to be allowed for foreign income tax in respect of income of the first-mentioned member shall, notwithstanding anything in paragraph 2 of the said Sixteenth Schedule (as amended by this section), be applied first in reducing the income tax chargeable in respect of that income.

(8) The provisions of this section relating to the computation of profits shall, with any necessary adaptations, apply also to the computation of losses.

(9) Expressions to which a meaning is assigned by this Act for the purposes of the provisions thereof relating to the excess profits levy have the same meanings in this section and expressions to which a meaning is assigned by the Income Tax Act, 1952, for the purposes of the provisions of the said Sixteenth and Seventeenth Schedules have the same meanings in this section, and any reference in this section to, or to any provision of, the said Sixteenth Schedule, includes a reference to, or as the case may be, to that provision of, that Schedule as applied, with or without modification, by section three hundred and forty-eight of that Act and the said Seventeenth Schedule.

(10) The references in the preceding provisions of this section to provisions of the Income Tax Act, 1952, shall, in relation to years of assessment and periods to which that Act is not applicable, be construed as references to, or, as the case may require, as including references to, the corresponding provisions of the enactments repealed by that Act.

Exemption from estate duty for members of armed forces, etc.

71.—(1) Estate duty shall not be chargeable by reason of the death on or after the twelfth day of March, nineteen hundred and fifty-two, of a person in whose case it is certified by the Admiralty, the Army Council, the Air Council or the Secretary of State that the deceased died from a wound inflicted, accident occurring or disease contracted at a time (whether before, on or after the said twelfth day of March) when the following conditions were satisfied, that is to say, that the deceased was a member of any of the armed forces of the Crown or was employed as a person of any of the descriptions specified in the Thirteenth Schedule to this Act or (not being a member of any of those forces or employed as aforesaid) was subject to the law governing any of those forces by reason of association with or of accompanying any body of those forces and (in any case) was either—

(*a*) on active service against an enemy, or

(*b*) on other service of a warlike nature or which in the opinion of the Treasury involved the same risks as service of a warlike nature,

or that the deceased died from a disease contracted at some previous time, the death being due to or hastened by the

PART VI —*cont.*

aggravation of the disease during a period (whether beginning before, on or after the said twelfth day of March) when the deceased satisfied the conditions aforesaid.

(2) For the purposes of the exemption from estate duty chargeable on property passing on the death of a surviving spouse estate duty shall be deemed to have been paid on property passing on the death of a person in whose case a certificate under the last foregoing subsection has been given that he died as mentioned in that subsection.

(3) The enactments specified in Part V of the Fourteenth Schedule to this Act are repealed, subject to and in accordance with the following provisions:—

(*a*) the said repeals shall not affect the operation of any of those enactments as applied by any other enactment;

(*b*) subject to the last foregoing paragraph, the said repeals shall have effect in the case of persons dying on or after the twelfth day of March, nineteen hundred and fifty-two.

Estate duty (amendments of Finance Act, 1940, Part IV).

72.—(1) In relation to deaths occurring after the commencement of this Act, Part IV of the Finance Act, 1940 (which deals mainly with the charge of estate duty on the assets of certain companies where property has been transferred thereto by the deceased), shall be amended in accordance with the following provisions of this section.

(2) Any reference to a transfer of property (except in the definition of "payment" in section fifty-nine) shall include a reference to a payment of money, and the expressions "disposition" and "value" respectively, in relation to money, shall include payment and amount.

(3) Where, in the case of any company, the conditions specified in subsection (1A) of section fifty-one (which was inserted by section forty-seven of the Finance Act, 1950, and which in certain cases relieves from the charge on a company's assets a proportion not exceeding the value of the consideration paid to the deceased for shares or debentures disposed of by him) are satisfied in relation to any shares in or debentures of the company, and the aggregate value at the deceased's death of all such shares and debentures in relation to which the conditions are satisfied is shown to the satisfaction of the Commissioners of Inland Revenue to be greater than the value of the consideration paid for them as mentioned in that subsection, then that subsection shall have effect as if references to the aggregate value aforesaid were substituted for references to the value of the said consideration.

PART VI —*cont.*

(4) In the last foregoing subsection, references to the aggregate value of any shares or debentures refer to their principal value ascertained as if they passed on the death:

Provided that—

(*a*) where the deceased did not dispose of all the relevant shares and debentures in one parcel, the principal value of each of the parcels separately disposed of (whether at different times or at one time but to different persons) shall be computed separately, and the aggregate value shall be taken to be the total of the separate values so computed; and

(*b*) where any of the relevant shares and debentures have, since the deceased disposed of them, been substantially increased in value by reason of a transfer of property to any company by any person, or by reason of the extinguishment of, or any alteration of the rights attaching to, shares in or debentures of any company, their principal value shall be reduced to such extent as in the opinion of the Commissioners of Inland Revenue is necessary to offset the increase attributable to the transfer, extinguishment or alteration.

Stamp duty on conveyances (extension of relief).

73.—(1) Part VI of the Finance Act, 1947, so far as it increases any duty chargeable under or by reference to the heading "Conveyance or Transfer on sale" in the First Schedule to the Stamp Act, 1891—

(*a*) shall not apply in any case where the amount or value of the consideration for the sale does not exceed three thousand pounds and the instrument contains the appropriate certificate; and

(*b*) subject to the foregoing paragraph, in a case where the amount or value of the consideration for the sale does not exceed three thousand four hundred and fifty pounds, and the instrument contains the appropriate certificate, shall have effect as if it directed the duty to be one and a half times (instead of double) the duty which would have been chargeable immediately before the first day of August, nineteen hundred and forty-seven:

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

PART VI —*cont.*

(2) For the purposes of the foregoing subsection, the appropriate certificate is a statement certifying that the transaction effected by the instrument 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 three thousand pounds, in the case of the certificate referred to in paragraph (*a*) of the subsection, or three thousand four hundred and fifty pounds, in the case of that referred to in paragraph (*b*):

Provided that 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 be treated as containing the appropriate certificate for the purposes of the said paragraph (*a*).

(3) In this section, 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.

(4) In section thirty-six of the Finance Act, 1949 (which directs that for the purpose of earlier provisions corresponding to this section sales of goods shall be disregarded in relation to certain instruments), for the references to subsections (3) and (4) of section fifty-four of the Finance Act, 1947, and to subsection (3) of the said section fifty-four there shall be substituted references to this section and to subsection (2) of it.

(5) This section shall be construed as one with the Stamp Act, 1891.

(6) This section shall have effect, and the enactments specified in Part VI of the Fourteenth Schedule to this Act are repealed, from the day following that on which this Act is passed.

Stamp duties (exemption for certain transfers to joint boards or joint committees of local authorities).

74.—(1) Where provision is made either—

(*a*) by an order under the Water Act, 1945, for the transfer of the whole or part of the undertaking of any water undertakers to a joint board or joint committee consisting exclusively of representatives of local authorities; or

(*b*) by an order under the Public Health Act, 1936, or the Local Government (Scotland) Act, 1947, for the transfer of any property to a joint board constituted under section six of the said Act of 1936 or to a joint board or joint committee constituted under section one hundred and nineteen or one hundred and twenty of the said Act of 1947, as the case may be, from a local authority which is represented on the board or committee;

then, in considering whether any and if so what duty is payable under section twelve of the Finance Act, 1895 (which relates to the stamp duty payable in connection with certain statutory conveyances), the consideration for the transfer shall be left out of account.

(2) No stamp duty shall be payable on any contract or agreement for such a transfer as is referred to in paragraph (*a*) of the foregoing subsection, if the contract or agreement is conditional on the making of an order under the Water Act, 1945, to give effect to it.

(3) No stamp duty shall be payable on any conveyance, agreement or assignment made, or instrument executed, solely for the purpose of giving effect to a transfer of property to a joint board or joint committee constituted under section one hundred and nineteen or one hundred and twenty of the Local Government (Scotland) Act, 1947, from a local authority which is represented on the board or committee.

(4) In this section references to a local authority include a joint board or joint committee consisting exclusively of representatives of local authorities, and the expression "local authority" means, in England and Wales, the council of a county, county borough or county district and, in Scotland, a county council or town council.

(5) This section shall be construed as one with the Stamp Act, 1891.

Provisions as to permanent annual charge for the National Debt and as to the Old Sinking Fund.

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

(2) Any amount applied out of revenue during the said 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.

PART VI —*cont.*

Short title, construction, extent and repeals.

76.—(1) This Act may be cited as the Finance Act, 1952.

(2) Part I of this Act so far as it relates to duties of customs shall be construed as one with the Customs Consolidation Act, 1876, and 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.

(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 Part VI thereof so far as it relates to income tax, shall be construed as one with the Income Tax Act, 1952.

(5) Part IV of this Act, and Part VI thereof so far as it relates to the profits tax, shall be construed as one with Part III of the Finance Act, 1937, and the other enactments relating to the profits tax.

(6) 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 or applied by or under any other enactment, including this Act.

(7) Such of the provisions of Parts I and VI 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.

(8) The enactments specified in the Fourteenth Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule, but this repeal has effect—

(*a*) in the case of Part II of that Schedule, as provided by subsection (10) of section two of this Act;

(*b*) in the case of Part III, as provided by subsection (7) of section six;

(*c*) in the case of Part V, as provided by subsection (3) of section seventy-one; and

(*d*) in the case of Part VI, as provided by subsection (6) of section seventy-three.

SCHEDULES

FIRST SCHEDULE

Section 2.

ENTERTAINMENTS DUTY

PART I

SECOND SCALE

Amount of payment	*Rate of duty*
Where the amount of the payment, excluding the amount of duty,—	
exceeds 1s. and does not exceed 1s. 1½d. ...	1½d.
exceeds 1s. 1½d.	1½d. for the first 1s. 1½d. and ½d. for every 1d. or part of 1d. over 1s. 1½d.

PART II

THIRD SCALE

1. Where the amount of the payment, excluding the amount of duty, is an amount mentioned in the following Table, the rate of duty shall be the amount therein specified in relation to that payment.

TABLE

Amount of payment, excluding amount of duty	Rate of duty	Amount of payment, excluding amount of duty	Rate of duty	Amount of payment, excluding amount of duty	Rate of duty
s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
8½	½	1 6	1 1	2 5	2 0
9	1	1 6½	1 1½	2 5½	2 0½
9½	1½	1 7½	1 1½	2 5½	2 1½
10	2	1 8	1 2	2 6½	2 1¾
10½	2½	1 8½	1 2½	2 6¾	2 2¼
10¾	3¼	1 9	1 3	2 7	2 3
11	4	1 9½	1 3½	2 7½	2 3½
11½	4½	1 10	1 4	2 8	2 4
11¾	5¼	1 10½	1 4¾	2 8½	2 4½
1 0	6	1 10¾	1 5¼	2 9	2 5
1 0½	6½	1 11	1 6	2 9½	2 5½
1 0¾	7¼	1 11½	1 6½	2 10	2 6
1 1	8	2 0	1 7	2 10½	2 6½
1 1½	8½	2 0½	1 7¾	2 11	2 7
1 1¾	9¼	2 0¾	1 8¼	2 11½	2 7½
1 2	10	2 1	1 9	3 0	2 8
1 2¼	10¾	2 1½	1 9½	3 0½	2 8½
1 3	11	2 2¼	1 9¾	3 1	2 9
1 3¾	11½	2 3	1 10	3 1½	2 9½
1 4½	11½	2 3½	1 10½	3 2¼	2 9¾
1 5	1 0	2 4	1 11	3 3	2 10
1 5½	1 0½	2 4½	1 11½	3 3¾	2 10½

1ST SCH. —*cont.*

Amount of payment, excluding amount of duty	Rate of duty	Amount of payment, excluding amount of duty	Rate of duty	Amount of payment, excluding amount of duty	Rate of duty
s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
3 4½	2 10½	4 5¾	3 11¼	5 7½	4 11½
3 5¼	2 10¾	4 6	4 0	5 8	5 0
3 6	2 11	4 6½	4 0½	5 8½	5 0½
3 6½	2 11½	4 7	4 1	5 9	5 1
3 7	3 0	4 7½	4 1½	5 9½	5 1½
3 7½	3 0½	4 8	4 2	5 10	5 2
3 7¾	3 1¼	4 8½	4 2½	5 10½	5 2½
3 8¼	3 1¾	4 9	4 3	5 11	5 3
3 8¾	3 2¼	4 9½	4 3½	5 11½	5 3½
3 9	3 3	4 10	4 4	6 0	5 4
3 9½	3 3½	4 10½	4 4½	6 0¾	5 4½
3 10	3 4	4 11	4 5	6 1½	5 4¾
3 10½	3 4½	4 11½	4 5½	6 2¼	5 4¾
3 11	3 5	5 0	4 6	6 3	5 5
3 11½	3 5½	5 0¾	4 6¼	6 3¾	5 5¼
4 0	3 6	5 1½	4 6¾	6 4½	5 5½
4 0¾	3 6¼	5 1¾	4 7¼	6 5¼	5 5¾
4 1½	3 6¾	5 2½	4 7½	6 6	5 6
4 2	3 7	5 3	4 8	6 6¼	5 6¼
4 2½	3 7½	5 3¼	4 8¼	6 6¾	5 7¼
4 3	3 8	5 4¼	4 8¾	6 7	5 8
4 3¼	3 8½	5 4¾	4 9¼	6 7½	5 8½
4 4	3 9	5 5¼	4 9¾	6 7¾	5 9¼
4 4½	3 9½	5 6	4 10	6 8	5 10
4 4¾	3 10¼	5 6½	4 10½		
4 5¼	3 10¾	5 7	4 11		

2. Where the amount of the payment, excluding the amount of duty, is an amount not specified in the foregoing Table, and exceeds eightpence but does not exceed six shillings and eightpence, the rate of duty shall be the same as on a payment of the next higher amount specified in the Table.

3. Where the amount of the payment, excluding the amount of duty, exceeds six shillings and eightpence, the rate of duty shall be five shillings and tenpence increased by a halfpenny for every halfpenny or part of a halfpenny by which the amount of the payment exceeds six shillings and eightpence.

SECOND SCHEDULE

Section 6.

SUGAR DUTIES: RATES OF GENERAL PREFERENTIAL REDUCTIONS

Article		General Preferential Reduction
		s. d.
Sugar of a polarisation exceeding 99° ...	the cwt.	5 10
Sugar of a polarisation exceeding—		
98° but not exceeding 99°	„	6 10·8
97° „ „ 98°	„	3 11·3
96° „ „ 97°	„	3 10·0
95° „ „ 96°	„	3 8·8
94° „ „ 95°	„	3 7·6
93° „ „ 94°	„	3 6·3
92° „ „ 93°	„	3 5·1
91° „ „ 92°	„	3 3·9
90° „ „ 91°	„	3 2·6
89° „ „ 90°	„	3 1·4
88° „ „ 89°	„	3 0·2
87° „ „ 88°	„	2 11·1
86° „ „ 87°	„	2 10·1
85° „ „ 86°	„	2 9·2
84° „ „ 85°	„	2 8·3
83° „ „ 84°	„	2 7·3
82° „ „ 83°	„	2 6·4
81° „ „ 82°	„	2 5·6
80° „ „ 81°	„	2 4·8
79° „ „ 80°	„	2 4·0
78° „ „ 79°	„	2 3·1
77° „ „ 78°	„	2 2·3
76° „ „ 77°	„	2 1·5
Sugar of a polarisation not exceeding 76° ...	„	2 0⅜
Molasses:—		
if containing—		
70 per cent. or more of sweetening matter	the cwt.	3 8½
less than 70 per cent. and more than 50 per cent. of sweetening matter ...	„	2 8
not more than 50 per cent. of sweetening matter	„	1 3½
Glucose—		
Solid	„	3 8½
Liquid	„	2 8
Saccharin (including substances of a like nature or use)	the oz.	1 10½

Sections 8, 11.

THIRD SCHEDULE

PURCHASE TAX: AMENDMENTS OF FINANCE ACT, 1948, SCHEDULE 8, PART I

1.—(1) The following provisions (which relate to utility articles) shall be omitted, that is to say:—

(*a*) paragraphs (*b*), (*c*) and (*d*) of Group 1;

(*b*) paragraph (*d*) of Group 2;

(*c*) paragraph (*d*) of Group 3;

(*d*) paragraph (*c*) of Group 4;

(*e*) paragraph (*b*) of Group 5;

(*f*) paragraph (*b*) of Group 6;

(*g*) paragraph (*e*) of Group 11.

(2) In paragraph (*c*) of Group 2 and in paragraph (*c*) of Group 3 for the words " other than those comprised in paragraphs (*b*) or (*d*) of this Group " there shall in each case be substituted the words " other than those comprised in paragraph (*b*) of this Group ".

(3) In paragraph (*d*) of Group 5, as amended by paragraph 2 of the Fifth Schedule to the Finance Act, 1951, there shall be omitted the words " utility articles or ".

2. In paragraph (*f*) of Group 1 for the words " other than those comprised in paragraphs (*c*) or (*e*) of this Group " there shall be substituted the words " other than articles comprised in paragraph (*e*) of this Group, and other than garments merely trimmed with fur skin in the case of which the trimming of fur skin neither represents a cost to the manufacturer of the garment greater than the cost to him of the other components nor has an area greater than one-fifth of the area of the outside material "; and in paragraph (*i*) of that Group for the words " other than articles made wholly or partly of fur skin (including any skin with fur, hair or wool attached) " there shall be substituted the words " other than articles comprised in paragraph (*e*) or (*f*) of this Group ".

Section 9.

FOURTH SCHEDULE

PURCHASE TAX: PRESCRIBED LISTS FOR WEARING APPAREL AND FOR CLOTH, ETC.

NOTE.—In this Schedule—

the expression " Class A material " means textile material containing more than 15 per cent. by weight of fibre (whether or not subjected to any process of manufacture or recovery) from the coat or fleece of alpaca, camel, goat, hare, lamb, llama, rabbit, sheep, vicuna or yak, or of horsehair;

the expression " Class B material " means material other than Class A material and other than fur skin;

the expression " Class C material " means cloth of which the textile content comprises not less than 80 per cent. by weight of flax;

4TH SCH. —*cont.*

the expression "fur skin" includes any skin with fur, hair or wool attached;

any reference to things "of" any material refers, unless the context otherwise requires, to things made wholly or mainly of that material, any lining or interlining being disregarded, except that anything fully-lined with fur skin is to be treated as being of fur skin.

PART I

WEARING APPAREL

Description of article	*Amount not chargeable* £ s. d.	
A.—Articles of men's or boys' wear of any of the following descriptions:		
1. Overcoats, cloaks and raincoats, being garments exceeding 42″ in length:		
(*a*) of Class A material, fully-lined or lined at least down to the waist (including the sleeves, if any), or of sheepskin ...	6 10 0	per article
(*b*) of Class A material, not so lined ...	2 5 0	per article
2. Overcoats, cloaks, raincoats, mackintosh coats, oilskin coats, fishermen's oilskin frocks and overall coats, being garments exceeding 42″ in length and of Class B material:		
(*a*) fully-lined	4 15 0	per article
(*b*) of double-texture cloth and not fully-lined	3 10 0	per article
(*c*) not of double-texture cloth nor fully-lined	2 5 0	per article
3. Coats, cloaks and overall coats, being garments not exceeding 42″ in length, jackets (not including blouse-type jackets or pyjama jackets), blazers, overall jackets, waterproof capes and fishermen's oilskin skirts:		
(*a*) of Class A material, fully-lined, or of sheepskin	4 0 0	per article
(*b*) of Class A material, not fully-lined ...	2 5 0	per article
(*c*) of Class B material, fully-lined or of double-texture cloth	2 0 0	per article
(*d*) of Class B material, but not of double-texture cloth nor fully-lined	1 5 0	per article
4. Blouse-type jackets, waistcoats, cardigans, jerseys, sweaters, pullovers, slip-overs and bed-jackets	1 1 0	per article

4TH SCH. —*cont.*

Description of article	*Amount not chargeable*
A.—Men's or boys' wear—*continued:*—	£ s. d.
5. Trousers (not including pyjama trousers), overall trousers, oilskin trousers, plus-fours, breeches, jodhpurs, kilts and bib-and-brace overalls:	
(*a*) of Class A material	2 5 0 per article
(*b*) of Class B material	1 15 0 per article
6. Shorts and knickers:	
(*a*) of Class A material	1 12 0 per article
(*b*) of Class B material	10 0 per article
7. Thigh-length leggings:	
(*a*) of double-texture cloth	1 3 0 per pair (11 6 per article)
(*b*) not of double-texture cloth	15 0 per pair (7 6 per article)
8. Shirts (with or without collar attached) ...	17 6 per article
9. Shirt collars and shirt neckbands... ...	1 9 per article
10. Dressing-gowns and bath-robes:	
(*a*) of Class A material	3 15 0 per article
(*b*) of Class B material	2 0 0 per article
11. Aprons (with or without bib):	
(*a*) of leather, rubber or asbestos	1 10 0 per article
(*b*) of material other than leather, rubber and asbestos	12 0 per article
12. Overall boiler suits, overall gowns and overall smocks, being garments exceeding 42″ in length	2 5 0 per article
13. Pyjama jackets and pyjama trousers ...	10 0 per article
14. Nightshirts	1 0 0 per article
15. Undervests, singlets, pants, trunks and drawers:	
(*a*) of Class A material	14 0 per article
(*b*) of Class B material	4 0 per article
16. Combinations:	
(*a*) of Class A material	1 5 0 per article
(*b*) of Class B material	7 0 per article
17. Bathing costumes, bathing trunks and swimming drawers:	
(*a*) of Class A material	10 0 per article
(*b*) of Class B material	2 0 per article
18. Stockings and socks:	
(*a*) of Class A material	5 6 per pair (2 9 per article)
(*b*) of Class B material	2 6 per pair (1 3 per article)

4TH SCH. —*cont.*

Description of article	*Amount not chargeable*
A.—Men's or boys' wear—*continued:*—	£ s. d.
19. Boots and bootees	3 0 0 per pair (1 10 0 per article)
20. Shoes (including sandals, but not including slippers):	
(*a*) with uppers of leather	2 0 0 per pair (1 0 0 per article)
(*b*) of rubber or with moulded rubber soles and uppers of fabric	15 0 per pair (7 6 per article)
(*c*) of any other description	1 5 0 per pair (12 6 per article)
21. Slippers	1 5 0 per pair (12 6 per article)
22. Articles of headgear, of woven cloth, being either articles suitable only for infants' wear or caps, berets, sou'westers or industrial hats, and articles of headgear of knitted cloth or wholly or mainly knitted	8 0 per article
23. Gloves:	
(*a*) articles which apart from any stitchings, fastenings or trimmings are wholly knitted or made wholly of woven or knitted cloth	3 0 per pair (1 6 per article)
(*b*) articles of any other description ...	12 0 per pair (6 0 per article)
24. Scarves, knitted or woven:	
(*a*) of Class A material	10 0 per article
(*b*) of Class B material	3 0 per article
25. Braces	4 0 per article
B.—Articles of women's or girls' wear of any of the following descriptions:	
1. Overcoats, coats, cloaks and raincoats, being garments exceeding 42″ in length:	
(*a*) of fur skin	12 0 0 per article
(*b*) of Class A material	6 10 0 per article
2. Overcoats, coats, cloaks, capes (but not including cycling capes), raincoats and mackintosh coats, being garments exceeding 42″ in length and of Class B material:	
(*a*) fully-lined	4 0 0 per article
(*b*) of double-texture cloth and not fully-lined	3 0 0 per article
(*c*) not of double-texture cloth nor fully-lined	2 0 0 per article

4TH SCH. —*cont.*	*Description of article*	*Amount not chargeable* £ s. d.	
	B.—Women's or girls' wear—*continued:*—		
	3. Jackets (not including blouse-type jackets or pyjama jackets), blazers, coats, cloaks, capes (not including cycling capes) and overalls with sleeves, being garments exceeding 20″ in length but not exceeding 42″ in length; cycling capes exceeding 20″ in length, waistcoats with sleeves, blouses, shirt-blouses, shirts (with or without collar attached), cardigans of woven or knitted cloth and jumpers of woven or knitted cloth:		
	(*a*) of fur skin	8 0 0	per article
	(*b*) of Class A material, fully-lined ...	4 0 0	per article
	(*c*) of Class A material, not fully-lined ...	2 0 0	per article
	(*d*) of Class B material, fully-lined or of double-texture cloth	1 15 0	per article
	(*e*) of Class B material, but not of double-texture cloth nor fully-lined	16 0	per article
	4. Boleros, jackets and capes, being garments not exceeding 20″ in length:		
	(*a*) of fur skin	4 10 0	per article
	(*b*) of any other description	1 0 0	per article
	5. Blouse-type jackets, sleeveless waistcoats, knitted jumpers, knitted cardigans, jerseys, sweaters and bed-jackets	1 0 0	per article
	6. Skirts, kilts, divided skirts, shorts, slacks, breeches, jodhpurs and bib-and-brace overalls:		
	(*a*) of Class A material	2 0 0	per article
	(*b*) of Class B material	1 5 0	per article
	7. Dresses, pinafore-dresses, gym tunics, housecoats, dressing-gowns and bath-robes:		
	(*a*) of Class A material	3 15 0	per article
	(*b*) of Class B material	2 0 0	per article
	8. Overalls exceeding 42″ in length, boiler suits and overall gowns	2 0 0	per article
	9. Aprons (with or without bib) and pinarettes	5 0	per article
	10. Shirt collars and shirt neckbands ...	1 9	per article
	11. Pyjama jackets and pyjama trousers ...	10 0	per article
	12. Nightdresses	15 0	per article
	13. Slips, petticoats and cami-knickers ...	8 6	per article
	14. Undervests, spencers, camisoles and bodices:		
	(*a*) of Class A material	9 0	per article
	(*b*) of Class B material	3 0	per article
	15. Knickers, pantees and briefs:		
	(*a*) of Class A material	6 0	per article
	(*b*) of Class B material	4 0	per article

4TH SCH. —*cont.*

Description of article	*Amount not chargeable*
B.—Women's or girls' wear—*continued:*—	£ s. d.
16. Combinations:	
(*a*) of Class A material	1 0 0 per article
(*b*) of Class B material	7 0 per article
17. Corsets (not including roll-on elastic belts) and corselettes	1 0 0 per article
18. Brassieres, suspender belts and roll-on elastic belts	5 6 per article
19. Bathing costumes (including two-piece and three-piece bathing costumes)	11 6 per costume
20. Stockings and three-quarter hose:	
(*a*) of Class A material	5 6 per pair (2 9 per article)
(*b*) of Class B material	3 6 per pair (1 9 per article)
21. Ankle socks:	
(*a*) of Class A material	2 0 per pair (1 0 per article)
(*b*) of Class B material	1 3 per pair (7½ per article)
22. Boots and bootees...	3 0 0 per pair (1 10 0 per article)
23. Shoes (including sandals and slippers):	
(*a*) with uppers of leather	1 17 0 per pair (18 6 per article)
(*b*) of rubber or with moulded rubber soles and uppers of fabric	15 0 per pair (7 6 per article)
(*c*) of any other description	1 8 0 per pair (14 0 per article)
24. Articles of headgear, of woven cloth, being either articles suitable only for infants' wear or articles forming part of a matching set with a coat not exceeding 42″ in length or caps, berets, hoods, sou'westers or industrial hats, and articles of headgear of knitted cloth or wholly or mainly knitted	8 0 per article
25. Gloves:	
(*a*) articles which apart from any stitchings, fastenings or trimmings are wholly knitted or made wholly of woven or knitted cloth	3 0 per pair (1 6 per article)
(*b*) articles of any other description ...	12 0 per pair (6 0 per article)
26. Scarves and shawls, being knitted or woven articles:	
(*a*) of Class A material	10 0 per article
(*b*) of Class B material	3 0 per article
27. Fur stoles containing not less than 2 sq. ft. of fur skin measured on the leather	4 10 0 per article

4TH SCH. —*cont.*

Description of article	*Amount not chargeable*
C.—Handkerchiefs of the following descriptions:	£ s. d.
1. Handkerchiefs of Class C material:	
(*a*) exceeding 256 square inches in area ...	1 6 per article
(*b*) not exceeding 256 square inches in area	9 per article
2. Handkerchiefs of material other than Class C material:	
(*a*) exceeding 256 square inches in area ...	1 0 per article
(*b*) not exceeding 256 square inches in area	6 per article

PART II

CLOTH, ETC.

Description of article	*Amount not chargeable*
1. Cloth exceeding 3″ in width, in the piece or in cut lengths, including cloth which has been dyed, printed, coated or otherwise treated:	£ s. d.
(*a*) Class A material...	14 6 per sq. yd.
(*b*) Class C material	6 0 per sq. yd.
(*c*) Class B material of a weight per square yard, exclusive of non-permanent loading, of not less than 6 ozs., other than Class C material	6 0 per sq. yd.
(*d*) Class B material not of such a weight as aforesaid, other than Class C material	4 0 per sq. yd.
2. Plastic sheeting, in the piece or in cut lengths	4 0 per sq. yd.
3. Blankets, travelling rugs, pram rugs, bedspreads, counterpanes (not including filled quilts), curtains and curtain panels:	
(*a*) of Class A material	14 6 per sq. yd.
(*b*) of Class C material	6 0 per sq. yd.
(*c*) of Class B material of a weight per square yard, exclusive of non-permanent loading, of not less than 6 ozs., other than Class C material	6 0 per sq. yd.
(*d*) of Class B material not of such a weight as aforesaid, other than Class C material	4 0 per sq. yd.
4. Bed sheets, table cloths and table covers:	
(*a*) of Class A material	14 6 per sq. yd.
(*b*) of Class C material	6 0 per sq. yd.
(*c*) of Class B material of a weight per square yard, exclusive of non-permanent loading, of not less than 6 ozs., other than Class C material	6 0 per sq. yd.
(*d*) of Class B material not of such a weight as aforesaid, other than Class C material	4 0 per sq. yd.
5. Pillows	10 0 per article

4TH SCH. —*cont.*

Description of article	*Amount not chargeable*			
	£	s.	d.	
6. Bolsters:				
(*a*) not less than 45″ in length	1	0	0	per article
(*b*) less than 45″ in length		15	0	per article
7. Overlay mattresses, soft filled:				
(*a*) not less than 45″ in width	7	10	0	per article
(*b*) less than 45″ in width	5	0	0	per article
8. Upholstered overlay mattresses with spring or cellular rubber interior (not including box-spring mattresses or spring-bases):				
(*a*) not less than 45″ in width	10	10	0	per article
(*b*) less than 45″ in width	7	10	0	per article
9. Filled quilts:				
(*a*) not less than 53″ in width	2	10	0	per article
(*b*) less than 53″ in width	2	0	0	per article
10. Pillow cases:				
(*a*) of Class C material		6	0	per article
(*b*) of other material		4	0	per article
11. Bolster cases of Class C material:				
(*a*) not less than 53″ in length		16	6	per article
(*b*) less than 53″ in length		10	6	per article
12. Bolster cases of material other than Class C material:				
(*a*) not less than 53″ in length		11	0	per article
(*b*) less than 53″ in length		7	0	per article
13. Pillow ticks		3	6	per article
14. Mattress ticks:				
(*a*) not less than 45″ in width	1	10	0	per article
(*b*) less than 45″ in width	1	0	0	per article
15. Table napkins, tray cloths and table mats, being articles not exceeding ½ square yard in area:				
(*a*) of Class C material		3	0	per article
(*b*) of other material		2	0	per article
16. Towels and tea towels, being articles of Class C material, and terry towels of other material:				
(*a*) exceeding 1 square yard in area ...		7	6	per article
(*b*) exceeding ½ square yard but not exceeding 1 square yard in area		5	3	per article
(*c*) not exceeding ½ square yard in area ...		3	0	per article
17. Towels (not including terry towels) and tea towels, being articles of material other than Class C material:				
(*a*) exceeding 1 square yard in area ...		5	0	per article
(*b*) exceeding ½ square yard but not exceeding 1 square yard in area		3	6	per article
(*c*) not exceeding ½ square yard in area ...		2	0	per article

4TH SCH. —*cont.*

PART III

MODIFICATIONS OF PARTS I AND II OF SCHEDULE FOR INITIAL PERIOD

1.—(1) As respects the period up to the end of the thirteenth day of May, nineteen hundred and fifty-two, Part I of this Schedule shall be modified as follows.

(2) In the division relating to men's or boys' wear, for paragraph 19 there shall be substituted the following paragraph:—

"19. Boots and bootees:

(*a*) articles which are either unlined or lined only with cotton fabric or leather, and are not made wholly or partly of fur or imitation fur	3	0	0	per pair
	(1	10	0	per article)
(*b*) articles of any other description ...	2	0	0	per pair
	(1	0	0	per article)";

and in paragraph 21 for the amounts specified in the second column there shall be substituted 15s. 0d. per pair (7s. 6d. per article).

(3) In the division relating to women's or girls' wear, for paragraph 22 there shall be substituted the following paragraph:—

"22. Boots and bootees:

(*a*) articles which are either unlined or lined only with cotton fabric or leather, and are not made wholly or partly of fur or imitation fur	3	0	0	per pair
	(1	10	0	per article)
(*b*) articles of any other description ...	1	17	0	per pair
	(18		6	per article)".

(4) In the division relating to women's or girls' wear, the following substitutions shall be made in the amounts specified in the second column:—

(*a*) in sub-paragraph (*a*) of paragraph 1, for £12 0 0 substitute £6 10 0;

(*b*) in sub-paragraph (*a*) of paragraph 3, for £8 0 0 substitute £4 0 0;

(*c*) in sub-paragraph (*a*) of paragraph 4, for £4 10 0 substitute £1 0 0;

(*d*) in paragraph 27, for £4 10 0 substitute £1 0 0.

2.—(1) As respects the period up to the end of the second day of June, nineteen hundred and fifty-two, Part II of this Schedule shall be modified by substituting 4s. 0d. per square yard for 6s. 0d. per square yard in the second column in sub-paragraphs (*b*) and (*c*) of paragraph 1, sub-paragraphs (*b*) and (*c*) of paragraph 3 and sub-paragraph (*c*) of paragraph 4.

(2) As respects the period beginning with the third day of June, nineteen hundred and fifty-two, and ending with the seventeenth day of that month the said Part II shall also be modified by inserting in sub-paragraph (*b*) of paragraph 1 and in sub-paragraph (*b*) of paragraph 3 after the words "Class C material" the words "of a weight per square yard, exclusive of non-permanent loading, of not less than 6 ozs.", and by omitting in sub-paragraph (*d*) of those paragraphs the words "other than Class C material".

FIFTH SCHEDULE

Sections 20, 21.

INCOME TAX: SUPPLEMENTARY PROVISIONS AS TO CERTAIN NEW ALLOWANCES FOR MINES, OIL WELLS ETC.

Preliminary

1. In this Schedule—

"Part X" means Part X of the Income Tax Act, 1952;

"Chapter III" means Chapter III of Part X;

"relevant expenditure" means expenditure to which Chapter III applies by virtue of section twenty or twenty-one of this Act ("relevant expenditure on machinery or plant" meaning relevant expenditure to which section twenty of this Act applies and "relevant expenditure on land" expenditure to which section twenty-one of this Act applies).

General transitional provisions

2. In relation to any relevant expenditure—

(*a*) references to the appointed day in Part X and in this Schedule shall be deemed to be references to the sixth day of April, nineteen fifty-two; and

(*b*) Part III of the Twelfth Schedule to the Income Tax Act, 1952, shall not apply; and

(*c*) references in Part II of that Schedule to the expenditure to which Chapter III applies shall be taken as referring only to relevant expenditure; and

(*d*) in applying sub-paragraph (*b*) of paragraph 5 of the said Part II, there shall be left out of account, in the case of relevant expenditure on machinery or plant, any output from the source before the machinery or plant was used in connection with the source and, in the case of relevant expenditure on land, any output from the source before the trader acquired the land.

Special provisions as to exploration machinery and plant

3.—(1) Where machinery or plant used by any person in searching for, or discovering and testing the mineral deposits of any source, or winning access thereto, either—

(*a*) is not sold, demolished or destroyed before the source is worked in the course of a trade; or

(*b*) before being sold, demolished or destroyed as aforesaid, or before being used as aforesaid, is used by him for some other purpose;

then of the capital expenditure incurred by him on the machinery or plant so much only shall be treated for the purposes of Chapter III as incurred in connection with that source as in the opinion of the Commissioners having jurisdiction in the matter does not exceed the amount of the diminution in the value of the machinery or plant

5TH SCH. —*cont.*

attributable to its use in searching for, discovering and testing and winning access to the deposits of that source, and the remainder shall not be treated as relevant expenditure by reason of the use of the machinery or plant in connection with that source.

(2) In the case of machinery or plant used in searching for, or discovering and testing, or winning access to the deposits of more than one source the aggregate amount of the expenditure treated under this paragraph as incurred by any person in connection with those sources shall not exceed the total amount of the expenditure incurred by him on the machinery or plant.

4.—(1) Where a person carrying on a trade which consists of or includes the working of any mine, oil well or other source of mineral deposits of a wasting nature has incurred relevant expenditure on machinery or plant for the purposes of that trade, then for the purposes of Chapter III, any sale, insurance, salvage or compensation moneys in respect of the machinery or plant shall—

(*a*) if by virtue of the last foregoing paragraph the relevant expenditure is not the whole of the capital expenditure incurred by him on the machinery or plant, be disregarded except in so far as they exceed the difference between the said capital expenditure and the relevant expenditure on the machinery or plant;

(*b*) subject to paragraph (*a*) of this sub-paragraph, if the relevant expenditure on the machinery or plant was incurred in connection with more than one source, be apportioned between the sources in such manner as appears to the Commissioners having jurisdiction in the matter to be appropriate.

(2) The deductions to be made under subsection (5) of section three hundred and seven of the Income Tax Act, 1952, in respect of any machinery or plant shall not, in the case of any source, exceed the amount of the relevant expenditure on the machinery or plant incurred in connection with that source.

(3) In the Fourteenth Schedule to the Income Tax Act, 1952 (which modifies Part X in relation to certain sales not made at arm's length), references to machinery or plant shall not apply in the case of machinery or plant which for the seller of the machinery or plant is an asset representing relevant expenditure.

Special provisions as to land

5.—(1) Where—

(*a*) a person incurs or has incurred in connection with any source of mineral deposits any such expenditure as is mentioned in subsection (1) of section twenty-one of this Act; and

(*b*) the land acquired by him had previously been acquired by some other person, being, or being a body corporate or partnership under the control of, a person resident in the United Kingdom, and had been so acquired either for use in connection with the working of that source or for the purpose of a trade consisting of or including the buying and selling of land containing mineral deposits; and

5TH SCH. —*cont.*

(*c*) the case is not one to which subsection (7) of section three hundred and eight of the Income Tax Act, 1952, applies ;

that expenditure shall not be treated as relevant expenditure so far as it exceeds the capital expenditure incurred by the said other person in acquiring the land :

Provided that, where the source in question has been worked between the dates of the two acquisitions, the said capital expenditure of the said other person shall be treated for the purposes of this sub-paragraph as reduced so as to bear to the full amount thereof—

(i) in a case where the said expenditure of the first-mentioned person is incurred on or after the appointed day, the same proportion as the total potential future output from the source estimated as at the later of those dates, bears to the said total potential future output plus the actual output from the source between those dates ; or

(ii) in a case where the said expenditure of the first-mentioned person was incurred before the appointed day, the same proportion as the actual total output from the source from the later of those dates to the appointed day, plus the total potential future output from the source, estimated as at the appointed day, bears to the actual total output from the source from the earlier of those dates up to the appointed day plus the said total potential future output.

(2) In the cases specified in this sub-paragraph, the foregoing sub-paragraph shall have effect subject to the following provisions:—

(*a*) if there has been more than one acquisition to which paragraph (*b*) of that sub-paragraph applies, regard shall be had only to the first of those acquisitions ;

(*b*) where the person making the acquisition to which the said paragraph (*b*) applies (or, if there has been more than one such acquisition, the one to which regard is to be had) carried on a trade consisting of or including the buying and selling of land containing mineral deposits, references to capital expenditure shall, in relation to him, be taken to include expenditure which would have been capital expenditure if his trade had been the working of the source in question and had not included such buying and selling as aforesaid ;

(*c*) in computing the expenditure of the person making the said acquisition, liabilities undertaken by him which, in connection with the disposal by him of the land in question, have been taken over by some other person may, notwithstanding anything in subsection (2) of section three hundred and thirty of the Income Tax Act, 1952, be taken into account.

6. In subsection (1) of section three hundred and twenty-six of the Income Tax Act, 1952, the reference to expenditure incurred on the provision or purchase of property shall, in relation to section twenty-one of this Act, be deemed to include a reference to expenditure on the acquisition of land.

Section 24.

SIXTH SCHEDULE

INCOME TAX: CAPITAL ALLOWANCES

PART I

MACHINERY AND PLANT

1.—(1) The events giving rise to balancing allowances or balancing charges under Chapter II of Part X of the Income Tax Act, 1952 (in this Part of this Schedule referred to as " the principal Chapter ") shall not be confined to events occurring before the permanent discontinuance of the trade, and subsection (1) of section two hundred and ninety-two of that Act shall have effect with the substitution for paragraphs (*a*) to (*d*) (which specify the events giving rise to balancing allowances and balancing charges) of the following paragraphs:—

" (*a*) any event occurring after the setting up and before the permanent discontinuance of the trade whereby the machinery or plant ceases to belong to the person carrying on the trade (whether on a sale of the machinery or plant or in any other circumstances of any description), or

(*b*) any event occurring as aforesaid whereby the machinery or plant (while continuing to belong to the person carrying on the trade) permanently ceases to be used for the purposes of a trade carried on by him, or

(*c*) the permanent discontinuance of the trade, the machinery or plant not having previously ceased to belong to the person carrying on the trade ",

and with the omission of the words from " and the event in question " to " permanently discontinued " and from the beginning of the proviso to the end of the subsection:

Provided that where as respects any machinery or plant an event occurring after the commencement of this Act and falling within any of the paragraphs hereinbefore set out is followed by another event falling within any of those paragraphs, the later event shall not be treated as an event giving rise or which may give rise to a balancing allowance or balancing charge in respect of that machinery or plant.

(2) In paragraph (*b*) of subsection (2) of section two hundred and ninety-six of the Income Tax Act, 1952 (which paragraph provides that where obsolete machinery or plant provided before the appointed day is replaced, and the person replacing it has elected to be allowed a deduction in respect of the cost of replacement, no balancing allowance is to be made in respect of the sale, destruction or putting out of use of the machinery or plant replaced) the words " the sale, destruction or putting out of use of " shall cease to have effect.

2.—(1) Where an event occurs which gives rise or might give rise to a balancing allowance or balancing charge under the principal Chapter in respect of machinery or plant, the event is the permanent discontinuance of a trade, and at or about the time of the discontinuance there occurs in relation to the machinery or plant any event such as is mentioned in paragraphs (*a*) to (*cc*) of the definition of " sale, insurance, salvage or compensation moneys " in section three hundred and thirty-three of the Income Tax Act, 1952, not being a sale at less than the open-market price other than

a sale to which section three hundred and twenty-seven of that Act applies, then for the purposes of determining—

(*a*) whether the discontinuance gives rise to a balancing allowance or balancing charge, and, if so,

(*b*) the amount of the allowance or, as the case may be, the amount on which the charge is to be made,

the amount of any net proceeds, compensation, receipts or insurance moneys mentioned in the said paragraphs (*a*) to (*cc*) which arise on the last-mentioned event shall be deemed to be an amount of sale, insurance, salvage or compensation moneys arising on the permanent discontinuance of the trade.

(2) In this and the three next following paragraphs the expression " open-market price ", in relation to any machinery or plant, means the price which the machinery or plant would have fetched if sold in the open market at the time of the event in question.

3.—(1) Subject to the provisions of paragraphs 4 and 6 of this Schedule, the next following sub-paragraph shall have effect where an event occurs which gives rise or might give rise to a balancing allowance or balancing charge under the principal Chapter in respect of machinery or plant, and either—

(*a*) the event is the permanent discontinuance of the trade and immediately after the time of the discontinuance the machinery or plant continues to belong to the person by whom the trade was carried on immediately before the said time and the case is one not falling within the last foregoing paragraph ; or

(*b*) the event is the permanent discontinuance of the trade and at the time of the discontinuance the machinery or plant is either sold at less than the open-market price, the sale not being one to which section three hundred and twenty-seven of the Income Tax Act, 1952, applies, or the machinery or plant is given away ; or

(*c*) the event is the sale of the machinery or plant at less than the open-market price, not being a sale to which the said section three hundred and twenty-seven applies, or is the gift of the machinery or plant ; or

(*d*) the event is that, after the setting-up and before the permanent discontinuance of the trade, the machinery or plant permanently ceases to be used for the purposes of a trade carried on by the person by whom the first-mentioned trade is being carried on, and so ceases either by reason of that person's transferring the machinery or plant to other use or, on a transfer of the trade which is not treated as involving the discontinuance thereof, by reason of the retention of the machinery or plant by the transferor.

(2) For the purpose of determining whether a balancing allowance or balancing charge falls to be made and, if so, the amount of the allowance or, as the case may be, the amount on which the charge is to be made the event shall be treated as if it had given rise to sale, insurance, salvage or compensation moneys of an amount equal to the open-market price of the machinery or plant.

6TH SCH. —*cont.*

4.—(1) References in the two last foregoing paragraphs to the sale of machinery or plant at less than the open-market price do not include references to the sale thereof in such circumstances that there is a charge to tax under Schedule E by virtue of the provisions of Chapter II of Part VI of the Income Tax Act, 1952 (which relates to the taxation of benefits in kind provided for directors and employees).

(2) Sub-paragraph (2) of the last foregoing paragraph shall not apply by reason of a gift of machinery or plant if the machinery or plant is given away in such circumstances as aforesaid.

5. Subject to the provisions of the next following paragraph, where sub-paragraph (2) of paragraph 3 of this Schedule has effect by reason of the gift or sale of machinery or plant to any person, and that person receives or purchases it with a view to using it for the purposes of a trade carried on by him, then in determining whether any, and if so what, annual allowances, balancing allowances or balancing charges are to be made in connection with that trade the like consequences shall ensue as if the recipient or purchaser had purchased the machinery or plant at the open-market price.

6.—(1) Where in a case falling within the last foregoing paragraph the recipient or purchaser and the donor or seller by notice in writing to the surveyor jointly so elect, the following provisions shall have effect.

(2) Sub-paragraph (2) of paragraph 3, and paragraph 5, of this Schedule shall have effect as if for the references to the open-market price there were substituted references to that price or the amount of the expenditure on the provision of the machinery or plant still unallowed immediately before the gift or sale, whichever is the lower.

(3) Notwithstanding anything in the foregoing provisions of this Schedule, such balancing charge under the principal Chapter, if any, shall be made on the recipient or purchaser on any event occurring after the date of the gift or sale as would have fallen to be made on the donor or seller if the donor or seller had continued to own the machinery or plant and had done all such things and been allowed all such allowances in connection therewith as were done by or allowed to the recipient or purchaser.

7. Where a person succeeds to a trade as a beneficiary under the will or on the intestacy of a deceased person who carried on that trade, the following provisions shall, if the beneficiary by notice in writing to the surveyor so elects, have effect in relation to any machinery or plant which passes to him together with the trade, being machinery or plant previously owned by the deceased person and used by him for the purposes thereof, that is to say:—

(*a*) the reference in subsection (1) of section three hundred and twenty-eight of the Income Tax Act, 1952, to the price which the machinery or plant would have fetched if sold in the open market shall, in relation to the succession and any previous succession occurring on or after the death of the deceased, be deemed to be a reference to that price or the amount of the expenditure on the provision of the machinery or plant still unallowed immediately before the succession in question, whichever is the lower; and

(*b*) notwithstanding anything in the said subsection (1), such balancing charge, if any, shall be made on the beneficiary

on any event occurring after his succession as would have fallen to be made on the deceased if he had not died and had continued to own the machinery or plant and had done all such things and been allowed all such allowances in connection therewith as were done by or allowed to the beneficiary or the successor on any such previous succession as is mentioned in the last foregoing sub-paragraph.

8. The definition of "sale, insurance, salvage or compensation moneys" in subsection (1) of section three hundred and thirty-three of the Income Tax Act, 1952 shall have effect for the purposes of the principal Chapter and of this Part of this Schedule as if at the end of paragraph (*c*) thereof the word "and" were omitted and after that paragraph there were inserted the following paragraph:—

"(*cc*) as respects machinery or plant, where the event is the permanent loss thereof otherwise than in consequence of its demolition or destruction, any insurance moneys received by him in respect of the loss and any other compensation of any description received by him in respect thereof, in so far as that compensation consists of capital sums; and",

and as if in paragraph (*d*) the words "or that machinery or plant is put out of use" were omitted.

9. Nothing in the foregoing provisions of this Schedule shall have effect where the event giving rise, or which might give rise, to a balancing allowance or balancing charge occurred before the commencement of this Act, and paragraph 7 of this Schedule shall not have effect if the latest of the successions therein referred to occurred before the commencement of this Act.

10.—(1) In charging the profits or gains of a trade carried on in partnership the same allowances, deductions and charges shall be allowed or made under the principal Chapter in respect of machinery or plant used for the purposes of that trade and belonging to one or more of the partners but not being partnership property as would fall to be allowed or made if the machinery or plant had at all material times belonged to all the partners and been partnership property and everything done by or to any of the partners in relation thereto had been done by or to all the partners.

(2) Notwithstanding anything in section two hundred and ninety-two of the Income Tax Act, 1952, a sale or gift of machinery or plant used for the purposes of a trade carried on in partnership, being a sale or gift by one or more of the partners to one or more of the partners, shall not be treated as an event giving rise to a balancing allowance or balancing charge under the principal Chapter if the machinery or plant continues to be used after the sale or gift for the purposes of that trade.

(3) References in the foregoing provisions of this paragraph to use for the purposes of a trade do not include references to use in pursuance of a letting by the partner or partners in question to the partnership or to use in consideration of the making to the partner or partners in question of any payment which may be deducted in computing the profits or gains of the trade.

11. The provisions of the principal Chapter, of Chapter VI of Part X of the Income Tax Act, 1952, so far as it applies for the purposes of the principal Chapter, and of this Part of this Schedule,

6TH SCH. —*cont.*

other than the provisions of this paragraph, shall apply in relation to a share in machinery or plant as they apply in relation to a part of machinery or plant, and for the purposes of the said provisions a share in machinery or plant shall be deemed to be used for the purposes of a trade so long as, and only so long as, the machinery or plant is used for the purposes thereof.

12.—(1) Where, after the setting up and on or before the permanent discontinuance of a trade which at any time is carried on in partnership, any event occurs which gives rise or may give rise to a balancing allowance or balancing charge under the principal Chapter in respect of machinery or plant, any balancing allowance or balancing charge which, if the trade had at all times been carried on by one and the same person, would have fallen to be made to or on him in respect of that machinery or plant by reason of that event shall be made to or on the person or persons carrying on the trade at the time of that event, and the amount of any such allowance or charge shall be computed as if that person or those persons had at all times been carrying on the trade and as if everything done to or by his or their predecessors in the carrying on thereof had been done to or by him or them:

Provided that in applying the provisions of subsection (4) of section two hundred and ninety-two of the Income Tax Act, 1952, to any such balancing charge, the deductions and allowances allowed or made in respect of the machinery or plant for years of assessment before the year 1946-47 shall not be taken to include deductions or allowances made to, or attributable to the shares of, persons who were not, either alone or in partnership with other persons, carrying on the trade at the beginning of that year.

(2) The foregoing sub-paragraph shall not have effect as respects events occurring before the commencement of this Act, and as respects other events shall have effect in substitution for subsection (2) of section three hundred and twenty-eight of the Income Tax Act, 1952, so far as that subsection applies to balancing allowances and balancing charges under the principal Chapter.

13. The foregoing provisions of this Part of this Schedule shall, with any necessary adaptations, apply in relation to professions, employments, vocations and offices, and to the occupation of woodlands where the profits or gains thereof are assessable under Schedule D, as they apply in relation to trades.

14. Subsection (3) of section three hundred and thirty-two of the Income Tax Act, 1952 (which relates to contributions to expenditure on the provision of assets), shall have effect as if for the words "or an initial allowance would have been made under Chapter II thereof" there were substituted the words "or an initial allowance or an annual allowance would have been made under Chapter II thereof".

15. In subsection (1) of section three hundred and twenty-eight of the Income Tax Act, 1952 (which relates to persons succeeding to trades which are to be treated as discontinued), the words from "except so much" to "two hundred and ninety-six of this Act", and in subsection (2) of that section (which relates to partnership trades which notwithstanding changes are not treated as discontinued) the proviso to that subsection, shall be omitted.

6TH SCH. —*cont.*

PART II

PATENT RIGHTS

16.—(1) Expenditure incurred after the commencement of this Act in obtaining a right to acquire in the future patent rights as respects any invention in respect of which the patent has not yet been granted shall be deemed for all the purposes of Chapter V of Part X of the Income Tax Act, 1952, to be expenditure on the purchase of patent rights, and if the patent rights are subsequently acquired the expenditure shall be deemed for those purposes to have been expenditure on the purchase of those rights.

(2) Any sum received from a person which by virtue of this paragraph is deemed to be expenditure incurred by him on the purchase of patent rights shall be deemed to be proceeds of a sale of patent rights.

17. Section three hundred and eighteen of the Income Tax Act, 1952 (which imposes a charge on capital sums received for the sale of patent rights), shall apply in relation to any sale after the commencement of this Act of part of any patent rights as it applies in relation to sales of patent rights.

PART III

SUPPLEMENTARY

18.—(1) Chapter VI of Part X of the Income Tax Act, 1952, shall apply for the purposes of this Schedule as it applies for the purposes of the said Part X.

(2) Expressions used in Part I of this Schedule have the same meanings as in Chapter II of the said Part X, and expressions used in Part II of this Schedule have the same meanings as in Chapter V of the said Part X.

SEVENTH SCHEDULE

Section 33.

PROFITS TAX: CONSEQUENTIAL AND TRANSITIONAL PROVISIONS

Rates of Distribution Charges

1.—(1) The rate of any distribution charge in respect of a trade or business for a chargeable accounting period ending after the end of the year nineteen hundred and fifty-one shall be determined as follows—

(*a*) the charge shall be at twenty per cent., subject to this, that the amount on which the charge is at twenty per cent. shall not, when added—

(i) to the total of the amounts, if any, on which distribution charges at twenty per cent. have fallen to be made for previous chargeable accounting periods ending after the end of the year nineteen hundred and fifty-one; and

(ii) to the total of the amounts, if any, on which distribution charges at forty per cent. have fallen to be made for previous chargeable accounting periods ending at or before the end of the year nineteen hundred and fifty-one,

exceed the total of the amounts on which reliefs for non-distribution have been given at forty per cent. for previous chargeable accounting periods or at twenty per cent. for previous chargeable accounting periods ending after the end of the year nineteen hundred and fifty-one;

7TH SCH. —*cont.*

(*b*) on the amount on which, under the preceding paragraph, the charge cannot be at twenty per cent., it shall be at ten per cent., subject to this, that the amount on which the charge is at ten per cent. shall not, when added—

(i) to the total of the amounts, if any, on which distribution charges at ten per cent. have fallen to be made for previous chargeable accounting periods ending after the end of the year nineteen hundred and fifty-one; and

(ii) to the total of the amounts, if any, on which distribution charges at twenty per cent. have fallen to be made for previous chargeable accounting periods ending at or before the end of the year nineteen hundred and fifty-one,

exceed the total of the amounts on which reliefs for non-distribution have been given at twenty per cent. for previous chargeable accounting periods ending at or before the end of the year nineteen hundred and fifty;

(*c*) on the amount on which, under the preceding paragraphs, the charge cannot be at twenty per cent. or ten per cent., it shall be at seven-and-a-half per cent.

References in this sub-paragraph to a distribution charge at a specified rate include references to so much of a distribution charge which is partly at that rate and partly at other rates as is at that rate.

(2) Where, under either of the following provisions of the Finance Act, 1947, that is to say—

(*a*) subsection (4) of section thirty-six (which relates to schemes of amalgamation or reconstruction); and

(*b*) subsection (2) of section thirty-eight (which relates to companies having subsidiaries),

a difference in respect of which a non-distribution relief was given to or in respect of any body corporate is to be treated (in whole or in part) as if it had been a difference arising in relation to another body corporate on which non-distribution relief has been given to that body, then, for the purposes of sub-paragraph (1) of this paragraph, relief shall be treated as having been given to the second-mentioned body on the difference or the relevant part thereof at the rate or rates at which it was given on the difference to or in respect of the first-mentioned body.

Repaid Loans

2.—(1) Where, in the case of any body corporate, society or other body, the net relevant distributions to proprietors for any chargeable accounting period ending after the end of the year nineteen hundred and fifty-one are, under subsection (3) of section thirty-six of the Finance Act, 1947, as amended by section seventy of the Finance Act, 1948, to be treated as reduced by reference to the repayment, whether before, during or after that period, of a loan made after the end of the year nineteen hundred and fifty-one, the reduction shall be determined by reference to tax at twenty per cent.:

Provided that, if a distribution charge is or would but for that subsection be chargeable for that period, the reduction shall be equal to, or, as the case may be, to the sum of, whichever of the following

amounts is or are applicable to the circumstances of the case, that is to say—

(*a*) if there is a distribution charge at seven-and-a-half per cent., thirteen-and-a-third times whichever of the following two amounts is the less, that is to say—

(i) the tax originally ascribable to the loan; or

(ii) the distribution charge at seven-and-a-half per cent.;

(*b*) if there is no distribution charge at seven-and-a-half per cent. or if the distribution charge at seven-and-a-half per cent. is less than the tax originally ascribable to the loan, ten times whichever of the following two amounts is the less, that is to say—

(i) the tax originally ascribable to the loan, less the distribution charge, if any, at seven-and-a-half per cent.; or

(ii) the distribution charge at ten per cent.;

(*c*) if there is no distribution charge at seven-and-a-half per cent. or ten per cent. or if the distribution charge at those rates is less than the tax originally ascribable to the loan, five times whichever of the following two amounts is the less, that is to say—

(i) the tax originally ascribable to the loan, less the distribution charge, if any, at the said rates; or

(ii) the distribution charge at twenty per cent.

In paragraphs (*a*) to (*c*) of the proviso to this sub-paragraph—

"the tax originally ascribable to the loan" means the amount by which the tax for any chargeable accounting period has been increased by reason of the loan being treated as part of the gross relevant distributions to proprietors for that period;

"distribution charge" means the distribution charge which would be chargeable but for the reduction;

and references to a distribution charge at a specified rate include references to so much of a distribution charge which is partly at that rate and partly at other rates as is at that rate.

(2) Sub-paragraph (1) of this paragraph shall apply in relation to loans made before the end of the year nineteen hundred and fifty-one as it applies in relation to loans made after the end of that year, but with the substitution for references to the tax originally ascribable to the loan of references to half the amount of that tax.

Building Societies

3. Section forty-two of the Finance Act, 1947 (which as amended by subsection (3) of section seven of the Finance (No. 2) Act, 1947, restricts the profits tax chargeable in the case of building societies to six per cent. of their profits, computed as therein mentioned), shall, in relation to any chargeable accounting period ending after the end of the year nineteen hundred and fifty-one, have effect as if the words "two per cent." were substituted for the words "six per cent."

Payments between interconnected companies and payments by statutory undertakers

4. Subsection (3) of section sixty-nine of the Finance Act, 1948, and subsection (2) of section twenty-nine of the Finance Act, 1951 (which provide for a reduction of the tax chargeable on the recipient

7TH SCH. —*cont.*

of certain payments where the payer is a body corporate connected with the recipient or is a statutory undertaker carrying on a public utility concern), shall, in relation to any chargeable accounting period ending after the end of the year nineteen hundred and fifty-one, have effect as if the words " two-and-a-half per cent." were substituted for the words " ten per cent.".

Accounting Periods Divided by this Act

5. The provisions set out in the third column of the Schedule to the Profits Tax Act, 1949 (which modified the application of certain enactments in relation to accounting periods divided by subsection (1) of section one of that Act), shall have effect so as to modify the application of those enactments also in relation to accounting periods divided by subsection (3) of section thirty-three of this Act:

Provided that, as respects double taxation relief—

(*a*) the reference in the said Schedule to paragraph 3 of Part I of the Ninth Schedule to the Finance Act, 1947, shall be deemed to be a reference to paragraph 3 of the Sixteenth Schedule to, and paragraph 1 of Part II of the Seventeenth Schedule to, the Income Tax Act, 1952, or, where that Act does not apply, to paragraph 3 of the said Part I and paragraph 1 of Part II of the Sixth Schedule to the Finance Act, 1950; and

(*b*) any foreign tax which, but for this paragraph of this proviso, would, under paragraph 7 of the said Sixteenth Schedule as modified by paragraph 2 of Part II of the said Seventeenth Schedule, or, in a case in which the Income Tax Act, 1952, does not apply, under paragraph 7 of the said Part I as modified by paragraph 2 of Part II of the said Sixth Schedule, have gone to reduce the profits of the trade or business for the first of the two chargeable accounting periods shall instead be apportioned between the two chargeable accounting periods by reference to the number of months or fractions of months in each of them respectively and the profits of each reduced accordingly.

Sections 38, 65.

EIGHTH SCHEDULE

EXCESS PROFITS LEVY: COMPUTATION OF VALUE OF ASSETS AND LIABILITIES FOR PURPOSES OF CAPITAL STANDARD

Assets

1. Paragraph 5 of the Tenth Schedule to this Act shall, with the necessary modifications, apply for the purpose of computing the value, at the end of the year, of any assets of a class described in the first column of the Table set out in that paragraph as it applies for the purpose of computing the value of those assets in the case of such a distribution as is mentioned in that paragraph.

2. The amount of the debts due to the body corporate shall be taken to be reduced by the amount of such deductions, if any, as are allowable under paragraph (*i*) of Rule 3 of the Rules applicable to Cases I and II of Schedule D in computing the profits or gains of the body corporate for income tax purposes.

3. The value of any hereditament in respect of which a value payment under the War Damage Act, 1943, has been made, or the value

of which before and after the occurrence of any war damage has been determined for the purposes of such a payment, shall be taken to be equal to the amount paid in cash for the hereditament by the body corporate less the amount of the value payment, and, if the amount of the value payment is equal to or exceeds the first-mentioned amount, shall be taken to be nil.

4. The value of any other assets shall be taken to be equal to the amount paid therefor in cash by the body corporate.

5. The assets of the body corporate shall be deemed to include the amount, after deduction of income tax, of any unpaid post-war refund (within the meaning of Part IV of the Finance (No. 2) Act, 1945).

Liabilities

6. The liabilities of the body corporate shall be deemed to include the following sums, whether or not they have become payable, that is to say—

(*a*) any borrowed money or other debt owed by the body corporate;

(*b*) any such sums in respect of accruing liabilities as are allowable as a deduction in computing profits or gains for income tax purposes, or would be so allowable but for the provisions of paragraph (*l*) of Rule 3 of the Rules applicable to Cases I and II of Schedule D; and

(*c*) in the case of the business of an assurance company, also any sums representing profits of its life assurance business belonging or allocated to, or reserved for, or expended on behalf of, policy holders or annuitants (being sums which would be excluded, under subsection (1) of section sixteen of the Finance Act, 1923, in computing the profits of the company for income tax purposes).

7. The liability at the end of the year in respect of income tax shall be taken to include any liability for income tax payable for the year of assessment ending on the fifth day of April next following the end of the year.

8. The liability at the end of the year in respect of excess profits tax shall be taken to include any liability under an assessment made after the end of the year.

9. The liability at the end of the year in respect of profits tax shall be taken to include any liability in respect of profits for any period ending at or before the end of the year.

General

10. Where no balance sheet is drawn up by the body corporate for the end of the year,—

(*a*) the value of its assets at the end of the year shall be taken to be the same as at the last preceding date for which a balance sheet is drawn up by it, except that there shall be added to the value of those assets the amount, if any, which would be the amount of the undistributed profits of the body corporate for an accounting period beginning at the date for which the balance sheet is drawn up and ending

8TH SCH. —*cont.*

at the end of the year, if in paragraph 1 of the Tenth Schedule to this Act—

(i) for the amount referred to in paragraph (*a*) of sub-paragraph (2) there were substituted all the profits for the accounting period, and

(ii) for the amount referred to in paragraph (*c*) of sub-paragraph (3) there were substituted the profits tax payable in respect of those profits ; and

(*b*) the value of its liabilities at the end of the year, other than liabilities in respect of any tax, shall be taken to be the same as at the last preceding date for which a balance sheet is drawn up by it, and its liabilities at the end of the year in respect of tax shall be as mentioned in paragraphs 7 to 9 of this Schedule, except that the liability in respect of profits tax shall be taken not to include liability in respect of profits for any period commencing after the date for which the balance sheet is drawn up.

NINTH SCHEDULE

Sections 45, 63, 65.

EXCESS PROFITS LEVY: MODIFICATION OF PROFITS TAX RULES AS TO COMPUTATION OF PROFITS

Computation to be without abatement and investment income to be included

1. The profits or losses shall be computed without abatement and including franked investment income, that is to say, as if sub-sections (1) to (3) of section thirty-three of the Finance Act, 1947 (which provide for an abatement of profits for profits tax purposes in certain cases) had not been passed and as if, in sub-paragraph (1) of paragraph 7 of the Fourth Schedule to the Finance Act, 1937, as set out in section thirty-two of the Finance Act, 1947, paragraphs (*a*) and (*b*) (which relate to dividends and distributions of profits received directly or indirectly from bodies corporate which are themselves liable to the profits tax) were omitted, and as if the proviso to sub-paragraph (1) of the said paragraph 7 were also omitted.

Exclusion of carry-forward of losses and accumulated wear and tear allowances

2. No loss shall be carried forward from any previous accounting period, and no sum shall be deducted in respect of wear and tear under sub-paragraph (2) of paragraph 3 of the Fourth Schedule to the Finance Act, 1937.

Initial allowances

3.—(1) Except where sub-paragraph (2) of this paragraph applies, the deductions to be made under paragraph 1 of Part I of the Eighth Schedule to the Finance Act, 1947, in respect of initial allowances under Part I, Part II and Part III of the Income Tax Act, 1945, or under Chapter I, Chapter II and Chapter III of Part X of the Income Tax Act, 1952, shall be such deductions, and such deductions only, as would fall to be made under that paragraph if—

(*a*) neither section twenty of the Finance Act, 1949 (which increased initial allowances in the case of expenditure on the provision of machinery or plant) nor section twenty of the Finance Act, 1951 (which suspended initial allowances under the said Parts I, II and III) had been passed ; and

(*b*) no initial allowance had fallen to be made under Part I, Part II or Part III of the Income Tax Act, 1945, in respect of expenditure incurred before the sixth day of April, nineteen hundred and forty-six ; and

(*c*) the Income Tax Act, 1952, had been passed with the corresponding modifications, that is to say, with the substitution of " one-fifth " for " two-fifths " in subsection (1) of section two hundred and seventy-nine, with the omission of subsection (7) of section two hundred and sixty-five, subsection (5) of the said section two hundred and seventy-nine and the proviso to section three hundred and six and with the substitution, in sub-paragraph (2) of paragraph 3 of the Fourteenth Schedule, of " four-fifths " for " three-fifths " in both places where those words occur, with the omission of subsection (4) of section two hundred and sixty-five and with the substitution, in the proviso to subsection (6) of that section, in the proviso to subsection (2) of section two hundred and seventy-nine, and in the proviso to subsection (1) of section three hundred and nine of " nineteen hundred and forty-six " for " nineteen hundred and forty-four " ; and

(*d*) any election made after the fifth day of April, nineteen hundred and forty-seven, under section seven of the Income Tax Act, 1945 (which, in the case of such an election, authorises the making of initial and annual allowances instead of allowances for depreciation of mills, factories and other premises), had not been made ; and

(*e*) initial allowances had been made for income tax purposes accordingly.

(2) If the person carrying on the trade or business by notice in writing to the Commissioners so elects, paragraph (*a*) of sub-paragraph (1) of this paragraph and the corresponding part of paragraph (*c*) of that sub-paragraph shall not apply, and no deductions in respect of initial allowances under the said Parts or Chapters I, II and III shall be made under paragraph 1 of Part I of the Eighth Schedule to the Finance Act, 1947, in the case of any accounting period of the trade or business.

(3) An election under sub-paragraph (2) of this paragraph shall be made either—

(*a*) within twelve months from the end of the first chargeable accounting period of the body corporate or such longer period as the Commissioners may in their discretion allow ; or

(*b*) within twelve months from the end of the period of charge to the excess profits levy or such longer period as the Commissioners may in their discretion allow ;

and any election made under paragraph (*a*) of this sub-paragraph may be withdrawn by notice in writing to the Commissioners within the period mentioned in paragraph (*b*) of this sub-paragraph ; and all such assessments, additional assessments, reductions of assessments and repayments of tax shall be made as are necessary to give effect to an election made under paragraph (*b*) of this sub-paragraph or to the withdrawal of an election made under paragraph (*a*) thereof.

9TH SCH. —*cont.*

(4) Nothing in this paragraph shall be construed as requiring any adjustment of the deductions falling to be made under paragraph 1 of Part I of the said Eighth Schedule otherwise than in respect of initial allowances.

(5) Any reference in this paragraph to an allowance made for income tax purposes includes a reference to an allowance which would be made for those purposes but for an insufficiency of profits or gains, or other income, against which to make it.

Annual allowances for expenditure in connection with mines, oil wells, etc.

4.—(1) Except where sub-paragraph (2) of this paragraph applies, such additional deductions shall be made under paragraph 1 of Part I of the Eighth Schedule to the Finance Act, 1947, as would have fallen to be made if—

(*a*) section twenty-two of the Finance Act, 1949, and sections twenty and twenty-one of this Act (which extend the expenditure for which annual allowances may be given in connection with mines, oil wells, etc.) had, with the necessary adaptations of the wording thereof, formed part of the Income Tax Act, 1945; and

(*b*) the appointed day for the purposes of the said sections twenty-two, twenty and twenty-one had been the sixth day of April, nineteen hundred and forty-six, instead of the sixth day of April, nineteen hundred and forty-nine, or the sixth day of April, nineteen hundred and fifty-two; and

(*c*) annual allowances had been made for income tax purposes accordingly.

(2) If the person carrying on the trade or business by notice in writing to the Commissioners so elects, sub-paragraph (1) of this paragraph shall not apply, and no deductions in respect of annual allowances in respect of expenditure to which the said section twenty-two, section three hundred and ten of the Income Tax Act, 1952, the said section twenty or the said section twenty-one applies, shall be made under paragraph 1 of Part I of the Eighth Schedule to the Finance Act, 1947, in the case of any accounting period of the trade or business.

(3) An election under sub-paragraph (2) of this paragraph shall be made either—

(*a*) within twelve months from the end of the first chargeable accounting period of the body corporate or such longer period as the Commissioners may in their discretion allow; or

(*b*) within twelve months from the end of the period of charge to the excess profits levy or such longer period as the Commissioners may in their discretion allow;

and any election made under paragraph (*a*) of this sub-paragraph may be withdrawn by notice in writing to the Commissioners within the period mentioned in paragraph (*b*) of this sub-paragraph; and all such assessments, additional assessments, reductions of assessments and repayments of tax shall be made as are necessary to give effect to an election made under paragraph (*b*) of this sub-paragraph or to the withdrawal of an election made under paragraph (*a*) thereof.

(4) Any reference in this paragraph to an allowance made for income tax purposes includes a reference to an allowance which would be made for those purposes but for an insufficiency of profits or gains, or other income, against which to make it.

Annual allowances in respect of ships

5.—(1) Where the standard profits for a full year of a body corporate whose trade or business consists wholly or mainly in the ownership or operation of ships fall to be calculated by reference to its profits for the standard years, and in computing those profits a deduction is made under paragraph 1 of Part I of the Eighth Schedule to the Finance Act, 1947, on account of any annual allowance made for income tax purposes in respect of any of its ships, then if—

(*a*) the body corporate has made an election under paragraph 2 of Part I of the Sixth Schedule to the Finance Act, 1949, or section two hundred and eighty-two of the Income Tax Act, 1952 (which provide for an alternative method of calculating annual allowances); and

(*b*) by reason of the operation of paragraph (6) of Rule 6 of the Rules applicable to Cases I and II of Schedule D or of section two hundred and eighty-eight of the Income Tax Act, 1952 (which restrict the making of annual allowances) any deduction which, in computing the body corporate's profits or loss for a chargeable accounting period, would otherwise fall to be made as aforesaid in respect of that ship is not made or is reduced,

an additional deduction shall be made under the said paragraph 1, in computing the body corporate's profits or loss for that chargeable accounting period, of an amount equal to the difference between the deduction (if any) so made in respect of that ship and the deduction which would have been so made in respect of that ship but for the operation of the said paragraph (6) or the said section two hundred and eighty-eight:

Provided that—

(i) where the deduction made in respect of that ship in computing the said profits for the standard years is itself reduced by reason of the operation of the said paragraph (6), the additional deduction shall be reduced in the same proportion; and

(ii) where the body corporate has made an election under paragraph (*a*) of subsection (4) of section thirty-eight of this Act, the additional deduction shall be calculated, under the preceding provisions of this paragraph, as if the year specified in the election were not a standard year and shall then be halved.

(2) In relation to a body corporate which is a member of a group within the meaning of the Twelfth Schedule to this Act, the reference in this paragraph to an election under paragraph (*a*) of subsection (4) of section thirty-eight of this Act shall be construed as a reference to an election made under paragraph (*a*) of sub-paragraph (4) of paragraph 9 of the said Twelfth Schedule and the first reference in this paragraph to its profits for the standard years shall be construed as a reference to its share in the composite figure determined under sub-paragraph (1) of the said paragraph 9.

9TH SCH. —*cont.*

Balancing allowances and charges, etc.

6. The profits or losses shall be computed without regard to any balancing allowances and charges or to any charges on the sale of patents under sections three, seventeen, twenty-eight and thirty-seven of the Income Tax Act, 1945, or sections two hundred and sixty-seven, two hundred and ninety-two, three hundred and eight and three hundred and eighteen of the Income Tax Act, 1952.

Exclusion or extension of various enactments

7. The profits or losses shall be computed as if—

(*a*) paragraph (*b*) of the proviso to paragraph 4 of the Fourth Schedule to the Finance Act, 1937 (which, amongst other things, excludes deductions for any interest, annuities or other annual payments paid to certain directors and for royalties or rents so paid) had never formed part of the said paragraph 4; and

(*b*) subsection (5) of section forty-two of the Finance Act, 1938, and section sixty-nine of the Finance Act, 1948 (which contain special provisions as to connected companies) had not been passed; and

(*c*) paragraph 11 of the Fourth Schedule to the Finance Act, 1937 (which relates to the amounts deductible for remuneration of directors in the case of a company the directors whereof have a controlling interest therein) had at all times had effect as set out in section thirty-four of this Act; and

(*d*) section twenty-six of this Act (which relates to tied premises) had always had effect.

Unreasonable or unnecessary expenses

8. No deduction shall be allowed in respect of expenses in excess of the amount which is reasonable and necessary, having regard to the requirements of the trade or business, and, in the case of directors' fees or other payments for services, to the actual services rendered by the person concerned.

Long term contracts

9. Where the performance of a contract extends beyond the accounting period, there shall, unless the Commissioners, or, on appeal, the Special Commissioners, having regard to any special circumstances, otherwise direct, be attributed to that period such proportion of the entire profit or loss which has resulted, or which it is estimated will result, from the complete performance of the contract as is properly attributable to that period having regard to the extent to which the contract was performed in that period.

Attribution of expenses to proper periods

10. Where a deduction would be allowable in computing profits apart from the provisions of this paragraph, and the deduction does not represent a sum reasonably and properly attributable to the accounting period, only such part of the deduction shall be allowable as a deduction for that period as is reasonably and properly attributable to that period, and any balance of the deduction shall be treated as attributable to such other accounting period or periods (whether or not they include or fall wholly or partly within a standard year or any chargeable accounting period) as may be proper.

"Back service" payments

11.—(1) Where—

(*a*) arrangements are in force in connection with the trade or business having as their object or one of their objects the provision of benefits to or in respect of all or any of the persons employed or to be employed in the trade or business; and

(*b*) any payment (whether to a superannuation or other fund or under a policy of insurance or under a contract for a deferred annuity or for a capital sum or otherwise) is made under those arrangements in respect of back service (whether rendered to the person carrying on the trade or business or not),

no deduction shall be made in respect of that payment in computing the profits or loss of the trade or business for any accounting period.

(2) For the purposes of this paragraph, service of any person shall, in relation to any arrangements, be deemed to be back service if it was rendered before the arrangements were made or before the arrangements applied to him.

(3) A payment shall be deemed for the purposes of this paragraph to be made in respect of back service if any of the following conditions are fulfilled with respect to it, that is to say—

(*a*) it is expressed under the arrangements in question to be made in respect of service the whole or part of which is back service; or

(*b*) the benefits to or towards the provision of which the payment is made will be computed by reference to the length of service the whole or part of which is back service; or

(*c*) the said benefits are provided or are to be provided in recognition of service the whole or part of which is back service:

Provided that—

(i) where part only of the service mentioned in any of the said conditions is back service, only so much of the payment shall be treated, by virtue of the fulfilment of that condition, as in respect of back service as, on a just apportionment of the payment, is referable to such service; and

(ii) in determining for the purposes of this paragraph whether or not benefits are or are to be provided in recognition of any particular service, all relevant facts shall be taken into consideration and the statements of the parties concerned, whether embodied in the arrangements or not, shall not be taken as conclusive.

(4) Where arrangements are modified by subsequent arrangements so as to provide for new or greater benefits, the original arrangements and the modifying arrangements shall be treated for the purposes of this paragraph as separate arrangements and any payments made under the arrangements as modified shall be apportioned accordingly.

(5) In this paragraph, "benefit" means, in relation to any person, any periodical or lump sum payment payable at a future date (whether before, at or after the date of his retirement), and includes any such payment to or for the benefit of his spouse, children (including

9TH SCH. —*cont.*

adopted children and illegitimate children), relations or dependants; and for the purposes of this paragraph any director of a body corporate or person employed in the management of a body corporate shall be deemed to be a person employed and "service" shall be construed accordingly.

(6) Nothing in this paragraph affects, in relation to any such payment or part of a payment as is not in respect of back service, the provisions of the last preceding paragraph or of section thirty-two of the Finance Act, 1921, or section three hundred and seventy-nine of the Income Tax Act, 1952 (which relate to the exemption of superannuation funds from tax).

Repairs and renewals deferred from war years.

12. Where—

(*a*) the body corporate's trade or business commenced before the first day of January, nineteen hundred and forty-seven; and

(*b*) no requirement in respect thereof was made for excess profits tax purposes under paragraph (*a*) of subsection (1) of section thirty-seven of the Finance Act, 1946 (which provides for relief from that tax where repairs and renewals were deferred until after the end of the period for which that tax was chargeable),

such adjustments, if any, shall be made in computing the profits for the standard years as are necessary to secure that the amount deducted in respect of expenditure upon repairs and renewals necessary to maintain assets in an effective working condition which was incurred by the body corporate during the standard years does not bear to the total such expenditure incurred by the body corporate in the period beginning with the first day of January, nineteen hundred and forty, or with the date of the commencement of the trade or business, whichever is the later, and ending at the end of the year nineteen hundred and forty-nine a greater proportion than two years bears to the length of the period beginning and ending as aforesaid:

Provided that—

(i) where the body corporate makes an election under paragraph (*a*) of subsection (4) of section thirty-eight of this Act, this paragraph shall have effect as if the year specified in the election were not a standard year and as if for "two years" there were substituted "one year"; and

(ii) where the body corporate makes an election under paragraph (*b*) or paragraph (*c*) of the said subsection (4), this paragraph shall not apply.

Restoration of assets in territory under Japanese occupation

13. Any deduction which, but for this paragraph, would fall to be made in respect of expenses incurred by the body corporate in the restoration of assets situated in territory which, at any time during the years nineteen hundred and forty-two to nineteen hundred and forty-five, was under Japanese occupation shall be made only to the extent (if any) that the expenses have not been and are not 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.

9TH SCH. —*cont.*

Accounting periods falling partly before 1947

14. Where the accounting period falls partly before and partly after the end of the year nineteen hundred and forty-six, the profits or loss shall be computed on the basis that the provisions of Part IV of the Finance Act, 1947, have effect with respect to the whole of the period.

TENTH SCHEDULE

Sections 46, 65.

EXCESS PROFITS LEVY: ASCERTAINMENT OF UNDISTRIBUTED PROFITS OR OVER-DISTRIBUTION OF PROFITS FOR AN ACCOUNTING PERIOD

General rule

1.—(1) If the sum of the amounts mentioned in sub-paragraph (2) of this paragraph exceeds the sum of the amounts mentioned in sub-paragraph (3) of this paragraph, there shall be deemed to be undistributed profits for the accounting period equal to the difference; and if the sum of the amounts mentioned in the said sub-paragraph (2) is less than the sum of the amounts mentioned in the said sub-paragraph (3), there shall be deemed to be an over-distribution of profits for the accounting period equal to the difference.

(2) The amounts first referred to in sub-paragraph (1) of this paragraph are—

(*a*) half the profits (if any) for the accounting period;

(*b*) half the amount (if any) of any deductions based on, or losses incurred in, any accounting period ending at or before the relevant date (as defined in the provisions of this Act applicable to the body corporate) and carried forward under paragraph (3) of Rule 6 of the Rules applicable to Cases I and II of Schedule D or section thirty-three of the Finance Act, 1926, to the extent that they have not been taken into account in previous accounting periods and do not exceed half the profits (if any) for the accounting period;

(*c*) so much of the excess profits levy otherwise payable for previous chargeable accounting periods as is the subject of relief under section forty-two of this Act by reason of any deficiency of profits for the accounting period.

(3) The amounts last referred to in sub-paragraph (1) of this paragraph are—

(*a*) half the loss (if any) for the accounting period;

(*b*) the excess profits levy, if any, payable for the accounting period, computed without any reduction for any deficiency of profits for any subsequent chargeable accounting period;

(*c*) the amount, if any, by which the profits tax payable for the accounting period exceeds the amount which would have been payable if there had been no net relevant distributions to proprietors;

(*d*) the net amount distributed for the accounting period by way of dividend or cash bonus to the members, or any class of the members, of the body corporate, as such;

(*e*) the value of any assets distributed in the accounting period in kind to the members, or any class of the members, of the body corporate, as such, so far as not taken into account

10TH SCH. —*cont.*

under subsection (2) of section thirty-eight or subsections (3) to (6) of section thirty-nine of this Act as amounting to a repayment of capital;

(*f*) any such sum paid in the accounting period as is mentioned in subsection (1) of section twenty-six of the Finance Act, 1950, or in subsection (1) of section two hundred and forty-two of the Income Tax Act, 1952 (which charge surtax on the consideration for certain restrictive covenants, etc.), and the value of any such consideration given in the accounting period as is mentioned in subsection (2) of those sections respectively;

(*g*) surtax borne by the body corporate by virtue of any assessment made in its name under section twenty-one of the Finance Act, 1922, or Chapter III of Part IX of the Income Tax Act, 1952, so far as that surtax is in respect of income thereof for the accounting period.

(4) Where, in consequence of there being no amount payable for a chargeable accounting period by way of excess profits levy or of the amount so payable being less than fifteen, or, as the case may be, ten per cent. of the profits for that period, an adjustment falls to be made under the proviso to subsection (1) of section forty-three of this Act, any sum becoming payable by way of the levy as the result of that adjustment shall be treated for the purposes of paragraph (*b*) of sub-paragraph (3) of this paragraph as payable for the first-mentioned accounting period, notwithstanding that the adjustment may be by way of assessment or additional assessment for some other period.

Exclusion of certain enactments

2. In computing the profits or loss for the purposes of sub-paragraphs (2) and (3) of paragraph 1 of this Schedule, the following provisions, that is to say—

(*a*) paragraphs 3, 4, 6, 8 and 10 to 12 of the Ninth Schedule to this Act; and

(*b*) paragraph 11 of the Fourth Schedule to the Finance Act, 1937 (which limits the deduction which may be made for the remuneration of directors where the directors have a controlling interest), and so much of paragraph 7 of the Ninth Schedule to this Act as relates to the said paragraph 11; and

(*c*) section fourteen of the Finance (No. 2) Act, 1940 (which restricts the deduction which can be made for interest, annuities and annual payments),

shall not apply.

Subsidiary companies within Finance Act, 1937, s. 22 (1)

3. Where a notice under subsection (1) of section twenty-two of the Finance Act, 1937 (which relates to subsidiary companies) is in force, the net amount distributed for the accounting period by way of dividend or cash bonus, and the value of any assets distributed in the accounting period, shall be computed for the purposes of sub-paragraph (3) of paragraph 1 of this Schedule as if subsection (1) of section thirty-eight of the Finance Act, 1947 (which directs that certain income shall be left out of account) had not been passed, and if 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 the accounting period, the references in paragraph (*c*) of the said sub-paragraph (3) to the profits tax payable or which would have been payable for the accounting period shall be construed as references to those amounts adjusted as the Commissioners may in their discretion determine.

Interpretation

4.—(1) Any reference in sub-paragraph (2) or sub-paragraph (3) of paragraph 1 of this Schedule, or in the last preceding paragraph, to a deficiency of profits for the accounting period, or to the profits tax payable or which would have been payable for the accounting period, or to the excess profits levy payable for the accounting period, or to the net amount distributed for the accounting period by way of dividend or cash bonus shall be construed as a reference to a deficiency of profits for, or to the profits tax payable or which would have been payable for, or to the excess profits levy payable for, or to the net amount distributed by way of dividend or cash bonus for, any chargeable accounting periods coincident with, or falling wholly within, the accounting period, and so much of any deficiency of profits for, or of the profits tax payable or which would have been payable for, or of the excess profits levy payable for, or of the net amount distributed by way of dividend or cash bonus for, a chargeable accounting period falling partly within the accounting period as is apportionable to the accounting period:

Provided that where any such chargeable accounting period ends at or before the end of the year nineteen hundred and fifty-one, half the profits tax payable or which would have been payable for that chargeable accounting period shall be left out of account.

(2) The references in sub-paragraph (1) of this paragraph to amounts distributed by way of dividend or cash bonus for a chargeable accounting period shall be construed as if they occurred in the enactments relating to the profits tax, and "net", in relation to such amounts, means after deduction of any income tax deducted therefrom:

Provided that "net," in relation to share interest paid, without deduction of income tax, by a registered industrial and provident society within the meaning of section four hundred and forty-six of the Income Tax Act, 1952, means after deduction of an amount equal to income tax on the amount of the payment, at the standard rate in force at the date of payment.

(3) Any apportionment under sub-paragraph (1) of this paragraph shall be made by reference to the number of months or fractions of months in the two parts of the chargeable accounting period, unless the Commissioners, having regard to any special circumstances, in their discretion otherwise direct.

Valuation of assets

5. The value of any assets distributed in kind to the members, or any class of the members, of the body corporate, as such, shall, in the case of assets of the classes described in the first column of the following Table, be taken to be the amount described in relation to that class of asset in the second column of that Table.

10TH SCH. —*cont.*

TABLE

Classes of Asset.	*Amount.*
1. Assets representing expenditure in respect of which allowances have been made under Part I of the Income Tax Act, 1945, or Chapter I of Part X of the Income Tax Act, 1952.	The residue of that expenditure at the time of the distribution.
2. Assets representing expenditure of the body corporate in respect of which allowances have been made to the body corporate under Part II of the Income Tax Act, 1945, or Chapter II of Part X of the Income Tax Act, 1952.	The amount of that expenditure still unallowed as at the time of the distribution.
3. Assets representing expediture of the body corporate to which Part III of the Income Tax Act, 1945, or Chapter III of Part X of the Income Tax Act, 1952, applies.	The residue, immediately before the distribution, of the expenditure attributable to that asset.
4. Patent rights on the purchase of which the body corporate has incurred capital expenditure.	The capital expenditure remaining unallowed calculated, in relation to the distribution, in accordance with subsection (5) of section thirty-six of the Income Tax Act, 1945, or subsection (5) of section three hundred and seventeen of the Income Tax Act, 1952.
5. Assets representing scientific research expenditure of a capital nature incurred by the body corporate, being assets which, at the time of the distribution, are still in use for scientific research related to the body corporate's trade.	The said capital expenditure, less the allowances granted or to be granted to the body corporate in respect thereof under section twenty-eight of the Finance Act, 1944, or section three hundred and thirty-six of the Income Tax Act, 1952.

In the above Table, expressions used in describing, or in relation to, the five classes of assets shall be construed as if they occurred, respectively, in Part I of the Income Tax Act, 1945, Part II of that Act, Part III of that Act, Part V of that Act and Part IV of the Finance Act, 1944, or, as the case may be, in Chapter I, Chapter II, Chapter III or Chapter V of Part X of, or in Part XI of, the Income Tax Act, 1952, except that the reference to allowances under Part II of the Income Tax Act, 1945, shall be construed as including references to deductions under Rule 6 of the Rules applicable to Cases I and II of Schedule D; and the residue, immediately before the distribution, of the expenditure attributable to an asset of the third class shall be calculated as if the distribution were a sale thereof.

ELEVENTH SCHEDULE

Sections 47, 48, 58, 63, 65.

EXCESS PROFITS LEVY: EFFECT OF CERTAIN TRANSFERS OF GOING CONCERNS

Transfers before 1952—*effect on standard profits*

1.—(1) Where the transfer takes place at or before the beginning of the period of charge to the excess profits levy, and is a transfer of the whole or substantially the whole of the transferor's trade or business, the standard profits for a full year of the transferor and the transferee shall be calculated as if—

(*a*) the trade or business had, throughout the period during which it was carried on by the transferor, been carried on instead by the transferee ; and

(*b*) the transferor's profits, losses, undistributed profits or over-distributions of profits for that period, or the relevant parts thereof, had been the transferee's and not the transferor's ; and

(*c*) the transferor's share capital in that period had been share capital of the transferee and not of the transferor and any sums which, in that period, were received by, or paid by, the transferor in cash in respect of any issue of that capital or by way of repayment of any of that capital had instead been so received by, or, as the case may be, paid by, the transferee ; and

(*d*) the transferor's borrowed money in that period had been borrowed money of the transferee and not of the transferor ; and

(*e*) immediately after the transfer the transferee had paid in cash by way of repayment of its share capital, and the transferor had received in cash in respect of an issue of its share capital, amounts equal to—

(i) the value of any assets of the transferor not included in the transfer ; and

(ii) any sums paid in cash by the transferee to the transferor in respect of the transfer.

(2) Where the transfer takes place at or before the beginning of the period of charge to the excess profits levy and is not a transfer of the whole or substantially the whole of the transferor's trade or business, sub-paragraph (1) of this paragraph shall have effect in relation to the transfer but as if—

(*a*) the reference in paragraph (*a*) thereof to the trade or business were a reference to the part of the trade or business transferred ; and

(*b*) the references in paragraphs (*b*), (*c*) and (*d*) thereof to profits, losses, undistributed profits, over-distributions of profits, share capital, borrowed money, and sums received or paid in cash were references to such parts thereof respectively as the Commissioners may apportion to the part of the trade or business transferred ; and

(*c*) the reference in paragraph (*e*) thereof to the value of the assets of the transferor not included in the transfer were omitted.

(3) Where under the preceding provisions of this paragraph the standard profits for a full year of the transferor and the transferee

11TH SCH. —*cont.*

fall to be calculated on the assumption that, immediately after the transfer, the transferee has paid in cash by way of repayment of its share capital, and the transferor has received in cash in respect of an issue of its share capital, an amount equal to the value of any assets of the transferor not included in the transfer, it shall also be assumed, for the purpose of the calculation, that an amount equal to the liabilities of the transferor not included in the transfer has been so paid by the transferor and received by the transferee.

(4) Where the transferor under a transfer to which any of the preceding provisions of this paragraph apply is the transferee under a previous transfer to which any of the said provisions apply, the assumptions which, as a result of the earlier transfer, fall to be made under those provisions in calculating his standard profits for a full year shall also be made in calculating the standard profits for a full year of the transferee under the later transfer, and so on in the case of a series of such transfers.

Transfers after 1951—effect on standard profits of transferee

2.—(1) Where the transfer takes place after the beginning of the period of charge to the excess profits levy, the transferee's standard profits for a full year shall, in relation to any chargeable accounting period beginning on or after the date of the transfer—

(*a*) be increased by the amount of the transferor's standard profits for a full year calculated as for a chargeable accounting period of twelve months beginning on the date of the transfer;

(*b*) be decreased as if the transferee had, immediately after the transfer, paid the following amounts in cash by way of repayment of its share capital, that is to say—

(i) the value of any assets of the transferor not included in the transfer; and

(ii) any sums paid in cash by the transferee to the transferor in respect of the transfer:

Provided that where the transfer is not a transfer of the whole or substantially the whole of the transferor's trade or business, the reference in paragraph (*a*) of this sub-paragraph to the amount of the transferor's standard profits for a full year shall be deemed to be a reference to so much thereof as the Commissioners may apportion to the part of the trade or business transferred, and the reference in paragraph (*b*) of this sub-paragraph to the value of the assets of the transferor not included in the transfer shall be deemed to be omitted.

(2) Where the transfer takes place during a chargeable accounting period of the transferee, the transferee's standard profits in relation to that period shall—

(*a*) be increased by what would be the standard profits of the transferor for a chargeable accounting period beginning on the date of the transfer and ending at the end of the transferee's said chargeable accounting period; and

(*b*) be decreased as if the transferee had, immediately after the transfer, paid the following amounts in cash by way of repayment of its share capital, that is to say—

(i) the value of any assets of the transferor not included in the transfer; and

(ii) any sums paid in cash by the transferee to the transferor in respect of the transfer:

Provided that where the transfer is not a transfer of the whole or substantially the whole of the transferor's trade or business, the standard profits of the transferor referred to in paragraph (*a*) of this sub-paragraph shall, instead of being the appropriate proportion of the standard profits of the transferor for a full year, be taken to be the appropriate proportion of so much of its standard profits for a full year as the Commissioners may apportion to the part of the trade or business transferred, and the reference in paragraph (*b*) of this sub-paragraph to the value of the assets of the transferor not included in the transfer shall be deemed to be omitted.

(3) Where under the preceding provisions of this paragraph the transferee's standard profits, or standard profits for a full year, fall to be calculated on the assumption that the transferee has, immediately after the transfer, paid in cash by way of repayment of its share capital an amount equal to the value of any assets of the transferor not included in the transfer, it shall also be assumed, for the purpose of the calculation, that the transferee has, immediately after the transfer, received in cash in respect of an issue of its share capital an amount equal to the value of any liabilities of the transferor not included in the transfer.

(4) The transferor's standard profits, or standard profits for a full year, required to be calculated for the purposes of the preceding provisions of this paragraph shall be calculated on the following assumptions—

(*a*) that no sums were received in cash by the transferor after the transfer in respect of any issue of its share capital or were paid in cash by the transferor after the transfer by way of repayment of any of its share capital and that the transferor had no borrowed money in any period beginning on the date of the transfer;

(*b*) that the transferor had made an election under sub-paragraph (2) of paragraph 3 or sub-paragraph (2) of paragraph 4 of the Ninth Schedule to this Act if and only if the transferee had made such an election;

(*c*) that, as from the date of the transfer, the directors of the transferor had a controlling interest in the transferor during the periods and only during the periods, if any, during which the transferee's directors had a controlling interest in the transferee;

(*d*) that there is no election under section forty-one of this Act (which relates to the minimum standard profits for a full year) affecting the transferor.

11TH SCH. —*cont.*

(5) Where, immediately before the transfer, the transferor's trade or business consists of or includes the working of such a source of mineral deposits as is mentioned in section fifty-five of this Act, the increases in the transferee's standard profits, or standard profits for a full year, which fall to be made under the preceding provisions of this paragraph shall be increased or reduced to such extent, if any, as may appear to the Commissioners, or, on appeal, to the Special Commissioners, to be necessary in order to secure the just operation of the said section fifty-five in relation to the transferee.

(6) Nothing in this paragraph applies to any chargeable accounting period for which an election under the said section forty-one has effect as respects the transferee.

Transfers after 1951—*effect on standard profits of transferor*

3.—(1) Where the transfer takes place after the beginning of the period of charge to the excess profits levy, the transferor's standard profits for a full year shall, in relation to any chargeable accounting period beginning on or after the date of the transfer—

(*a*) be increased as if, immediately after the transfer, it had received the following amounts in cash in respect of an issue of its share capital, that is to say—

(i) the value of any of its assets not included in the transfer; and

(ii) any sums paid to it in cash by the transferee in respect of the transfer;

(*b*) be decreased by the amount of its standard profits for a full year calculated as for a chargeable accounting period of twelve months beginning on the date of the transfer:

Provided that where the transfer is not a transfer of the whole or substantially the whole of the transferor's trade or business, the reference in paragraph (*a*) of this sub-paragraph to the value of the assets of the transferor not included in the transfer shall be deemed to be omitted, and the reference in paragraph (*b*) of this sub-paragraph to the amount of the transferor's standard profits for a full year shall be deemed to be a reference to so much thereof as the Commissioners may apportion to the part of the trade or business transferred.

(2) Where the transfer takes place during a chargeable accounting period of the transferor, the transferor's standard profits for that period shall—

(*a*) be increased as if the transferor had, immediately after the transfer, received the following amounts in cash in respect of an issue of its share capital, that is to say—

(i) the value of any of its assets not included in the transfer; and

(ii) any sums paid to it in cash by the transferee in respect of the transfer;

(*b*) be decreased by what would be its standard profits for a chargeable accounting period beginning on the date of the transfer and ending at the end of the first-mentioned chargeable accounting period:

Provided that where the transfer is not a transfer of the whole or substantially the whole of the transferor's trade or business, the reference in paragraph (*a*) of this sub-paragraph to the value of the assets of the transferor not included in the transfer shall be deemed to be omitted, and the standard profits of the transferor referred to in paragraph (*b*) of this sub-paragraph shall, instead of being the appropriate proportion of the standard profits of the transferor for a full year, be taken to be the appropriate proportion of so much of its standard profits for a full year as the Commissioners may apportion to the part of the trade or business transferred.

(3) Where under the preceding provisions of this paragraph the transferor's standard profits, or standard profits for a full year, fall to be calculated on the assumption that the transferor has, immediately after the transfer, received in cash in respect of an issue of its share capital an amount equal to the value of any of its assets not included in the transfer, it shall also be assumed, for the purpose of the calculation, that the transferor has, immediately after the transfer, paid in cash by way of repayment of its share capital an amount equal to the value of any of its liabilities not included in the transfer.

(4) The transferor's standard profits, or standard profits for a full year, required to be calculated under paragraph (*b*) of sub-paragraph (1) or paragraph (*b*) of sub-paragraph (2) of this paragraph shall be calculated on the assumption that no sums were received in cash by the transferor after the transfer in respect of any issue of its share capital or were paid in cash by the transferor after the transfer by way of repayment of any of its share capital, that the transferor had no borrowed money in any period beginning on the date of the transfer, and that there is no election under section forty-one of this Act (which relates to the minimum standard profits for a full year) affecting the transferor.

(5) Where, immediately before the transfer, the transferor's trade or business consists of or includes the working of such a source of mineral deposits as is mentioned in section fifty-five of this Act, the decreases in the transferor's standard profits, or standard profits for a full year, which fall to be made under the preceding provisions of this paragraph shall be increased or reduced to such extent, if any, as may appear to the Commissioners, or, on appeal, to the Special Commissioners, to be necessary in order to secure the just operation of the said section fifty-five in relation to the transferor.

(6) Nothing in this paragraph applies to any chargeable accounting period for which an election under the said section forty-one has effect as respects the transferor.

Valuation of assets, etc.

4. Where an asset of any of the classes described in the first column of the Table below forms part of the assets of the transferor at the time of transfer—

(*a*) its value, if it is not included in the transfer, shall be taken, for the purposes of the preceding provisions of this Schedule, to be the amount described in the second column of that Table in relation to that class of asset; and

11TH SCH. —*cont.*

(*b*) if it is included in the transfer, the profits, losses, undistributed profits and over-distributions of profits of the transferor, the transferee and their respective successors in title to the asset shall be determined for the purposes of the excess profits levy as if the transfer had, so far as that asset was concerned, been a sale thereof for the amount so described and as if all allowances, deductions and charges under the Income Tax Act, 1945, and sections twenty-eight and twenty-nine of the Finance Act, 1944, or, as the case may be, under Parts X and XI of the Income Tax Act, 1952, had been made accordingly for all relevant years of assessment.

In sub-paragraph (*b*) of this paragraph, "charge" includes, in relation to the said section twenty-nine and the said Part XI, the treating of a sum as a trading receipt.

TABLE

Classes of Asset.	*Amount.*
1. Assets representing expenditure in respect of which allowances have been made under Part I of the Income Tax Act, 1945, or Chapter I of Part X of the Income Tax Act, 1952.	The residue of that expenditure at the time of the transfer.
2. Assets representing expenditure of the transferor in respect of which allowances have been made to the transferor under Part II of the Income Tax Act, 1945, or Chapter II of Part X of the Income Tax Act, 1952.	The amount of that expenditure still unallowed as at the time of the transfer.
3. Assets representing expenditure of the transferor to which Part III of the Income Tax Act, 1945, or Chapter III of Part X of the Income Tax Act, 1952, applies.	The residue, immediately before the transfer, of the expenditure attributable to that asset.
4. Patent rights on the purchase of which the transferor has incurred capital expenditure.	The capital expenditure remaining unallowed calculated, in relation to the transfer, in accordance with subsection (5) of section thirty-six of the Income Tax Act, 1945, or subsection (5) of section three hundred and seventeen of the Income Tax Act, 1952.

5. Assets representing scientific research expenditure of a capital nature incurred by the transferor, being assets which, at the time of the transfer, are still in use for scientific research related to the transferor's trade.	The said capital expenditure, less the allowances granted or to be granted to the transferor in respect thereof under section twenty-eight of the Finance Act, 1944, or section three hundred and thirty-six of the Income Tax Act, 1952.	11TH SCH. *cont.*—

In this paragraph, expressions used in describing, or in relation to, the five classes of assets shall be construed as if they occurred, respectively, in Part I of the Income Tax Act, 1945, Part II of that Act, Part III of that Act, Part V of that Act and Part IV of the Finance Act, 1944, or, as the case may be, in Chapter I, Chapter II, Chapter III or Chapter V of Part X of, or in Part XI of, the Income Tax Act, 1952, except that the reference to allowances under Part II of the Income Tax Act, 1945, shall be construed as including references to deductions under Rule 6 of the Rules applicable to Cases I and II of Schedule D; and the residue, immediately before the transfer, of the expenditure attributable to an asset of the third class shall (whatever the nature of the transfer) be calculated as if it were a sale of the asset.

Appeals

5.—(1) Any person aggrieved by an apportionment made by the Commissioners under this Schedule may appeal to the Special Commissioners, and on any such appeal any other persons affected by the apportionment shall be entitled to appear and be heard, and the Special Commissioners may vary or confirm the apportionment.

(2) The decision of the Special Commissioners on any such appeal shall (subject to any appeal therefrom which is competent under the provisions applied by or under the next following sub-paragraph) be binding on the Commissioners and on the appellant and on all persons entitled to appear and be heard as aforesaid.

(3) The provisions of this Act relating to appeals from assessments to the excess profits levy (including the provisions thereof enabling the Commissioners to make regulations) shall, with any necessary modifications, apply in relation to any appeal under this paragraph.

Transfers from individuals

6. The preceding provisions of this Schedule, so far as they apply the provisions of this Act relating to standard profits for a full year, shall, in relation to such a transfer as is mentioned in subsection (3) of section forty-seven of this Act, have effect subject to the modifications that—

(*a*) the amounts actually drawn from the trade or business before the transfer by the persons from time to time carrying it on shall be left out of account; and

(*b*) there shall, in computing the profits or losses up to the date of the transfer, be deducted such sums as would fall to be deducted for the remuneration of the directors if the trade or business had been carried on by a body corporate the

11TH SCH. —*cont.*

directors whereof had a controlling interest therein, and the persons from time to time carrying on the trade or business had been directors thereof to whom sub-paragraph (2) of paragraph 11 of the Fourth Schedule to the Finance Act, 1937 (as set out in section thirty-four of this Act) applied and had been paid such remuneration as would enable the maximum amount to be deducted under that paragraph in respect of directors' remuneration ; and

(*c*) such distributions of profits shall be treated as having been made and such sums, if any, shall be treated as having been received or paid in cash in respect of issues of share capital or by way of repayment of share capital, as the Commissioners, or, on appeal, the Special Commissioners, may determine ;

and subject to such other modifications, if any, as the Commissioners, or, on appeal, the Special Commissioners, may determine.

Sections 49, 50, 54, 58, 63, 65, 68 70.

TWELFTH SCHEDULE

EXCESS PROFITS LEVY: INTERCONNECTED BODIES CORPORATE

PART I

INTERPRETATION AND APPLICATION

Meaning of "group"

1.—(1) Where, at the beginning of the period of charge to the excess profits levy, the following conditions were fulfilled as respects any two or more bodies corporate, that is to say—

(*a*) that they were ordinarily resident in the United Kingdom ; and

(*b*) that one of them was not a subsidiary of any other body corporate ordinarily resident in the United Kingdom ; and

(*c*) that the others of them were subsidiaries of that one of them ; and

(*d*) that no other body corporate ordinarily resident in the United Kingdom was a subsidiary of that one of them,

then, subject to the following provisions of this paragraph, those bodies corporate shall be deemed for the purposes of this Schedule to form a group and references in this Schedule to groups and members of groups shall be construed accordingly.

(2) Where, at the beginning of the period of charge to the excess profits levy, the conditions specified in paragraphs (*a*) to (*d*) of sub-paragraph (1) of this paragraph would have been fulfilled as respects any two or more bodies corporate but for the fact that that one of those bodies corporate of which the others were subsidiaries (in this sub-paragraph referred to as "the intermediate owner") was itself a subsidiary of another body corporate resident in the United Kingdom (in this sub-paragraph referred to as "the ultimate owner") then, if any of the subsidiaries of the intermediate owner were not also subsidiaries of the ultimate owner, and the ultimate owner and the

intermediate owner jointly so elect before the first day of January, nineteen hundred and fifty-four—

(*a*) the intermediate owner and its subsidiaries shall be deemed for the purposes of this Schedule to form a group; and

(*b*) the intermediate owner shall not, for the purposes of this Schedule, be deemed to form a group with the ultimate owner or with the ultimate owner and any other bodies corporate.

(3) If, after the beginning of the said period of charge, a body corporate is incorporated which, when its trade or business commences, is a subsidiary of any member of the group, that body corporate shall also be deemed to be a member of the group, unless, when its trade or business commences, the nexus has been severed as between the body of which it is a subsidiary and the principal member of the group.

Principal member

2.—(1) Subject to the provisions of this paragraph, references in this Schedule to the principal member of a group shall be construed as references to the member of the group of which the other members of the group, or such of them as were then in existence, were subsidiaries at the beginning of the period of charge to the excess profits levy.

(2) When the nexus is severed as between the principal member and the other members of the group, then—

(*a*) if there is then a member of the group of which all the other members of the group (excluding members in whose case the nexus has been severed as between them and the then principal member thereof) are subsidiaries, that member shall thereafter be deemed to be the principal member of the group;

(*b*) if there is then a body corporate, not theretofore carrying on any trade or business to which Part V of this Act applies, of which all the members of the group (excluding members in whose case the nexus has been severed as between them and the then principal member thereof) are subsidiaries and which has no other subsidiaries, that body corporate shall be deemed to be a member of the group and to be the principal member thereof;

(*c*) in any other case such member of the group, if any, as the Commissioners may in their discretion determine shall be deemed to be the principal member of the group either for all purposes or for such purposes, if any, as the Commissioners may so determine.

Severance of nexus

3. The references in this Schedule to the severance of the nexus between members of a group shall be construed as follows, that is to say—

(*a*) if, after the beginning of the period of charge to the excess profits levy, a member of the group ceases to be ordinarily resident in the United Kingdom or is dissolved, the nexus shall be deemed to be severed as between it and all the other members of the group;

12TH SCH. —*cont.*

(*b*) if, after the beginning of the period of charge to the excess profits levy, or, if its trade or business commenced thereafter, after the commencement of its trade or business, any member of the group ceases to be a subsidiary of the principal member, the nexus shall be deemed to be severed as between it and all the other members of the group:

Provided that the nexus shall not be deemed to be severed as between two members of the group both of which are ordinarily resident in the United Kingdom so long as they are under common control.

Formation of groups after 1951

4. Where—

(*a*) at some date after the beginning of the period of charge to the excess profits levy, the conditions specified in paragraphs (*a*) to (*d*) of sub-paragraph (1) of paragraph 1 of this Schedule are fulfilled as respects two or more bodies corporate; and

(*b*) at that date, none or only one of those bodies corporate has carried on any trade or business to which Part V of this Act applies; and

(*c*) none or only one of the said bodies corporate was incorporated before the beginning of the period of charge to the excess profits levy,

the preceding provisions of this Schedule shall apply in relation to those bodies corporate as if the references in those provisions to the beginning of the period of charge to the excess profits levy were references to the date on which the conditions specified in the said paragraphs (*a*) to (*d*) are fulfilled.

Subsidiaries

5. For the purposes of this Schedule, a body corporate shall be deemed to be a subsidiary of another body corporate if and so long as not less than three-quarters of its ordinary share capital is owned by that other body corporate, whether directly or through another body corporate or other bodies corporate, or partly directly and partly through another body corporate or other bodies corporate; and the provisions of subsections (2) and (3) of section forty-two of, and Part I of the Fourth Schedule to, the Finance Act, 1938 (which defines certain expressions used in this paragraph and in the said section forty-two), shall have effect for the purposes of this paragraph as they have effect for the purposes of the said section forty-two:

Provided that a body corporate which, under the preceding provisions of this paragraph, is a subsidiary of two or more bodies corporate each of which is ordinarily resident in the United Kingdom and none of which is a subsidiary of any other body corporate ordinarily resident in the United Kingdom, shall, for the purposes of this Schedule, be treated as a subsidiary of such one only of those bodies corporate as the Commissioners may in their discretion direct.

Application of Schedule after severance of nexus etc.

6. Save as otherwise expressly provided, the provisions of this Schedule referring to members of a group shall apply notwithstanding that the conditions specified in paragraphs (*a*) to (*d*) of sub-paragraph (1) of paragraph 1 of this Schedule have ceased to be fulfilled in relation to all or any of the members of the group and notwithstanding that there has been a severance of the nexus between all or any of the members of the group.

Chargeable accounting periods

7. The Commissioners may in their discretion make such alterations, if any, of the periods which would otherwise be chargeable accounting periods of any member of a group as they may think expedient for the proper operation of the provisions of this Schedule.

PART II

STANDARD PROFITS FOR A FULL YEAR AND COMPUTATION OF PROFITS AND LOSSES

Method of determining standard profits for a full year

8.—(1) Subject to the provisions of sub-paragraphs (3) to (5) of this paragraph—

(*a*) where the trade or business of any of the members of a group commenced on or before the first day of January, nineteen hundred and forty-seven ; or

(*b*) if the principal member so elects, where that one of the trades or businesses of the members of a group which commenced the earliest commenced after the first day of January, nineteen hundred and forty-seven but before the first day of January, nineteen hundred and forty-nine ; or

(*c*) if the principal member so elects, where that one of the trades or businesses of the members of a group which commenced the earliest commenced after the first day of January, nineteen hundred and forty-seven but before the first day of January, nineteen hundred and fifty and the condition specified in the proviso to subsection (5) of section thirty-eight of this Act would be fulfilled, as respects the trades or businesses of all the members of the group, if they were one trade or business of one body corporate,

the standard profits for a full year of each of the members of the group shall be ascertained under sub-paragraph (3) of paragraph 9 of this Schedule by reference to—

(i) the composite figure for the group, determined under sub-paragraph (1) of that paragraph ; and

(ii) the share therein of the member in question, determined under sub-paragraph (2) of that paragraph.

(2) Subject to the provisions of sub-paragraphs (3) to (5) of this paragraph, where—

(*a*) the trade or business of none of the members of the group commenced before the first day of January, nineteen hundred and forty-nine ; or

12TH SCH. —*cont.*

(*b*) the trade or business of none of the members of the group commenced on or before the first day of January, nineteen hundred and forty-seven and no election is made by the principal member under sub-paragraph (1) of this paragraph,

the standard profits for a full year of each of the members of the group shall be ascertained under subsection (3) of section thirty-nine of this Act.

(3) Whenever the trades or businesses of the members of the group commenced, the standard profits for a full year of the members of a group shall, if the principal member so elects, be, for such chargeable accounting period of the principal member as may be specified in the election and for all chargeable accounting periods of other members of the group which coincide with or fall within that chargeable accounting period, such proportion of the sum of five thousand pounds as may be apportioned by the Commissioners to those members respectively.

(4) Any member of the group dissatisfied with an apportionment made by the Commissioners under sub-paragraph (3) of this paragraph may appeal to the Special Commissioners, and on any such appeal any other member of the group shall be entitled to appear and be heard, and the Special Commissioners may make a new apportionment of the said sum of five thousand pounds or may confirm the apportionment made by the Commissioners.

The decision of the Special Commissioners on any such appeal shall (subject to any appeal therefrom which is competent under the provisions applied by or under the subsequent provisions of this sub-paragraph) be binding on the Commissioners and on the appellant and on all other members of the group.

The provisions of this Act relating to appeals from assessments to the excess profits levy (including the provisions thereof authorising the Commissioners to make regulations) shall, with any necessary modifications, apply in relation to any appeal under this sub-paragraph.

(5) If, before the end of a chargeable accounting period of a member of a group, the nexus has been severed as between that member and the principal member of the group, nothing in this paragraph shall prevent that member from exercising, as respects that chargeable accounting period, such rights of election, if any, as it would have apart from this paragraph under section forty-one of this Act (which relates to the minimum standard profits for a full year).

(6) Where there is a transfer to which paragraph 2 or paragraph 3 of the Eleventh Schedule to this Act applies, the adjustments required to be made by those paragraphs shall be made to the standard profits for a full year as arrived at under the preceding provisions of this paragraph or, as the case may be, to the standard profits computed by reference to the standard profits for a full year so arrived at:

Provided that the references in the said paragraphs 2 and 3 to elections under section forty-one of this Act shall be deemed to include references to an election under sub-paragraph (3) of this paragraph.

12TH SCH. —*cont.*

Determination of composite figure and share of members therein

9.—(1) Subject to the provisions of sub-paragraphs (4) and (5) of this paragraph, the composite figure for the group referred to in sub-paragraph (1) of the last preceding paragraph shall be the sum arrived at by—

(*a*) aggregating the profits and losses for the standard years of the members of the group whose trades or businesses commenced before the end of the second standard year; and

(*b*) reducing the result so that it bears to the full amount thereof the same proportion as one year bears to two years less so much, if any, of the first of the standard years as preceded the commencement of that one of the trades or businesses of the members of the group which commenced the earliest.

(2) The share of each member of the group in the composite figure for the group—

(*a*) shall, if its trade or business commenced before the end of the second standard year and it had profits for the standard years, be the sum which bears to the composite figure for the group the same proportion as its profits for the standard years bear to the total of the profits for the standard years of all the members of the group which had profits for the standard years; and

(*b*) shall, if its trade or business commenced after the end of the second standard year or if it had no profits or a loss for the standard years, be nil.

(3) Where the standard profits for a full year of a member of the group fall to be determined under this paragraph, they shall be determined by applying the provisions of subsections (2) and (3) of section thirty-eight of this Act—

(*a*) as if its share of the composite figure for the group were the amount arrived at under subsection (1) of that section;

(*b*) as if (in a case where that one of the trades or businesses of the members of the group which commenced earliest commenced after the beginning of the first of the standard years) there were substituted, in the said subsection (2), for the reference to the beginning of the first of the standard years, a reference to the commencement of that trade or business, and for the reference to two years, a reference to two years less so much of the first of the standard years as preceded the commencement of that trade or business;

(*c*) as if, in the said subsection (3), the reference to the relevant date as defined in subsection (6) of that section were a reference to the relevant date as defined in sub-paragraph (7) of this paragraph.

(4) Where the trade or business of any of the members of the group commenced on or before the first day of January, nineteen hundred and forty-seven, the principal member may elect either—

(*a*) that the aggregated profits and losses referred to in paragraph (*a*) of sub-paragraph (1) of this paragraph shall be computed as if the aggregated profits and losses of the members of the group for one of the two standard years

12TH SCH. —*cont.*

(to be specified in the election) had been an amount of profit equal to eight per cent. of the average amount of the aggregate paid-up share capital of the members of the group in that year, share capital of any member of the group other than the principal member which was beneficially owned by any member of the group being left out of account; or

(*b*) that the composite figure for the group shall be ten per cent. of the amount of the aggregate paid-up share capital of the members of the group at the end of the year nineteen hundred and forty-six or the year nineteen hundred and fifty-one (as may be specified in the election), share capital of any member of the group other than the principal member which was beneficially owned by any member of the group being left out of account; or

(*c*) that the composite figure for the group shall be an amount equal to eight per cent. of the amount by which at the end of the year nineteen hundred and forty-six or the year nineteen hundred and fifty-one (as may be specified in the election) the value of the aggregate assets of the members of the group, computed in accordance with the provisions of the Eighth Schedule to this Act but leaving out of account the value of any share capital of a member which is beneficially owned by another member, exceeds the aggregate amount of their liabilities so computed;

and the preceding provisions of this paragraph shall have effect accordingly:

Provided that where an election is made under paragraph (*b*) or paragraph (*c*) of this sub-paragraph,—

(i) subsection (2) of section thirty-eight of this Act, as applied by sub-paragraph (3) of this paragraph, shall not apply to sums received or paid before the end of the year specified in that election; and

(ii) sub-paragraph (2) of this paragraph shall have effect as if the references to the end of the second standard year were references to the end of the first chargeable accounting period of the principal member and the references to profits for the standard years were references to profits for that chargeable accounting period.

(5) Where the condition specified in the proviso to subsection (5) of section thirty-eight of this Act is fulfilled as respects one or more members of the group but no election can be made under paragraph (*c*) of the proviso to sub-paragraph (6) of this paragraph or under paragraph (*c*) of sub-paragraph (1) of paragraph 8 of this Schedule, and no election is made under the last preceding sub-paragraph, the principal member may elect that the composite figure for the group, and the share of each member in that figure shall be calculated as if the profits or losses of the first-mentioned member or members for the years nineteen hundred and forty-nine and nineteen hundred and fifty were its or their profits or losses for the standard

years; and where an election is made under this sub-paragraph, then—

(*a*) subsection (2) of section thirty-eight of this Act, as applied by sub-paragraph (3) of this paragraph, shall have effect in relation to the said member or members as if the references therein to the first and the second of the standard years were respectively references to the year nineteen hundred and forty-nine and nineteen hundred and fifty; and

(*b*) notwithstanding anything in this paragraph, the relevant date referred to in subsection (3) of the said section thirty-eight shall, in relation to the said member or members, be whichever of the following dates is the later, that is to say the first day of July, nineteen hundred and forty-nine or the commencement of the trade or business of that member or, as the case may be, the commencement of that one of the trades or businesses of those members which commenced the earliest.

(6) The standard years for all the members of the group shall be the years nineteen hundred and forty-seven and nineteen hundred and forty-eight, the years nineteen hundred and forty-seven and nineteen hundred and forty-nine or the years nineteen hundred and forty-eight and nineteen hundred and forty-nine, as the principal member may elect:

Provided that—

(*a*) where that one of the trades or businesses of the members of the group which commenced the earliest commenced after the first day of January, nineteen hundred and forty-seven but before the first day of January, nineteen hundred and forty-eight the principal member may elect that the standard years for all the members of the group shall be the year beginning with the commencement of the said trade or business and the subsequent year;

(*b*) where that one of the trades or businesses of the members of the group which commenced the earliest commenced after the first day of January, nineteen hundred and forty-seven, and either no election is made under paragraph (*a*) of this proviso or the said trade or business commenced on or after the first day of January, nineteen hundred and forty-eight, the standard years for all the members of the group shall be the years nineteen hundred and forty-eight and nineteen hundred and forty-nine;

(*c*) where the condition specified in the proviso to subsection (5) of section thirty-eight of this Act would be fulfilled, as respects the trades or businesses of all the members of the group, if they were one trade or business of one body corporate and the principal member so elects, or where an election is made under paragraph (*c*) of sub-paragraph (1) of paragraph 8 of this Schedule, the standard years for all the members of the group shall be the years nineteen hundred and forty-nine and nineteen hundred and fifty.

12TH SCH. —*cont.*

(7) The relevant date referred to in sub-paragraph (3) of this paragraph is—

(*a*) where an election is made under paragraph (*b*) or paragraph (*c*) of sub-paragraph (4) of this paragraph, the first day of January immediately following the year specified in the election;

(*b*) where an election is made under paragraph (*a*) of the last preceding sub-paragraph, the date falling six months after the date of the commencement of the trade or business referred to therein;

(*c*) where no such election as aforesaid is made and that one of the trades or businesses of the members of the group which commenced the earliest commenced on or after the first day of January, nineteen hundred and forty-eight, whichever of the following two dates is the later, that is to say, the first day of July, nineteen hundred and forty-eight, or the date of the commencement of that trade or business;

and in any other case the date specified in the Table set out in subsection (6) of section thirty-eight of this Act opposite the years which, in the case of the members of the group, are the standard years.

(8) Where, in the chargeable accounting period, the directors of the principal member have a controlling interest therein, sub-paragraph (4) of this paragraph shall have effect as if the references to eight per cent. were references to ten per cent. and the reference to ten per cent. were a reference to twelve per cent.:

Provided that where the directors of the principal member have a controlling interest therein during part only of the chargeable accounting period, the increase provided for by this sub-paragraph in the said percentages shall be reduced so as to bear to the full amount of the increase the same proportion as the length of that part of the chargeable accounting period bears to the full length of the chargeable accounting period.

(9) Where, before the beginning of the period of charge to the excess profits levy, there has been a transfer to or by a member of the group to which paragraph 1 of the Eleventh Schedule to this Act applies, the reference in sub-paragraph (1) of this paragraph to the profits or losses of the members of the group shall be construed as including a reference to any profits and losses which, under the said paragraph 1, are to be treated for the purposes therein mentioned as profits and losses of that member and as not including any profits or losses which, under the said paragraph 1, are to be treated for those purposes as not being profits or losses of that member.

(10) In this paragraph "profits for the standard years" and "loss for the standard years" mean, in relation to a member of the group the trade or business of which commenced after the beginning of the first standard year, profits or a loss for so much of the standard years as follows the commencement of its trade or business.

Borrowed money

10. Section forty of this Act shall apply in relation to a member of a group as if references to borrowed money did not include references to money borrowed from a member of the group:

Provided that if, before the end of a chargeable accounting period, the nexus has been severed between two members of a group, this paragraph shall not apply to them in relation to that period.

Application of ss. 40, 50 *and* 56 *to members of a group*

11. Sections forty, fifty and fifty-six of this Act shall apply in relation to a member of a group as if—

(*a*) references to profits for the standard years were references to its share in the composite figure determined under sub-paragraph (1) of paragraph 9 of this Schedule;

(*b*) references to an election under paragraph (*a*), (*b*) or (*c*) of subsection (4) of section thirty-eight of this Act included respectively a reference to an election under paragraph (*a*), (*b*) or (*c*) of sub-paragraph (4) of paragraph 9 of this Schedule; and

(*c*) references to an election under section forty-one of this Act included a reference to an election under sub-paragraph (3) of paragraph 8 of this Schedule.

Sums received or paid in respect of share capital

12.—(1) Subject to the provisions of sub-paragraph (3) of this paragraph, where any member of the group—

(*a*) pays to any other member thereof any sum in cash in respect of any issue of share capital of that other member; or

(*b*) pays to any person any sum in cash as the price of any share capital of any other member of the group purchased by it,

then, without prejudice to the application of subsection (2) of section thirty-eight of this Act, or, as the case may be, of subsections (3) to (6) of section thirty-nine of this Act, to the said other member, the first-mentioned member shall be deemed for the purposes of subsection (2) of the said section thirty-eight, or, as the case may be, of subsections (3) to (6) of the said section thirty-nine, to have paid that sum in cash by way of repayment of its own share capital.

(2) Subject to the provisions of sub-paragraph (3) of this paragraph, where any member of the group—

(*a*) receives from any other member of the group any sum in cash by way of repayment of share capital of the last-mentioned member; or

(*b*) receives from any other person any sum in cash as, or as part of, the price of any share capital of any other member of the group sold by it,

then, without prejudice to the application of subsection (2) of section thirty-eight of this Act, or, as the case may be, of subsections (3) to (6) of section thirty-nine of this Act, to the said other member, the first-mentioned member shall be deemed for the purposes of

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subsection (2) of the said section thirty-eight or, as the case may be, of subsections (3) to (6) of the said section thirty-nine, to have received that sum in cash in respect of an issue of its own share capital.

(3) The preceding provisions of this paragraph shall not affect the computation of the standard profits for a full year of a member of a group for any chargeable accounting period if, before the end of that chargeable accounting period, there has been a severance of the nexus between it and the principal member of the group.

Dividends received by one member from another member and application of Schedule 9, paragraph 12

13. In computing the profits and losses of a member of a group for the purposes of the excess profits levy—

(*a*) dividends received from any other member of the group shall be left out of account, except for the purpose of computing the undistributed profits or over-distributions of profits of the member receiving the dividends; and

(*b*) any election by the principal member under paragraph (*a*), paragraph (*b*) or paragraph (*c*) of sub-paragraph (4) of paragraph 9 of this Schedule shall be deemed, for the purposes of paragraph 12 of the Ninth Schedule to this Act, to be an election by each of the members of the group under paragraph (*a*), paragraph (*b*) or paragraph (*c*), as the case may be, of subsection (4) of section thirty-eight of this Act, and the proviso to the said paragraph 12 shall, with any necessary adaptations, have effect accordingly.

Director-controlled companies

14. A member of a group shall be deemed for the purposes of the provisions of this Act relating to the excess profits levy to be a body corporate the directors whereof have a controlling interest therein during such period, and during such period only, as the principal member of the group is such a body corporate:

Provided that this paragraph shall not apply to a member of a group in relation to any chargeable accounting period if, before the end of that period, there has been a severance of the nexus between that member and the principal member of the group.

Elections under Schedule 9, paragraph 3 or 4

15. Any election under sub-paragraph (2) of paragraph 3 or sub-paragraph (2) of paragraph 4 of the Ninth Schedule to this Act shall be exerciseable only as respects all members of the group and shall be so exerciseable only by the principal member of the group.

Addition to certain percentages in respect of certain minerals

16. Where, in any chargeable accounting period, the trade or business of any member of a group consists of or includes the working of such a source of mineral deposits as is mentioned in section fifty-five of this Act, the preceding provisions of this Schedule relating to the ascertainment of the standard profits for a full year of the members of the group shall, in relation to that chargeable accounting period and any chargeable accounting period of any other

member of the group which coincides with or falls within that chargeable accounting period, have effect subject to such modifications as may appear to the Commissioners, or, on appeal, to the Special Commissioners, to be necessary to secure the just operation of the said section fifty-five in relation to the members of the group and, in particular, to secure that, as nearly as may be, the said section fifty-five operates in relation to the members of the group as if all their trades or businesses were one trade or business of one body corporate.

PART III

ASSESSMENT AND RELIEF

Assessment

17.—(1) Subject to the provisions of this paragraph, every assessment to the excess profits levy made in respect of the profits of a member of a group shall be made on the principal member of the group but the tax shall, in the case of an assessment in respect of the profits of any other member, be recoverable from the principal member and that other member jointly and severally.

(2) If the Commissioners think fit and the principal member does not object, one assessment for any particular period may be made on the principal member in respect of the profits of all or any of the members of the group, but the amount of tax, and the incidence of the burden of tax, shall not be affected, and the Commissioners may in their discretion discharge any such assessment, and make separate assessments in lieu thereof.

(3) Nothing in this paragraph applies to the profits of a member of a group other than the principal member for any chargeable accounting period if, before the end of that chargeable accounting period, there has been a severance of the nexus between that member and the principal member of the group.

Relief for deficiency of profits

18.—(1) Subject to the provisions of this paragraph, any deficiency of profits of any member of a group for any chargeable accounting period shall be applied as follows, that is to say—

(*a*) first, in reducing the profits chargeable to the excess profits levy of that member for previous chargeable accounting periods;

(*b*) as to the balance, if any, in reducing other profits on which the principal member of the group is assessable to the excess profits levy, being profits for chargeable accounting periods ending not later than the end of the first-mentioned chargeable accounting period; and

(*c*) as to the balance, if any, in reducing the profits chargeable to the excess profits levy of the first-mentioned member for the next chargeable accounting period; and

(*d*) as to the balance, if any, in reducing other profits chargeable to the excess profits levy on which the principal member is assessable for chargeable accounting periods ending not later than the said next chargeable accounting period;

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and so on, and relief from the excess profits levy shall be given accordingly:

Provided that where the nexus has been severed as between the principal member and another member of the group—

(i) any deficiency of profits of that other member for a chargeable accounting period ending at or before the severance shall not be applied in reducing the profits of that other member for any chargeable accounting period ending after the severance; and

(ii) any deficiency of profits of that other member for any chargeable accounting period ending after the severance shall not be applied in reducing any profits on which the principal member of the group is assessable.

(2) The references in this paragraph to profits on which the principal member of the group is assessable shall, in the case of such a group as is mentioned in paragraph 4 of this Schedule, be deemed to include references to any profits on which any member of the group was assessable for any chargeable accounting period beginning before the date referred to in that paragraph.

Overriding limit

19.—(1) Section forty-three of this Act (which provides for an overriding limit on the amount charged by way of the excess profits levy) shall, subject to the following provisions of this paragraph, have effect in relation to the members of a group as if the profits of all the members of the group and the amounts payable by them by way of the excess profits levy belonged to or were payable by one body corporate, and any relief falling to be given under the said section forty-three shall be given to such of the members of the group as the principal member may determine.

(2) Where one or more but not all members of the group are such bodies as are mentioned in subsection (2) of the said section forty-three, such relief and adjustments (if any) shall be given or made under that section as are necessary to secure that the aggregate amount payable by all the members by way of the excess profits levy is reduced to, but not below, the sum of the following amounts—

(*a*) ten per cent. of the profits of the first-mentioned members for the whole period mentioned in subsection (1) of the said section forty-three; and

(*b*) fifteen per cent. of the profits of the other members for the said period.

(3) Where the nexus has been severed between the principal member and another member of the group—

(*a*) this paragraph shall not apply to the profits of that other member for, or amounts payable by that other member by way of the excess profits levy for, any chargeable accounting period of that other member ending after the severance; and

(*b*) the relief given to that other member under the said section forty-three by virtue of this paragraph shall be equal to the relief which could be given to it if this paragraph did not

apply to any profits of, or any amounts payable by way of the excess profits levy by, any member of the group for any chargeable accounting period ending after the severance,

(4) The reference in this paragraph to profits on which the principal member of the group is assessable shall, in the case of such a group as is mentioned in paragraph 4 of this Schedule, be deemed to include a reference to any profits on which any member of the group was assessable for any chargeable accounting period beginning before the date referred to in that paragraph.

Adjustments between members of a group

20.—(1) Where any sum is paid by the principal member of a group on account of the excess profits levy in respect of the profits of another member of the group, the principal member may recover the amount paid from the said other member:

Provided that where the recovery of any such sum from a member of the group would result in the burden in respect of the excess profits levy borne by that member for the chargeable accounting period in question and all previous chargeable accounting periods being greater than the burden in respect of the excess profits levy that would have fallen to be borne by it for that and the said previous chargeable accounting periods if sub-paragraph (*b*) of paragraph 13 and paragraphs 17 to 19 of this Schedule had not applied to the group, the amount recoverable shall be reduced by the amount of the excess.

(2) If the burden borne by any member of a group other than the principal member thereof in respect of the excess profits levy up to the end of any chargeable accounting period exceeds the burden that would have fallen to be borne by it in respect of the excess profits levy up to the end of that period if sub-paragraph (*b*) of paragraph 13 and paragraphs 17 to 19 of this Schedule had not applied to the group, the amount of the excess shall be recoverable by that member from the principal member of the group.

THIRTEENTH SCHEDULE

Section 71.

ESTATE DUTY: LIST OF WOMEN'S SERVICES

1. Member of Queen Alexandra's Royal Naval Nursing Service or any reserve thereof.

2. Member of the Women's Royal Naval Service or any reserve thereof.

3. Woman medical or dental practitioner serving in the Royal Navy or any naval reserve.

4. Member of the Auxiliary Territorial Service.

5. Woman employed with the Royal Army Medical Corps or the Royal Army Dental Corps with relative rank as an officer.

6. Member of the Women's Auxiliary Air Force.

7. Woman employed with the Medical Branch or the Dental Branch of the Royal Air Force with relative rank as an officer.

8. Member of the Voluntary Aid Detachments employed under the Admiralty, Army Council or Air Council.

Sections 2, 6, 71, 73, 76.

FOURTEENTH SCHEDULE

REPEALS

PART I

MISCELLANEOUS CUSTOMS, EXCISE AND PURCHASE TAX REPEALS

Session and Chapter	Short Title	Extent of Repeal
8 & 9 Geo. 6. c. 24.	The Finance Act, 1945.	Section two.
11 & 12 Geo. 6. c. 49.	The Finance Act, 1948.	Paragraph (*b*) of subsection (3) of section twenty (but only from the coming into force of an order under subsection (4) of section nine of this Act); subsection (2) of section twenty-one.
14 & 15 Geo. 6. c. 43.	The Finance Act, 1951.	In subsection (1) of section one the words from the beginning of the subsection to the end of paragraph (*b*), the word " and ", the word " said " and the proviso; subsection (2) of section one.

PART II

REPEALS RELATING TO RATES OF ENTERTAINMENTS DUTY

Session and Chapter	Short Title	Extent of Repeal
25 & 26 Geo. 5. c. 24.	The Finance Act, 1935.	Section one.
6 & 7 Geo. 6. c. 28.	The Finance Act, 1943.	Section six.
9 & 10 Geo. 6. c. 64.	The Finance Act, 1946.	Section seven; subsection (3) of section eight.
11 & 12 Geo. 6. c. 49.	The Finance Act, 1948.	Section sixteen.
14 Geo. 6. c. 15.	The Finance Act, 1950.	Paragraph (*a*) of subsection (3) of section fifteen; subsection (1) of section sixteen.
14 & 15 Geo. 6. c. 43.	The Finance Act, 1951.	Section two; the First Schedule.

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PART III

REPEALS RELATING TO THE SUGAR DUTIES

Session and Chapter	Short Title	Extent of Repeal
9 & 10 Geo. 5. c. 32.	The Finance Act, 1919.	In section ten the words "or molasses, or in respect of the material from which any molasses is produced"; in the Second Schedule, the references in the first column to sugar, glucose, molasses and saccharin.
14 & 15 Geo. 5. c. 21.	The Finance Act, 1924.	Section five.
15 & 16 Geo. 5. c. 36.	The Finance Act, 1925.	Section eight and Part I of the Third Schedule.
16 & 17 Geo. 5. c. 22.	The Finance Act, 1926.	Section seven.
18 & 19 Geo. 5. c. 17.	The Finance Act, 1928.	Subsection (1) of section four from the words "and section eight" onwards; in Part I of the Second Schedule all the entries in the third column.
22 & 23 Geo. 5. c. 25.	The Finance Act, 1932.	Subsection (2) of section two; section three; the Second Schedule.
24 & 25 Geo. 5. c. 32.	The Finance Act, 1934.	Section one except paragraph (*b*) of the proviso to subsection (1)
2 & 3 Geo. 6. c. 109.	The Finance (No. 2) Act, 1939.	In subsection (1) of section six the words "and excise", the words "and the amounts of the general preferential reductions" and paragraph (*c*); in the Fifth Schedule, in Part I the entry in the third column relating to saccharin and in Part III the whole entry relating to saccharin.
11 & 12 Geo. 6. c. 49.	The Finance Act, 1948.	Section seven.
12 & 13 Geo. 6. c. 47.	The Finance Act, 1949.	In section six, in subsection (1) the words "under section eight of the Finance Act, 1925 (which relates to Empire products)", and subsection (3).
14 Geo. 6. c. 15.	The Finance Act, 1950.	Section eight.

14TH SCH. —*cont.*

PART IV

INCOME TAX REPEALS

Session and Chapter	Short Title	Extent of Repeal
10 & 11 Geo. 6. c. 35.	The Finance Act, 1947.	Subsection (3) of section thirty-eight, as respects profits tax payable for chargeable accounting periods ending after the beginning of the year nineteen hundred and fifty-two.
15 & 16 Geo. 6. & 1 Eliz. 2. c. 10.	The Income Tax Act, 1952.	Proviso (*a*) to subsection (3) of section one hundred and thirty-one; subsection (2) of section one hundred and thirty-four; section one hundred and forty-one, as respects profits tax for chargeable accounting periods ending after the beginning of the year nineteen hundred and fifty-two; in section three hundred and twenty-eight, in subsection (1) the words from "except so much" to "two hundred and ninety-six of this Act" and the proviso to subsection (2); section three hundred and forty-four; and, as respects profits tax for chargeable accounting periods ending after the beginning of the year nineteen hundred and fifty-two, subsection (7) of section four hundred and twenty-five.

PART V

REPEALS RELATING TO RELIEF FROM ESTATE DUTY FOR MEMBERS OF ARMED FORCES, ETC.

Session and Chapter	Short Title	Extent of Repeal
55 Geo. 3. c. 184.	The Stamp Act, 1815.	In the Schedule, in Part III, the exemption for testamentary instruments and inventories of common seamen, marines or soldiers.
57 & 58 Vict. c. 30.	The Finance Act, 1894.	In section eight, in subsection (1), the words " and for the exemption of the property of common seamen, marines or soldiers who are slain or die in the service of Her Majesty ".
63 & 64 Vict. c. 7.	The Finance Act, 1900.	Section fourteen.
14 & 15 Geo. 5. c. 21.	The Finance Act, 1924.	Section thirty-eight.

PART VI

STAMP DUTY REPEALS

Session and Chapter	Short Title	Extent of Repeal
10 & 11 Geo. 6. c. 35.	The Finance Act, 1947.	Subsections (3) to (6) of section fifty-four.

Table of Statutes referred to in this Act

Short Title	Session and Chapter
Theatres Act, 1843	6 & 7 Vict. c. 68.
Sinking Fund Act, 1875	38 & 39 Vict. c. 45.
Customs Consolidation Act, 1876 ...	39 & 40 Vict. c. 36.
Stamp Act, 1891	54 & 55 Vict. c. 39.
Finance Act, 1895	58 & 59 Vict. c. 16.
Finance (1909–10) Act, 1910	10 Edw. 7. & 1 Geo. 5. c. 8.
Revenue Act, 1911	1 & 2 Geo. 5. c. 2.
Bankruptcy (Scotland) Act, 1913 ...	3 & 4 Geo. 5. c. 20.
Bankruptcy Act, 1914	4 & 5 Geo. 5. c. 59.
Finance Act, 1919	9 & 10 Geo. 5. c. 32.
Roads Act, 1920	10 & 11 Geo. 5. c. 72.
Finance Act, 1921	11 & 12 Geo. 5. c. 32.
Finance Act, 1922	12 & 13 Geo. 5. c. 17.
Finance Act, 1923	13 & 14 Geo. 5. c. 14.
Finance Act, 1926	16 & 17 Geo. 5. c. 22.
Finance Act, 1928	18 & 19 Geo. 5. c. 17.
Import Duties Act, 1932	22 & 23 Geo. 5. c. 8.
Finance Act, 1934	24 & 25 Geo. 5. c. 32.
Public Health Act, 1936...	26 Geo. 5. & 1 Edw. 8. c. 49.
Finance Act, 1937	1 Edw. 8 & 1 Geo. 6. c. 54.
Finance Act, 1938	1 & 2 Geo. 6. c. 46.
Finance Act, 1939	2 & 3 Geo. 6. c. 41.
Finance Act, 1940	3 & 4 Geo. 6. c. 29.
Finance (No. 2) Act, 1940	3 & 4 Geo. 6. c. 48.
Finance Act, 1941	4 & 5 Geo. 6. c. 30.
War Damage Act, 1943	6 & 7 Geo. 6. c. 21.
Finance Act, 1943	6 & 7 Geo. 6. c. 28.
Income Tax (Employments) Act, 1943...	6 & 7 Geo. 6. c. 45.
Finance Act, 1944	7 & 8 Geo. 6. c. 23.
Finance Act, 1945	8 & 9 Geo. 6. c. 24.
Income Tax Act, 1945	8 & 9 Geo. 6. c. 32.
Water Act, 1945	8 & 9 Geo. 6. c. 42.
Finance (No. 2) Act, 1945	9 & 10 Geo. 6. c. 13.
Coal Industry Nationalisation Act, 1946	9 & 10 Geo. 6. c. 59.
Finance Act, 1946	9 & 10 Geo. 6. c. 64.
Finance Act, 1947	10 & 11 Geo. 6. c. 35.
Local Government (Scotland) Act, 1947	10 & 11 Geo. 6. c. 43.
Electricity Act, 1947	10 & 11 Geo. 6. c. 54.
Finance (No. 2) Act, 1947	11 & 12 Geo. 6. c. 9.
Companies Act, 1948	11 & 12 Geo. 6. c. 38.
Finance Act, 1948	11 & 12 Geo. 6. c. 49.
Gas Act, 1948	11 & 12 Geo. 6. c. 67.
Civil Defence Act, 1948	12, 13 & 14 Geo. 6. c. 5.
Finance Act, 1949	12, 13 & 14 Geo. 6. c. 47.
Profits Tax Act, 1949	12, 13 & 14 Geo. 6. c. 64.
Iron and Steel Act, 1949	12, 13 & 14 Geo. 6. c. 72.
Vehicles Excise Act, 1949	12, 13 & 14 Geo. 6. c. 89.
Finance Act, 1950	14 Geo. 6. c. 15.
Finance Act, 1951	14 & 15 Geo. 6. c. 43.
Income Tax Act, 1952	15 & 16 Geo. 6 & 1 Eliz. 2. c. 10.