## CHAPTER 49

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. [31st July, 1957]

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

Entertainments duty.

**1.**—(1) Entertainments duty shall not be chargeable except in respect of entertainments which consist wholly or partly of a cinematograph show or a television show.

(2) Subject to the following provisions of this section, the entertainments duty chargeable on any payment for admission shall be equal to the amount (if any) by which the amount of the payment, excluding the amount of the duty, exceeds eleven pence.

PART I —*cont.*

(3) Entertainments duty shall not be chargeable in respect of an entertainment by reason of the inclusion in it of any cinematograph or television show which is merely ancillary to a lecture or exhibition or designed to give instruction or information relevant to the purposes of a lecture or exhibition.

(4) The entertainments duty chargeable in respect of any entertainment shall be reduced by one third if the Commissioners of Customs and Excise on an application made in such manner as they may direct are satisfied that—

(*a*) the entertainment consists partly of one or more cinematograph or television shows and partly of other items, but is all given in one auditorium; and

(*b*) not less than one quarter of the total time taken by the entertainment (excluding intervals) is taken by those other items.

(5) Subsection (4) of section one of the Finance (New Duties) Act, 1916 (which relates to the charge of duty on lump sum payments and other payments covering more than the admission to a single entertainment), shall have effect with the omission of the words " or covers admission to an entertainment during any period for which the duty has not been in operation " and of the words " in respect of which entertainments duty is payable ".

(6) Entertainments duty shall be chargeable in accordance with this section notwithstanding any exemption conferred by any enactment passed before this Act, but the First Schedule to this Act shall have effect for the purpose of conferring exemptions from duty.

(7) The power conferred by subsection (1) of section two of the Finance (New Duties) Act, 1916, to make regulations for carrying the provisions of that Act as to entertainments duty into effect shall include power to make regulations for carrying into effect the provisions of this or any other Act as to the duty.

(8) Subsections (1) to (5) of this section shall apply and be deemed to have applied to payments (whenever made) for admission to entertainments given after the fourth day of May, nineteen hundred and fifty-seven.

(9) Subsection (6) of this section shall not apply as regards entertainments given before the fourth day of August, nineteen hundred and fifty-seven; but as regards any such entertainment given after the said fourth day of May, section seventeen of the Finance Act, 1948 (which provides relief for rural entertainments), shall have and be deemed to have had effect with the substitution in subsection (1) for the words " a population not exceeding two thousand " of the words " a population not exceeding three thousand ".

(10) Where entertainments duty has been charged on any payment made before the date of the passing of this Act and by virtue of this section a less amount of duty or no duty should have been charged, the person by whom the duty was paid shall be entitled to repayment of the overcharge.

Television duty.

**2.**—(1) On every licence to which this section applies (in this section referred to as "a television licence") there shall be charged a duty of excise, to be known as television duty, at the standard yearly rate of one pound (or such other rate as under the following provisions of this section is applicable to the licence); and no licence on which the duty is chargeable shall be valid unless the appropriate duty is paid on or before the issue of the licence.

(2) On a television licence of a type designed to authorise in any premises the installation and use for receiving television broadcast programmes of apparatus in rooms let or available for letting to guests or boarders as living rooms or bedrooms, television duty shall be charged, not at the standard rate, but at a yearly rate equal to the aggregate duty at the standard rate on separate licences for those premises and for each of those rooms (up to the number covered by the licence), and on any other television licence which authorises apparatus to be installed and used as aforesaid in more than one place (otherwise than by giving general authority as to the whole or part of any specified premises, area, vehicle or vessel) the duty shall be similarly charged as on separate licences for each of those places:

Provided that this subsection shall not apply to a licence unless the licence is or, if it authorised the installation of apparatus only in a single place, would be one for which the licence fees are prescribed by post office regulations.

(3) Where the licence fees for a television licence are not prescribed by post office regulations, and the licence is not one to which subsection (2) of this section applies, the television duty on the licence shall not be charged at the standard rate, but shall bear to the licence fees for that licence the same proportion as the duty on a licence chargeable at the standard rate bears to the licence fees for a licence so chargeable.

(4) The television duty payable on a television licence (other than a licence chargeable in accordance with subsection (3) of this section) shall be calculated at the appropriate yearly rate according to the number of months in the period for which the licence is issued (any incomplete month being treated as a complete month); and where a licence taken out after the expiration of a previous licence is issued so as to expire at the end of a period calculated from that expiration, it shall for this purpose be treated as a licence for that period:

PART I —*cont.*

Provided that where a licence of a type normally issued for a period of a particular length is for special reasons issued for a longer or shorter period, but the licence fees payable for it are the same as if it had been issued for a period of the normal length, the licence shall be treated for the purposes of this subsection as a licence for a period of the normal length.

(5) Where a television licence is issued on the surrender of an unexpired television licence, and under post office regulations the licence fees payable for the new licence are reduced by reason of the surrender of the old, the television duty on the new licence shall be reduced in the same proportion as the licence fees.

(6) Where a television licence on which television duty has been paid at a yearly rate is surrendered unexpired, and subsection (5) of this section does not apply by reason of the surrender to reduce the television duty chargeable on another licence, then for each complete month unexpired of the period for which the licence was issued there may be repaid an amount of duty not exceeding one-twelfth of the yearly rate at which the duty was paid on the licence.

(7) Television duty shall not be chargeable on any licence issued as a duplicate of a television licence which has been lost or destroyed, but for the purposes of this section the surrender of any licence so issued shall be treated as the surrender of the original licence.

(8) Television duty shall be collected, and any repayment of the duty shall be made, through the Post Office in accordance with the directions of the Postmaster General, but without prejudice to the application to the duty of section eleven of the Customs and Excise Act, 1952 (which provides among other things for the payment of sums collected on account of excise duties to the general account of the Commissioners of Customs and Excise at the Bank of England).

(9) This section applies to any licence under section one of the Wireless Telegraphy Act, 1949, being a licence of a type designed wholly or partly for apparatus which is to be used primarily for receiving television broadcast programmes and is not to be so used solely or primarily with a view to re-broadcasting or relaying those programmes by wire or by wireless:

Provided that this section shall apply only to licences issued in Great Britain, and shall not apply to any licence for which no licence fees are payable.

(10) In this section—

(*a*) " licence fees " means in relation to any licence the sums payable to the Postmaster General in respect of the issue of the licence;

(*b*) "post office regulations" means regulations made by the Postmaster General under section two of the Wireless Telegraphy Act, 1949;

and in subsection (2) of this section "place" includes a vehicle or vessel or part of one.

(11) Television duty shall be chargeable on any licence issued after the beginning of August, nineteen hundred and fifty-seven, and this section shall have effect as from the beginning of that month.

Continuation of expiring duties on hops, etc.

**3.**—(1) On the importation into the United Kingdom of any of the goods mentioned in this subsection there shall be charged a duty of customs at the rate specified for those goods (or, if the goods are Empire products within the meaning of section eight of the Finance Act, 1919, at two-thirds of the rate so specified), that is to say—

(*a*) on hops, a duty at the rate of four pounds per hundredweight;

(*b*) on hop oil, a duty at the rate of one pound per ounce;

(*c*) on any extract, essence or other similar preparation made from hops, except hop oil, a duty at the rate of four pounds for every hundredweight of hops which, in the opinion of the Commissioners of Customs and Excise, has been used in the manufacture of the goods.

(2) On the exportation from the United Kingdom of hops in respect of which it is shown to the satisfaction of the Commissioners that they were imported in the packages in which they are being exported, there shall be allowed a drawback equal to the duty of customs shown to the satisfaction of the Commissioners to have been paid in respect of the hops under this section (or, in the case of hops imported before the coming into force of this section, under subsection (1) of section seven of the Finance Act, 1925).

(3) On beer on which a drawback of excise duties is allowed, there shall in addition be allowed under this subsection a drawback of tenpence for every thirty-six gallons of beer.

(4) The foregoing duties and drawbacks shall be in lieu of the similar (but temporary) duties and drawbacks under subsection (1) of section seven of the Finance Act, 1925, or, in the case of the drawback on beer, under subsection (4) of section two of the Finance Act, 1933.

(5) The additional duty of customs imposed on beer by subsection (2) of section two of the Finance Act, 1933, shall continue to be charged until Parliament otherwise determines.

PART I —*cont.*

Australian trade agreement.

**4.**—(1) With a view to the fulfilment of the agreement made on the twenty-sixth day of February, nineteen hundred and fifty-seven, between Her Majesty's Governments in the United Kingdom and in the Commonwealth of Australia (of which a copy was presented to Parliament on that day) the Ottawa Agreements Act, 1932, and all other enactments relating to customs, shall have effect as from that date as if that agreement were substituted for the agreement set out in Part II of the First Schedule to that Act.

(2) The foregoing subsection shall not affect the operation of section seven of the Ottawa Agreements Act, 1932 (which provides for regulating imports of certain frozen and chilled meat); and accordingly that section shall have effect as if the reference to the agreement set out in Part II of the First Schedule to that Act were a reference to Article 6 of the agreement originally so set out.

Duties and drawbacks on composite goods.

**5.** As from such date as the Treasury may appoint by order made by statutory instrument, the Second Schedule to this Act shall have effect with respect to the customs duties to be charged, and the customs and excise drawbacks to be allowed, on composite goods containing a dutiable part or ingredient and with respect to rebates and drawbacks of customs duties so charged.

Amendment as to regulations under Finance Act, 1933, Sch. 5.

**6.** Any statutory instrument made in exercise of the power to make regulations conferred on the Board of Trade by the Fifth Schedule to the Finance Act, 1933 (which contains provisions for determining the country of origin of imported goods for purposes of preference under the Import Duties Act, 1932, and the Ottawa Agreements Act, 1932), shall be subject to annulment in pursuance of a resolution of either House of Parliament.

Amendment of Vehicles (Excise) Act, 1949, as to tower wagons.

**7.** As from the beginning of the year nineteen hundred and fifty-eight, the definition of " tower wagon " in subsection (1) of section twenty-seven of the Vehicles (Excise) Act, 1949, shall have effect as if the reference to a telescopic contrivance designed for facilitating the erection, inspection, repair or maintenance of overhead structures or equipment included any expanding or extensible contrivance so designed.

## PART II

## PURCHASE TAX

Reduction of purchase tax on certain household goods.

**8.**—(1) The enactments relating to purchase tax shall have effect as if in Part I of the Eighth Schedule to the Finance Act, 1948 (as amended by Treasury orders under section twenty-one

of that Act and in particular by the Purchase Tax (Consolidation) Order, 1956)— PART II —*cont.*

(*a*) a rate of tax of fifteen per cent. were substituted for any rate of thirty per cent. in the following places, namely—

(i) Group 9 (which comprises floor coverings and rugs);

(ii) Group 11 (which comprises furniture, hardware, ironmongery, turnery, table-ware, kitchen-ware and toilet-ware of kinds used for domestic or office purposes);

(iii) paragraph (*a*) of Group 12 (which comprises appliances and apparatus of kinds used for domestic purposes, and not designed for operation by electricity or gas);

(iv) Group 13 (which comprises cutlery suitable for domestic or personal use, and spoons, forks and similar articles suitable for domestic use);

(*b*) at the end of Group 12 there were added a new paragraph—

"(*m*) sewing machines not designed for operation by electricity . . . 30 per cent."

(2) This section shall have effect subject to any Treasury order made under the said section twenty-one after the passing of this Act, and may be amended or repealed by any such order accordingly.

(3) This section shall have effect as from the tenth day of April, nineteen hundred and fifty-seven.

Extension to purchase tax of Provisional Collection of Taxes Act, 1913.

**9.** The Provisional Collection of Taxes Act, 1913, shall apply to purchase tax as well as to duties of customs and excise and to income tax; and accordingly in section three of that Act after the words "to duties of customs and excise" there shall be inserted the words "to purchase tax".

## PART III

## INCOME TAX (GENERAL PROVISIONS)

Charge of tax for 1957–58.

**10.** Income tax for the year 1957-58 shall be charged at the standard rate of eight 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 as Parliament may hereafter determine.

Surtax rates for 1956–57.

**11.** Income tax for the year 1956-57 shall be charged, in the case of an individual whose total income exceeded two thousand pounds, at the same higher rates in respect of the excess as were charged for the year 1955-56.

PART III —*cont.* Increase of personal reliefs.

**12.**—(1) In subsection (1) (earned income relief) of section two hundred and eleven of the Income Tax Act, 1952, for the reference to tax at the standard rate on two-ninths of the claimant's earned income or on four hundred and fifty pounds, whichever is the less, there shall be substituted a reference to tax at the standard rate on—

(*a*) two-ninths of the amount (up to a maximum of four thousand and five pounds) of the claimant's earned income; plus

(*b*) one-ninth of the amount (up to a maximum of five thousand, nine hundred and forty pounds) of any excess of his earned income over four thousand and five pounds.

(2) In subsections (2) and (3) (old age relief) of that section, for the references to six hundred pounds (which refer to the income limit for the full relief under subsection (2)) there shall be substituted references to seven hundred pounds.

(3) Section two hundred and twelve of the Income Tax Act, 1952, shall be amended by substituting for the words "one hundred pounds" in subsection (1) the words "the appropriate amount for the child", and by inserting after that subsection the following subsection:—

"(1A) The appropriate amount for the child shall vary according to the age of the child at the commencement of the year of assessment, and—

(*a*) for a child shown by the claimant to have been then over the age of sixteen, shall be one hundred and fifty pounds; and

(*b*) for a child not so shown, but shown by the claimant to have been then over the age of eleven, shall be one hundred and twenty-five pounds; and

(*c*) in any other case shall be one hundred pounds";

and section two hundred and thirteen of that Act shall be amended by substituting for the words "one hundred pounds" in both places in subsection (2) and for the words "The one hundred pounds" in subsection (3) the words "the appropriate amount for the child".

(4) In subsection (4) of section two hundred and twelve of the Income Tax Act, 1952, as amended, for the reference to eighty-five pounds there shall be substituted a reference to one hundred pounds.

(5) This section shall not be deemed to have required any change in the amounts deducted or repaid under section one hundred and fifty-seven (pay as you earn) of the Income Tax Act, 1952, before the twenty-second day of June, nineteen hundred and fifty-seven.

PART III —*cont.*

Relief for persons over sixty-five with small incomes.

**13.**—(1) A claimant, if he proves that at any time within the year of assessment either he or his wife living with him was of the age of sixty-five years or upwards,—

(*a*) shall be entitled to exemption from income tax, if he also proves either—

(i) that his total income for that year does not exceed two hundred and fifty pounds; or

(ii) that he would be entitled to the higher (or married person's) relief under subsection (1) of section two hundred and ten of the Income Tax Act, 1952, and his total income for the year does not exceed four hundred pounds; and

(*b*) shall be entitled, if he is not exempt under the foregoing provision by reason only of his total income for the year exceeding two hundred and fifty pounds or four hundred pounds, as the case may be, and the excess is less than fifty pounds, to have the income tax payable in respect of his total income reduced, where necessary, to an amount equal to half that excess.

(2) The Income Tax Act, 1952, and in particular Part VIII thereof, shall have effect as if this section were inserted in that Act between sections two hundred and nine and two hundred and ten.

(3) This section shall not be deemed to have required any change in the amounts deducted or repaid under section one hundred and fifty-seven (pay as you earn) of the Income Tax Act, 1952, before the twenty-second day of June, nineteen hundred and fifty-seven.

Allowance of personal reliefs for purposes of surtax.

**14.**—(1) For the purpose of charging surtax for the year 1956-57 or any subsequent year of assessment, there shall be deducted from the total income of an individual the amount tax on which at the standard rate for that year is equal to the deductions which he is entitled to be allowed for that year from tax other than surtax under the following provisions of the Income Tax Act, 1952, that is to say—

(*a*) subsection (1) of section two hundred and ten (married and single personal reliefs); and

(*b*) section two hundred and twelve (child relief); and

(*c*) sections two hundred and fourteen to two hundred and eighteen (reliefs in respect of housekeeper or dependent relative and similar reliefs);

after subtracting from those deductions the amount of the deduction which a single person may be allowed for that year under subsection (1) of the said section two hundred and ten:

Provided that where an individual not resident in the United Kingdom is entitled to a deduction for any year under this

PART III —*cont.*

section, the deduction shall be reduced in the proportion in which the proviso to subsection (2) of section two hundred and twenty-seven of the said Act reduces any relief given him for that year under Part VIII (personal reliefs) of that Act.

(2) In the case of a husband and wife who are for any year of assessment separately assessed to tax by virtue of an application under section three hundred and fifty-five or section three hundred and fifty-six of the said Act, the following provisions shall apply in relation to the deduction to be made under subsection (1) of this section for that year:—

(*a*) whether or not they are separately assessed to surtax, the deduction to be made from their total income shall be the same as if there were no separate assessment;

(*b*) where they are separately assessed to surtax, the resulting relief from surtax shall be divided between them by treating their respective incomes as reduced as follows:—

(i) the amount (if any) added to the deduction in respect of relief under subsection (2) of section two hundred and twelve, section two hundred and sixteen or section two hundred and seventeen of the said Act shall be treated as reducing the income of the husband or the wife according as he or she maintains the child, relative or daughter in respect of whom that relief is given;

(ii) subject to the foregoing sub-paragraph, the deduction shall be treated as reducing their respective incomes rateably;

but so that, if the amount by which the income of either falls to be reduced under sub-paragraphs (i) and (ii) of this paragraph exceeds the amount of that income, the income of the other shall be treated as reduced by the amount of the excess.

Increase of investment allowances for ships.

**15.** An investment allowance made by virtue of subsection (3) of section sixteen of the Finance Act, 1954, on the provision of a ship shall be equal to two-fifths of the expenditure, instead of one-fifth:

Provided that this section shall apply only where the expenditure is to be treated for the purposes of that subsection as incurred after the ninth day of April, nineteen hundred and fifty-seven, and is not to be so treated by virtue only of subsection (2) of section two hundred and seventy-nine of the Income Tax Act, 1952 (which relates to expenditure incurred by a person for the purposes of a trade before he began to carry it on).

PART III —*cont.*

Amendment as to capital allowances in respect of machinery and plant.

**16.**—(1) No initial or investment allowance shall be made to any person for any year of assessment under Chapter II of Part X of the Income Tax Act, 1952, in respect of expenditure incurred on the provision of machinery or plant, unless in consequence of his incurring it the machinery or plant belongs to him at some time during his basis period for that year of assessment.

(2) Where a person incurs capital expenditure on the provision of machinery or plant under a contract providing that he shall or may become the owner of the machinery or plant on the performance of the contract, then—

(*a*) subject to the following paragraph, the machinery or plant shall for the purposes of this section be treated as belonging to him at any time when he is entitled to the benefit of that contract, so far as it relates to the machinery or plant; but

(*b*) if he ceases to be so entitled without becoming the owner of the machinery or plant, the provisions of the Third Schedule to this Act shall have effect in relation to the machinery or plant.

(3) For the purpose of initial or investment allowances given by virtue of subsection (3) of section three hundred and thirty-two of the Income Tax Act, 1952, in respect of contributions made by a person to capital expenditure incurred by another person on the provision of machinery or plant, subsection (1) of this section shall (subject to the provisions of the said Third Schedule) apply as if the relevant asset belonged to the person making the contribution at any time when the machinery or plant belongs or is treated under subsection (2) of this section as belonging to the person for the time being carrying on the trade for the purposes of which the machinery or plant is provided.

(4) This section shall be construed, and the Income Tax Acts shall have effect, as if this section were contained in the said Chapter II.

(5) This section shall be deemed always to have had effect, with the necessary adaptations in relation to years of assessment earlier than the year 1952-53 of references to the Income Tax Act, 1952, or to any provision of that Act:

Provided that where before the ninth day of April, nineteen hundred and fifty-seven, an allowance has been claimed in respect of any expenditure, the claim, if not determined at that date, shall be determined without regard to this section, and this section shall not affect any determination made before that date that the allowance ought to be made, or any appeal in respect of a determination on that claim where notice of appeal was

PART III —*cont.*

given before that date and the appeal remains undetermined at that date, and the allowance shall not be withdrawn by virtue of this section by reason of any event occurring before the said date.

Capital allowances for buildings, &c., of bridge undertakings.

**17.** Subsection (1) of section two hundred and seventy-one of the Income Tax Act, 1952 (which defines " industrial building or structure " for the purposes of Chapter I of Part X of that Act to mean a building or structure in use for the purposes listed in paragraphs (*a*) to (*g*) of the subsection), shall be amended by substituting for the words " or tunnel undertaking " in paragraph (*b*) of the subsection (as amended by section twenty-five of the Finance Act, 1952) the words " tunnel or bridge undertaking ":

Provided that the amendment made by this section shall have effect only in relation to expenditure which is to be treated for the purposes of the said Chapter I as incurred after the coming into force of this section.

Persons chargeable under Schedule A for buildings let in parts.

**18.** Where a distinct part of a house or building is separately occupied by a tenant of the landlord of the entire house or building (the occupation of any immediate or other sub-tenant of the tenant being treated for this purpose as that of the tenant), then for the purposes of the enactments relating to the persons chargeable under Schedule A, including this section, that part may be treated as a distinct house or building, and shall be so treated if on an appeal by the landlord against an assessment made on him it is shown that the tenant holds that part from the landlord under a letting for a year or more rent free or at a rent less than the amount (as reduced for purposes of collection) of the assessment which would be made on the tenant in respect of that part:

Provided that where the landlord of the entire house or building would (but for this section) be chargeable in respect of it under paragraph (*c*) of subsection (1) of section one hundred and nine of the Income Tax Act, 1952, he shall remain so chargeable in respect of any part not treated under this section as a distinct house or building.

Tax in respect of land in Scotland or Northern Ireland.

**19.**—(1) In relation to lands and heritages in Scotland, the following provisions shall have effect for the year 1957-58 and every subsequent year of assessment until Parliament otherwise determines, that is to say:—

(*a*) where, in any year of assessment, any person would, but for section sixteen of the Valuation and Rating (Scotland) Act, 1956, have been liable for owner's rates in respect of any lands or heritages, he shall be deemed

for the purposes of section ninety-five of the Income Tax Act, 1952 (which provides among other things for a deduction under Schedule A for owner's rates), to be charged by law with owner's rates calculated—

(i) at the same amount in the pound as that at which such rates were payable in respect of the lands or heritages for the rating year 1956-57, or would have been so payable if such rates had been chargeable in respect of them for that year; and

(ii) according to a value equal to the annual value of the lands or heritages adopted for the purposes of tax under Schedule A for the year of assessment in question, or, in the case of derated property for which that value exceeds the rateable value in the valuation roll for the rating year beginning in that year of assessment, according to that rateable value;

(*b*) where it is necessary to value or re-value any lands or heritages for the purpose of tax under Schedule A or Schedule B, the annual value shall be determined as the gross annual value for rating is under section fifteen of the said Act of 1956 required to be determined in the case of lands and heritages valued or re-valued for the valuation roll for any of the rating years from 1957-58 to 1960-61;

(*c*) paragraph (*b*) of this subsection shall not affect the manner of determining annual value under section one hundred and seventy-five of the Income Tax Act, 1952, and for the purposes of that section and section one hundred and seventy-six of that Act any decrease of rent under the Third Schedule to the said Act of 1956 shall be disregarded:

Provided that this subsection shall not apply to any lands or heritages where at or before the beginning of the year of assessment either—

(*a*) the lands or heritages are or have been let at a rack rent of an amount fixed by an agreement commencing after the beginning of the rating year 1957-58 (not being an agreement, express or implied, whereby on the determination of a former letting the same person continues as tenant at the same rent); or

(*b*) the rent payable by any person in occupation of the lands or heritages as tenant or statutory tenant is after the beginning of the rating year 1957-58 increased otherwise than by agreement.

PART III —*cont.*

In this subsection, " derated property " means lands or heritages to which subsection (1) of section twelve of the Rating (Scotland) Act, 1926, or section forty-five of the Local Government (Scotland) Act, 1929, applies; " owner's rates " means the owner's share of any rate levied by a rating authority; and " rate " and " rating authority " have the like meanings as they have for the purposes of section sixteen of the said Act of 1956.

(2) For the year 1957-58 and every subsequent year of assessment until Parliament otherwise determines, the annual value for purposes of tax under Schedule A or Schedule B of any hereditaments in Northern Ireland shall be determined as if the valuation lists which were in force for the purposes of poor rates immediately before the beginning of April nineteen hundred and fifty-seven had continued in force, but with such alterations (if any) as the surveyor after consultation with the Commissioner of Valuation considers would have been made therein if there had been no second (or subsequent) general revaluation of rateable property under the Valuation Acts Amendment Act (Northern Ireland), 1932.

Charge to tax of periodical payments from House of Commons Members' Fund.

**20.** Periodical payments granted out of the House of Commons Members' Fund (including periodical payments granted out of sums appropriated from that Fund or out of the income from those sums) shall be charged to income tax under Schedule E and shall be deemed for all the purposes of the Income Tax Acts to be emoluments assessable under that Schedule.

Extension of payments treated as " small maintenance payments ".

**21.**—(1) In section two hundred and five of the Income Tax Act, 1952 (which defines for the purposes of Chapter VII of Part VII of the Act the payments, there called " small maintenance payments ", which under that Chapter are to be made without deduction of tax),—

(*a*) in relation to payments to or for the benefit of a woman for her maintenance, the weekly amount specified in subsection (3) shall be five pounds for all cases; and

(*b*) in relation to other payments, the age specified in subsection (2) and the weekly amount specified in subsection (3) shall be twenty-one years of age and thirty shillings for all cases.

(2) This section shall not affect payments falling due before the sixth day of April, nineteen hundred and fifty-eight, under an order made before the fourth day of August, nineteen hundred and fifty-seven:

Provided that where an order so made is varied or revived at any time after the said fourth day of August, this section shall apply in relation to payments falling due under the order after that time.

PART III —*cont.*

(3) Where a court makes an order in consequence of which payments falling due under a previous order (not being already a small maintenance order) will be treated as small maintenance payments by virtue of the proviso to subsection (2) of this section, the court shall furnish to the Commissioners of Inland Revenue, in such form as those Commissioners may prescribe, particulars of those orders, the names of the persons for the time being liable to make and entitled to those payments and, so far as known to the court, the addresses of those persons.

Exemption for dividends on Government securities held by certain central banks.

**22.**—(1) Income tax shall not be chargeable on dividends (within the meaning of Schedule C) paid out of the public revenue of the United Kingdom where they are income of any bank or issue department of a bank to which this section for the time being applies:

Provided that this subsection shall not prevent any such dividends being taken into account in computing profits or gains or losses of a business carried on in the United Kingdom.

(2) Her Majesty may by Order in Council direct that this section shall apply to any bank or to its issue department, if it appears to Her Majesty that the bank is not resident in the United Kingdom and is entrusted by the government of a territory outside the United Kingdom with the custody of the principal foreign exchange reserves of that territory; and Her Majesty may by a further Order in Council revoke or vary any direction so given.

(3) No recommendation shall be made to Her Majesty in Council to make an order under this section unless a draft of the order has been laid before the House of Commons and has been approved by resolution of that House.

## PART IV

## INCOME TAX AND PROFITS TAX (OVERSEAS TRADE CORPORATIONS)

### *Qualifications of Overseas Trade Corporations*

Definition of Overseas Trade Corporation.

**23.**—(1) Subject to the provisions of this section, a company resident in the United Kingdom shall be known for the purposes of income tax and the profits tax as an Overseas Trade Corporation—

(*a*) if—

(i) it is carrying on a trade outside the United Kingdom, or

(ii) it is a principal company not itself carrying on a trade but having a subsidiary company which is an Overseas Trade Corporation and which is carrying on a trade outside the United Kingdom, and

PART IV —*cont.*

(*b*) if it is not disqualified under the next following section:

Provided that sub-paragraph (ii) of paragraph (*a*) of this subsection shall not apply to a principal company where any company which is a subsidiary of that principal company is resident in the United Kingdom but is not an Overseas Trade Corporation.

(2) A company which has never been an Overseas Trade Corporation may, by notice having effect as from the beginning of the first period in which it would otherwise qualify as an Overseas Trade Corporation, elect not to qualify as an Overseas Trade Corporation.

(3) A company which would, apart from this subsection, qualify as an Overseas Trade Corporation in the period of twelve months beginning with the sixth day of April in any year, and which has so qualified in some previous period, may by notice apply to the Commissioners of Inland Revenue for a direction that as from the sixth day of April in that year the company shall not qualify as an Overseas Trade Corporation and the Commissioners shall, within such period after the end of the said period of twelve months as may be prescribed, give such a direction unless—

(*a*) relief would, on the footing that the company did not so qualify in the said period of twelve months, be allowable under the Income Tax Acts in respect of a loss sustained by the company in the said period of twelve months in carrying on a trade, or in respect of capital allowances falling to be made in charging the profits or gains of such a trade, for the year of assessment comprised in the said period of twelve months against income tax charged on income of the company which, if it qualified as an Overseas Trade Corporation, would be investment income, and

(*b*) it appears to the Commissioners that that relief, together with any corresponding reduction of the liability of the company to the profits tax, is the sole or main benefit which the company will derive from the direction so far as it relates to the said period of twelve months.

(4) A company which is aggrieved by the refusal of the Commissioners to give a direction under the last foregoing subsection may, by notice in writing given to the Commissioners within thirty days from the date on which notice of the refusal is given to the company, require their application under that subsection to be heard and determined by the Special Commissioners, and the Special Commissioners shall hear and determine the application in like manner as an appeal made to them against an assessment to income tax under Schedule D.

All the provisions of the Income Tax Acts relating to such an appeal (including the provisions relating to the statement of a case for the opinion of the High Court on a point of law) shall apply accordingly with any necessary modifications.

(5) An election made or direction given under the foregoing provisions of this section shall apply as respects all periods after the time as from which it has effect but the company may by notice having effect as from the sixth day of April in any year revoke the election or require the Commissioners to withdraw their direction; and any notice under the foregoing provisions of this section shall be given in the prescribed manner and within the prescribed time.

Overseas Trade Corporations: disqualifications.

**24.**—(1) A company shall not qualify as an Overseas Trade Corporation if the activities of the company in the United Kingdom are such as would, leaving out of account the central management and control of the trade carried on by the company, by themselves amount to the exercise of any trade for the purposes of sub-paragraph (iii) of paragraph (*a*) of head 1 of the charge to tax under Schedule D in section one hundred and twenty-two of the Income Tax Act, 1952 (under which a person who is not resident in the United Kingdom is chargeable in respect of the profits or gains arising from a trade exercised by him within the United Kingdom):

Provided that a company carrying on a trade which consists of or comprises the production of commodities of a kind bought and sold by agents or brokers in a recognised market in the United Kingdom shall not be disqualified under this subsection by reason only that the company effects sales of such commodities through an agent or broker in that market if, by virtue of subsection (1) of section three hundred and seventy-three of the Income Tax Act, 1952, that agent or broker cannot be charged in respect of profits or gains arising to the company from those sales.

(2) Without prejudice to the generality of subsection (1) of this section, a company carrying on a trade which consists of or comprises the purchase of goods exported or to be exported from the United Kingdom for the purpose of marketing them outside the United Kingdom shall not qualify as an Overseas Trade Corporation if—

(*a*) delivery of the goods so purchased is taken by the company in the United Kingdom otherwise than on board a ship or aircraft, being the ship or aircraft in which they are exported, or

(*b*) in a case where delivery of the goods is taken on board a ship or aircraft in which the goods are exported, the seller does not bear the whole of the insurance,

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commission and other charges and expenses incidental to the delivery of the goods on board, or

(*c*) the company provides any services in respect of, or (apart from paying the purchase price) incurs any charges for insuring, preserving, warehousing, transporting or otherwise dealing with, the goods while they are in the United Kingdom.

(3) A company shall not qualify as an Overseas Trade Corporation—

(*a*) if the trade carried on by it consists of or comprises—

(i) the business of banking,

(ii) a business consisting wholly or mainly of the lending of money or of the provision of the capital or credit facilities required for entering into hire-purchase agreements with the public,

(iii) the business of dealing in securities,

(iv) insurance business, including business of any of the classes set out in section one of the Assurance Companies Act, 1909, or

(v) the business of shipping or the business of air transport, or the business of chartering ships or aircraft for use by others, or

(*b*) if the trade carried on by it is one where the trading receipts wholly or mainly consist of payments which are either—

(i) payments for the services of individuals who are ordinarily resident in the United Kingdom, being services of a kind ordinarily performed by individuals in the course of a profession or vocation, or

(ii) payments in respect of, or of the copyright in, any literary, dramatic, musical or artistic work the author of which is ordinarily resident in the United Kingdom.

(4) A company shall not qualify as an Overseas Trade Corporation if, in respect of the use of property, wherever situate, owned by or at the disposal of the company, some other person who is carrying on a trade wholly or partly within the United Kingdom makes payments to the company which fall to be allowed in computing the profits or gains or losses of the trade of that other person for the purposes of income tax:

Provided that this subsection shall not apply to payments which constitute investment income of the company to which they are made and, if a company by notice in writing to the surveyor so elects, any payment in respect of the use of property which does not constitute investment income shall be treated for the purposes of this subsection and all the other provisions of

this Part of this Act as if it did constitute investment income, and any such income arising in the United Kingdom which would, apart from this subsection, be chargeable under Case I of Schedule D shall be chargeable under Case VI of Schedule D as income of the year in which it is receivable.

In this subsection " property " includes rights, and references to the use of property include references to the exercise of rights.

(5) A company shall not qualify as an Overseas Trade Corporation unless—

(*a*) the profits arising from the whole of the trade carried on by the company are chargeable in a country or countries outside the United Kingdom to some tax similar in character to income tax or the profits tax in the United Kingdom, or

(*b*) assuming that in every country outside the United Kingdom a tax of a character and scope corresponding in all respects to income tax were charged on the profits arising from any trade exercised within the country by either a resident or a non-resident, the profits arising from the whole of the trade carried on by the company would be chargeable in one or more such countries to tax of that character.

(6) A company shall not qualify as an Overseas Trade Corporation if it is carrying on a trade in the Republic of Ireland.

*Income tax provisions*

Exemption of trading income from income tax.

**25.**—(1) Subject to the provisions of this Part of this Act, the Income Tax Acts shall apply in relation to any trade carried on by an Overseas Trade Corporation as if it were being carried on wholly outside the United Kingdom by a person not resident in the United Kingdom and those Acts shall apply in relation to trading income arising to an Overseas Trade Corporation (but not in relation to investment income) as if it were income arising to a person not resident in the United Kingdom.

(2) Subject as aforesaid and without prejudice to the generality of the provisions of the foregoing subsection, the following consequences shall ensue from those provisions,—

(*a*) trading income arising to an Overseas Trade Corporation shall be excluded from the charge to income tax, and

(*b*) relief shall not be allowed against income tax chargeable on investment income arising to an Overseas Trade Corporation under section three hundred and

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forty-one of the Income Tax Act, 1952, or subsection (3) of section fifteen of the Finance Act, 1953 (under which relief may be given against a trader's general income in respect of a trading loss or capital allowance), in respect of any loss sustained or expenditure incurred by the Corporation in carrying on its trade.

(3) The amount of tax which is authorised by section one hundred and eighty-four of the Income Tax Act, 1952, to be deducted from any dividend shall be determined without taking into account any reduction, by reason of the provisions of this Part of this Act, in the income tax payable by an Overseas Trade Corporation and, subject to the provisions of this Part of this Act relating to double taxation relief, any relief from, or repayment of, tax may be given or made accordingly.

(4) The Income Tax Acts shall apply in relation to an Overseas Trade Corporation subject to the further modifications specified in the Fourth Schedule to this Act.

Dividends paid out of exempt trading income: income tax charge.

**26.**—(1) When a dividend becomes due on shares in a company which is or has been an Overseas Trade Corporation and the dividend is to be regarded as paid out of exempt trading income, income tax shall, subject to the provisions of this Part of this Act relating to double taxation relief, be assessed and charged on the company under Case VI of Schedule D for the year of assessment in which the dividend becomes due on an amount representing the net amount payable to the shareholders grossed up by reference to income tax at the standard rate for that year.

The date on which tax becomes payable under this subsection shall be one month after the assessment is signed and allowed instead of the date prescribed by section seventy-two of the Income Tax Act, 1952.

(2) Where it is proved to the satisfaction of the Commissioners of Inland Revenue that a person owning shares in a company which is an Overseas Trade Corporation and beneficially entitled to a dividend—

(*a*) which is to be regarded as paid out of exempt trading income of the company, and

(*b*) which becomes due at a time when the company is an Overseas Trade Corporation,

is not resident in the United Kingdom, he shall, subject to the provisions of this Part of this Act relating to double taxation relief, be entitled to repayment of income tax deducted from the dividend under section one hundred and eighty-four of the Income Tax Act, 1952, and subsections (2) to (4) of section one hundred and ninety of that Act (which include provisions as to a

right of appeal on the question of residence) shall apply for the purposes of this subsection as they apply for the purposes of that section:

Provided that this subsection shall not apply where the person owning the shares in the Overseas Trade Corporation is a company which is a subsidiary of a principal company and that principal company is resident in the United Kingdom.

(3) Where a dividend on shares in a company which is an Overseas Trade Corporation is receivable by, and constitutes trading income of, another Overseas Trade Corporation, that other Overseas Trade Corporation shall, subject to the provisions of this Part of this Act relating to double taxation relief, be entitled to repayment of income tax deducted from the dividend under the said section one hundred and eighty-four and subsections (2) to (4) of the said section one hundred and ninety shall apply for the purposes of this subsection as they apply for the purposes of that section.

(4) Notwithstanding that income tax is payable under this section by a company no part of the exempt trading income of the company shall, on that account, constitute income of the company for income tax purposes and, in particular, no part thereof shall constitute profits or gains brought into charge to tax for the purposes of section one hundred and sixty-nine of the Income Tax Act, 1952.

(5) For the purpose of determining whether, and if so to what extent, a dividend is to be regarded as paid out of exempt trading income, the provisions of the Fifth Schedule to this Act shall apply and where, in pursuance of those provisions, a dividend is to be regarded as paid partly out of exempt trading income and partly out of other income, subsections (1) and (2) of this section shall apply as if the two parts of the dividend were two separate dividends paid respectively out of exempt trading income and other income.

(6) Section one hundred and ninety-nine of the Income Tax Act, 1952 (which imposes obligations as to the information to be given on dividend warrants and similar documents), shall apply in relation to a dividend paid by an Overseas Trade Corporation subject to such modifications as may be prescribed.

Income tax charge in respect of exempt trading income in other cases.

**27.** The provisions of the Sixth Schedule to this Act shall have effect as respects the payment of income tax by companies which are or have been Overseas Trade Corporations in cases where exempt trading income is to be regarded as having been distributed and in certain other events.

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Credit for foreign taxes.

**28.**—(1) Credit for taxes payable under the laws of a territory outside the United Kingdom shall be allowed to a company which is or has been an Overseas Trade Corporation in pursuance of Part XIII of the Income Tax Act, 1952, against income tax chargeable under the provisions of this Part of this Act for any year of assessment by reference to an amount of exempt trading income if and to the extent that—

(*a*) assuming that income tax had been charged on that exempt trading income; and

(*b*) assuming that the rate at which income tax was so charged was the standard rate for the said year of assessment,

credit would be allowed in pursuance of the said Part XIII against income tax so charged.

(2) Where the exempt trading income by reference to which income tax is chargeable under the provisions of this Part of this Act on an Overseas Trade Corporation includes any part of a dividend or other payment from another Overseas Trade Corporation, any foreign tax borne by that other Overseas Trade Corporation on the exempt trading income applied in paying or making the dividend or other payment shall be taken into account for the purposes of this section in relation to income tax so chargeable.

(3) The method of ascertaining the amount of credit to be allowed in pursuance of the provisions of this section shall be such as may be prescribed.

(4) Where credit is allowed by virtue of this section against income tax chargeable on an occasion when—

(*a*) a dividend becomes due on shares in a company, or

(*b*) a grant or loan is made by a company, being a grant or loan to which paragraph 1 or paragraph 2 of the Sixth Schedule to this Act applies,

no relief or repayment in respect of income tax deducted or deemed to be deducted from the dividend or other payment shall be allowed at a rate exceeding the rate of the United Kingdom income tax payable after allowance of the credit and subsection (2) of section three hundred and fifty of the Income Tax Act, 1952 (which relates to annual payments made out of dividends affected by double taxation relief), shall apply in relation to the dividend as if that rate of income tax were the net United Kingdom rate.

*Profits tax provisions*

Exemption of trading income from the profits tax.

**29.**—(1) Trading income shall be excluded from the charge to the profits tax on the profits from any trade or business carried on by an Overseas Trade Corporation and, subject to the provisions of this Part of this Act, trading income so excluded shall be left

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out of account for all the other purposes of the enactments relating to the profits tax.

(2) So much of a dividend as is under the provisions of the Fifth Schedule to this Act to be regarded as paid out of exempt trading income shall not constitute franked investment income within the meaning of paragraph 7 of the Fourth Schedule to the Finance Act, 1937 (which excludes from the charge to the profits tax dividends from a body corporate whose profits are charged to that tax), in the hands of the person to whom the dividend is paid or in the hands of any other person receiving that dividend indirectly by way of dividend or distribution of profits from a body corporate and, accordingly, paragraphs (*a*) and (*b*) of sub-paragraph (1) of the said paragraph 7 shall not apply in relation to that part of such a dividend.

(3) Where in computing for the purposes of the profits tax the profits from a trade or business carried on by any person there is to be included a dividend or a part of a dividend which is to be so regarded as paid out of exempt trading income, then for the purposes of Part XIII of the Income Tax Act, 1952, as it applies for the allowance of credit against the profits tax such part, if any, of the taxes falling to be taken into account under the last foregoing section in the allowance of credit against income tax chargeable by reference to that exempt trading income as remains after the allowance of credit against that income tax shall be deemed to have been paid by that person in respect of profits of which the dividend, or the part of the dividend, represents the amount remaining after payment of the said part of the taxes.

(4) The enactments relating to the profits tax shall apply in relation to companies which are or have been Overseas Trade Corporations subject to the further modifications specified in the Seventh Schedule to this Act.

*Miscellaneous*

Annual determination of status, and provisions on changes of status.

**30.**—(1) Subject to the provisions of this Part of this Act, the status of an Overseas Trade Corporation shall be determined annually for each year beginning with the sixth day of April in one calendar year and ending with the fifth day of April in the next calendar year and—

(*a*) a company which remains in existence and resident in the United Kingdom throughout any such year shall qualify as an Overseas Trade Corporation for that year if, and only if, it has the necessary qualifications throughout that year,

(*b*) a company which is formed or wound up in the course of any such year and which is resident in the United Kingdom throughout such part of the year as it is in

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existence shall qualify as an Overseas Trade Corporation for the year if, and only if, it has the necessary qualifications during the said part of the year, and

(*c*) a company which becomes, or ceases to be, a company resident in the United Kingdom in the course of any such year shall qualify as an Overseas Trade Corporation for the part of the year during which it is a company resident in the United Kingdom, if, and only if, it has the necessary qualifications throughout that period and in the remainder of the year it does not carry on any activities in the United Kingdom and no other company which is its subsidiary is carrying on any such activities:

Provided that a company shall qualify as an Overseas Trade Corporation for any such year if it only fails to comply with the requirements specified in any of the foregoing paragraphs because it, or a company which is its subsidiary company, has only recently been formed, or is about to be or is being wound up, and, consequently, is not carrying on a trade outside the United Kingdom.

(2) If it appears to the Commissioners of Inland Revenue that a company would have the necessary qualifications so as to qualify as an Overseas Trade Corporation for a period but for some event over which the company had no control or some act done by the company inadvertently and that no material advantage was obtained by the company from that event or from its act, then for the purposes of this section that event or act shall, if the Commissioners of Inland Revenue in their discretion so direct, be disregarded.

(3) Where a company which has not qualified as an Overseas Trade Corporation in the period of twelve months beginning with the sixth day of April in any year, but which has so qualified in a previous period, only failed so to qualify in the said period of twelve months because of transactions carried out by it in that period which were, having regard to the activities of the company as a whole, of a minor nature, and relief would, apart from this subsection, be allowable under the Income Tax Acts in respect of a loss sustained by the company in the said period of twelve months in carrying on a trade, or in respect of capital allowances falling to be made in charging the profits or gains of such a trade for the year of assessment comprised in the said period of twelve months, against income tax charged on income of the company which, if it qualified as an Overseas Trade Corporation, would be investment income, then if it appears to the Commissioners of Inland Revenue that the sole or main benefit which the company would derive from not so qualifying in the said period of twelve months would be the allowance of that

relief, together with any corresponding reduction of the liability of the company to the profits tax, they may direct that no such relief shall be given and that the loss or the capital allowances in respect of which it would have been given shall be left out of account for all the purposes of the Income Tax Acts and of the enactments relating to the profits tax.

(4) A company which is aggrieved by the refusal of the said Commissioners to give a direction under subsection (2) of this section or by their giving a direction under subsection (3) of this section may, by notice in writing to that effect given to the Commissioners within thirty days from the date on which notice is given to the company of the refusal or, as the case may be, of the direction, require the question whether a direction ought to be given to be heard and determined by the Special Commissioners, and the Special Commissioners shall hear and determine the question in like manner as an appeal made to them against an assessment to income tax under Schedule D.

All the provisions of the Income Tax Acts relating to such an appeal (including the provisions relating to the statement of a case for the opinion of the High Court on a point of law) shall apply accordingly with any necessary modifications.

(5) In this section references to the necessary qualifications which a company must have in order to become an Overseas Trade Corporation are references to all the relevant requirements of this Part of this Act whether expressed as qualifications or disqualifications.

(6) The Eighth Schedule to this Act shall have effect as to the income tax consequences where a company becomes or ceases to be an Overseas Trade Corporation.

Adjustment of price on transactions between an Overseas Trade Corporation and a person trading in the United Kingdom.

**31.**—(1) Subsection (1) of section four hundred and sixty-nine of the Income Tax Act, 1952 (under which an unduly low price on a sale to a trader outside the United Kingdom may be adjusted in computing the profits of the seller if the seller and buyer are associated persons) shall have effect in relation to a sale of property to an Overseas Trade Corporation with the omission—

(*a*) of paragraph (*a*) of that subsection (which limits its operation to a case where the seller and buyer are associated persons); and

(*b*) of the proviso (which limits its operation to a case where the buyer is outside the United Kingdom),

and accordingly the said subsection shall have effect in relation to any sale of property to an Overseas Trade Corporation at a price which is less than the price which the property might have been expected to fetch if the parties to the transaction were independent persons dealing at arm's length.

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(2) Subsection (2) of the said section four hundred and sixty-nine (which makes converse provision for an unduly high price on a sale by a person outside the United Kingdom) shall have effect in relation to a sale of property by an Overseas Trade Corporation with the omission of paragraph (*a*) and the proviso (which correspond to paragraph (*a*) and the proviso in the said subsection (1)), and accordingly the said subsection shall have effect in relation to any sale of property by an Overseas Trade Corporation at a price which is higher than the price which it might have been expected to fetch if the parties to the transaction were independent persons dealing at arm's length.

(3) Subsection (6) of the said section four hundred and sixty-nine (which extends the section to transactions other than sales) shall apply for the construction of this section.

Transfer of part of trade to Overseas Trade Corporation.

**32.**—(1) This section shall have effect where—

(*a*) the person carrying on a trade holds either directly or through a company or companies, or partly directly and partly through a company or companies not less than ninety-five per cent. of the shares in an Overseas Trade Corporation and part of the trade is transferred to the Overseas Trade Corporation, or

(*b*) the person carrying on a trade is a company and, as part of a scheme of reconstruction, part of the trade is transferred to an Overseas Trade Corporation and, as part of that scheme, a third company comes to hold either directly or through a company or companies, or partly directly and partly through a company or companies, not less than ninety-five per cent. of the shares in the first-mentioned company and in the Overseas Trade Corporation.

(2) Where the profits or gains by reference to which the person making the transfer is assessed and charged to income tax under Case I of Schedule D for a year of assessment falling wholly after the date when the part of the trade is transferred are profits or gains arising in a period falling wholly or partly before the said date—

(*a*) the person carrying on the trade shall be so assessed and charged for the said year of assessment on the profits or gains of that part of the trade which is not so transferred as if it were a separate trade, and without regard to the profits or gains or losses arising as respects the part of the trade which is so transferred, being profits or gains arising in that period; and

(*b*) no capital allowance or balancing charge shall fall to be made for the said year of assessment under Part X or Part XI of the Income Tax Act, 1952, in respect

of any asset provided or used for the purpose of the part of the trade which is so transferred.

For the purposes of ascertaining the said profits or gains there shall be made such apportionments as may be just of any profits or gains or losses.

(3) In the case of a year of assessment which falls partly before and partly after the date when part of the trade is so transferred—

(*a*) the profits or gains of the period by reference to which the person carrying on the trade is so assessed to income tax for that year of assessment shall be computed both as in the case where that year of assessment fell wholly before the said date and as in a case where it fell wholly after that date, and the profits or gains brought into charge to tax shall be a proportion of the profits or gains computed in the one way, together with a proportion thereof computed in the other way, according to the respective proportions of the parts of the year of assessment falling before and after the said date; and

(*b*) the amount of any capital allowance or any balancing charge which would, apart from the provisions of this subsection, fall to be made for the said year of assessment under Part X or Part XI of the Income Tax Act, 1952, in respect of an asset provided or used for the purpose of the part of the trade which is so transferred shall be apportioned to the said respective parts of the year of assessment on a time basis and only so much of the amount as is apportioned to the part of the year of assessment falling before the said date shall be so made.

(4) A sale or transfer of any asset to the Overseas Trade Corporation carried out in transferring the part of the trade to the Corporation shall not be treated as giving rise to any capital allowance or balancing charge under Part X or Part XI of the Income Tax Act, 1952, and where the asset is one in respect of which the expenditure was incurred not later than the ninth day of April, nineteen hundred and fifty-seven, shall not constitute an event which, under paragraph (*a*) of sub-paragraph (2) of paragraph 1 of the Second Schedule to the Finance Act, 1954, will result in the person who makes the transfer ceasing to be entitled to an investment allowance.

(5) In determining for the purposes of this section whether a person holds not less than ninety-five per cent. of the shares in a company, the provisions of Part I of the Fourth Schedule to the Finance Act, 1938, shall apply, taking references to

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ordinary share capital as including references to other kinds of share capital, and, where the share capital consists of more than one class of share, this section shall apply only if that person holds not less than ninety-five per cent. of the shares of each class.

Surtax on undistributed income and consequential charge at standard rate.

**33.**—(1) Section twenty-five of this Act shall not affect the provisions of Chapter III of Part IX of the Income Tax Act, 1952 (which contains provisions for preventing the avoidance of the payment of surtax through the withholding from distribution of the income of a company), and in making any determination under section two hundred and forty-five of that Act (which authorises the Special Commissioners to direct that for the purposes of surtax the income of a company shall be deemed to be the income of the members if the Special Commissioners determine that it has not distributed a reasonable part of its income) no regard shall be had to any considerations arising out of such of the provisions of this Part of this Act as make it more advantageous for an Overseas Trade Corporation not to distribute its profits.

(2) Where a direction is given under the said section two hundred and forty-five with respect to the income of an Overseas Trade Corporation—

(*a*) income tax under Case VI of Schedule D for the year of assessment in which the period specified in the direction ends shall, subject to the provisions of this Part of this Act as respects double taxation relief, be assessed and charged on the Overseas Trade Corporation on an amount equal to the amount of exempt trading income which arose to the Corporation in the said period after deduction of so much of any relevant distribution, being a distribution the date of which falls before the date on which the apportionment is made by the Special Commissioners under section two hundred and forty-eight of the Income Tax Act, 1952, as is under the provisions of the Fifth Schedule to this Act to be regarded as made out of exempt trading income arising in that period, and

(*b*) income tax shall not be charged under this Part of this Act in respect of any relevant distribution the date of which falls on or after the said date on which the apportionment is so made so far as it is to be so regarded as paid out of exempt trading income arising in that period.

For the purposes of this subsection the amount of exempt trading income arising in any period shall be ascertained on

income tax principles in such manner as may be prescribed and—

(i) where income tax has been charged under this section by reference to the amount of exempt trading income so ascertained as respects any period, that amount shall thereafter be taken for the purposes of Part I of the Fifth Schedule to this Act as being the amount of exempt trading income arising in that period, and

(ii) where the period specified in a direction under the said section two hundred and forty-five is a year of assessment or other period which is not an accounting period, the foregoing provisions of this subsection shall have effect subject to such modifications as may be prescribed.

In this subsection the expressions " relevant distribution " and " date of distribution " have the same meanings as in the Fifth Schedule to this Act.

(3) Where the period specified in the notice under the said section two hundred and forty-five falls partly before and partly after the date when the company to which it relates becomes or ceases to be an Overseas Trade Corporation, subsection (2) of this section shall apply as if the two parts of the period were separate periods.

**Power to make regulations.**

**34.**—(1) The Commissioners of Inland Revenue may by statutory instrument make regulations with respect to the procedure for giving effect to this Part of this Act, and, in particular—

(*a*) for the making and allowance of assessments on a provisional basis, and for collecting tax due on assessments so made and for subsequent adjustments where an overpayment of tax has been made,

(*b*) for applying the provisions of the Income Tax Acts relating to appeals,

(*c*) for imposing duties with respect to the furnishing of information and to the production of accounts and other documents, and

(*d*) for prescribing anything which is to be prescribed under this Part of this Act.

(2) If any person fails to comply with any provision of the regulations requiring him to furnish any information or to produce any document he shall be liable to a penalty not exceeding fifty pounds and, after judgment has been given for that penalty, to a further penalty of a like amount for every day during which the failure continues.

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(3) A statutory instrument containing regulations made under this section shall be subject to annulment in pursuance of a resolution of the House of Commons.

Definition of trading income and investment income.

**35.**—(1) For the purposes of this Part of this Act the income arising to an Overseas Trade Corporation shall be divided into two categories, namely—

(*a*) trading income which, subject to the provisions of this section, shall comprise the income arising to the Overseas Trade Corporation from any trade carried on by it, and

(*b*) investment income which, subject to the provisions of this section, shall comprise the income arising to the Overseas Trade Corporation from securities or other investments and any other income which does not fall to be included in its trading income.

(2) There shall be excluded from trading income—

(*a*) any income arising from any description of property except to the extent that it arises from property which is directly employed for the purposes of a trade carried on by the Overseas Trade Corporation; and

(*b*) any income arising from the lending of money without security.

(3) Where the Overseas Trade Corporation receives from another company which is also an Overseas Trade Corporation a dividend on shares in that other Overseas Trade Corporation or a grant or loan in a case where under paragraph 1 or paragraph 2 of the Sixth Schedule to this Act the recipient is to be deemed for the purposes of Income Tax Acts to have received a payment equal to so much of the grant or loan as is under the provisions of the Fifth Schedule to this Act to be regarded as paid out of exempt trading income, and—

(*a*) either Overseas Trade Corporation is a subsidiary company of the other Overseas Trade Corporation, or

(*b*) both Corporations are subsidiary companies of the same principal company which is also an Overseas Trade Corporation,

the dividend, grant or loan shall, so far as it is to be regarded as paid out of exempt trading income, constitute trading income of the recipient.

Interpretation of Part IV.

**36.**—(1) In this Part of this Act, unless the context otherwise requires—

"capital allowances" means allowances made under Part X or Part XI of the Income Tax Act, 1952, except that

it does not include an allowance given by way of deduction in computing profits or gains or losses;

"company" includes any body corporate;

"dividend" means any distribution made by a company to its members out of its trading profits or other income;

"hire purchase agreement" has the same meaning as in the Hire Purchase Act, 1938;

"securities" includes shares, bonds, debentures and debenture stock;

"share" includes "stock";

"trade" has the same meaning as in the Income Tax Act, 1952.

(2) For the purposes of this Part of this Act, and except where the context otherwise requires, a company shall be deemed to be a subsidiary of another company if and so long as more than one half of its ordinary share capital is owned by that other company, whether directly or through another company or other companies, or partly directly and partly through another company or other companies, and references to a principal company shall be construed as references to a company of which another company is a subsidiary; and the provisions of this subsection shall be construed in accordance with subsections (2) and (3) of section forty-two of the Finance Act, 1938 (which specify the rules for determining the amount of ordinary share capital in one body corporate held by another body corporate and define ownership and ordinary share capital).

(3) References in this Part of this Act to an amount grossed up by reference to income tax at the standard rate for a year of assessment are references to an amount increased in such proportion that the amount before the increase is arrived at by deducting tax at the said standard rate from the amount as so increased.

Commencement of Part IV.

**37.**—(1) The provisions of this Part of this Act shall come into force so as to permit a company to qualify as an Overseas Trade Corporation for the year beginning with the sixth day of April, nineteen hundred and fifty-seven, but not for any earlier period, and all adjustments required to be made by way of assessment to income tax or the profits tax, or by way of repayment of tax, in order to give effect to the provisions of this Part of this Act may be so made as well for years of assessment before 1957-58 and chargeable accounting periods falling wholly or partly before the passing of this Act as for subsequent years of assessment and subsequent chargeable accounting periods.

PART IV —*cont.*

(2) Notwithstanding the provisions of section thirty of this Act, a company may become an Overseas Trade Corporation at a date after the sixth day of April, nineteen hundred and fifty-seven, and before the sixth day of April, nineteen hundred and fifty-eight, and paragraphs (*a*), (*b*) and (*c*) of subsection (1) of that section shall apply in relation to the company with the substitution for references to the full year of references to the period beginning with that date and ending with the fifth day of April, nineteen hundred and fifty-eight.

(3) Where a company becomes an Overseas Trade Corporation by virtue of the last foregoing subsection on a date which is not the beginning of the year of assessment for income tax purposes—

(*a*) the company shall be charged to tax under Case I of Schedule D for the year 1957-58 by reference to so much of the profits or gains on which it would be so charged if it had not become an Overseas Trade Corporation as is proportionate, on a time basis, to the part of that year before it became an Overseas Trade Corporation, and

(*b*) any loss sustained by the company in the said year of assessment (computed according to the provisions of the Income Tax Acts) shall be apportioned in like manner and only so much thereof as is apportioned to the earlier part of the year shall be allowed as a loss. and

(*c*) a corresponding proportion of any capital allowances or balancing charges which would have been made under Part X or Part XI of the Income Tax Act, 1952, for that year of assessment if the company had not become an Overseas Trade Corporation shall be so made.

## PART V

## ESTATE DUTY

Gifts inter vivos.

**38.**—(1) Where property comprised in a gift inter vivos (being neither property settled by the gift, nor a sum of money in sterling or any other currency) is deemed for purposes of estate duty to pass on the death of the donor, and at some time before the death the donee has ceased to have the possession and enjoyment of any of the property so comprised, then subject to the provisions of this section the enactments relating to estate

duty in respect of gifts inter vivos (including this section) shall apply as if the property, if any, received by the donee in substitution for that property had been comprised in the gift instead of that property (but in addition to any other property so comprised).

(2) In the foregoing subsection, the reference to property received by the donee in substitution for property comprised in the gift includes in particular—

(*a*) in relation to property sold, exchanged or otherwise disposed of by the donee, any benefit received by the donee by way of consideration for the sale, exchange or other disposition; and

(*b*) in relation to a debt or security, any benefit received by the donee in or towards the satisfaction or redemption thereof; and

(*c*) in relation to any right to acquire property, any property acquired in pursuance of that right.

(3) Where at a time before the death of the donor the donee makes a gift of property comprised in the gift to him, or otherwise voluntarily divests himself of any such property otherwise than for a consideration in money or money's worth not less than the principal value of the property at that time, then unless he does so in favour of the donor he shall be treated for the purpose of subsection (1) of this section as continuing to have the possession and enjoyment of that property, and the principal value aforesaid shall be taken as the principal value of that property as property comprised in the gift; but for this purpose a disposition made by the donee by agreement shall not be deemed to be made voluntarily, if it is made to any authority who, when the agreement is made, are authorised by, or are or can be authorised under, any enactment to acquire the property compulsorily.

A donee shall be treated for the purposes of this subsection as divesting himself, voluntarily and without consideration, of any interest in property which merges or is extinguished in another interest held or acquired by him in the same property.

(4) Where any shares in or debentures of a body corporate are comprised in a gift inter vivos and the donee is, as the holder of those shares or debentures, issued with shares in or debentures of the same or any other body corporate, or granted any right to acquire any such shares or debentures, then, unless the issue or grant is made by way of exchange for the first mentioned shares or debentures, the shares or debentures so issued, or the right granted, shall be treated for the purposes of the enactments

PART V —*cont.*

relating to estate duty in respect of gifts inter vivos (including this section) as having been comprised in the gift in addition to any other property so comprised.

In this subsection the reference to an issue being made or right being granted to the donee as the holder of shares or debentures shall be taken to include any case in which an issue or grant is made to him as having been the holder of those shares or debentures, or is made to him in pursuance of an offer or invitation made to him as being or having been the holder of those shares or debentures, or of an offer or invitation in connection with which any preference is given to him as being or having been the holder thereof.

(5) Where either paragraph (*c*) of subsection (2) or subsection (4) of this section applies to determine, for purposes of estate duty on a death, the property comprised in a gift inter vivos made by the deceased, the value of any consideration in money or money's worth given by the donee for the acquisition in pursuance of the right referred to in the said paragraph (*c*), or for the issue or grant referred to in the said subsection (4), as the case may be, shall be allowed as a deduction in valuing the property comprised in the gift as property deemed to pass on the death by virtue of the gift; but if any part (not being a sum of money) of the said consideration consists of property comprised in the same or another gift from the donor and deemed for purposes of estate duty to pass on his death, no deduction shall be made in respect of it under this subsection.

(6) For the purposes of the last foregoing subsection there shall be left out of account so much (if any) of the consideration for any shares in or debentures of a body corporate, or for the grant of any right to be issued with any such shares or debentures, as consists in the capitalisation of reserves of that body corporate, or in the retention by that body corporate, by way of set-off or otherwise, of any property distributable by it, or is otherwise provided directly or indirectly out of the assets or at the expense of that or any associated body corporate; and for this purpose two bodies corporate shall be deemed to be associated if one has a controlling interest in the other, or if some person has a controlling interest in both.

(7) In the case of a donee who dies before the donor, the foregoing subsections shall apply as if he had not died, and as if the acts of his personal representatives were his acts, and property taken by any person under his testamentary dispositions or on his intestacy (or partial intestacy) were taken under a gift made by him at the time of his death.

(8) Where property comprised in a gift inter vivos is deemed for purposes of estate duty to pass on the death of the donor, and that property was settled by the gift, the foregoing

provisions of this section shall not apply but, subject to the following provisions thereof, the enactments relating to estate duty in respect of gifts inter vivos shall apply as if the property comprised in the gift had consisted of the property comprised in the settlement at the time of the donor's death, except in so far as that property neither is, nor represents, nor is derived from, property originally comprised in the gift:

Provided that if the settlement comes to an end at some time before the death of the donor as respects all or any of the property which on the death of the donor immediately before that time would be treated as comprised in the gift, the property in question, other than property to which the donor then becomes absolutely and beneficially entitled in possession, and any consideration (not consisting of rights under the settlement) given by the donor for any of the property to which he so becomes entitled shall be treated as comprised in the gift (in addition to any other property so comprised) and as being of a principal value, as property so comprised, equal to its principal value at that time.

(9) Where property comprised in a gift inter vivos is not settled by that gift, but is before the death of the donor settled by the donee, the foregoing subsections shall apply in relation to property comprised in the settlement as if the settlement had been made by the gift; and for this purpose property which becomes settled property under any testamentary disposition of the donee or on his intestacy (or partial intestacy) shall be treated as settled by him.

(10) For purposes of aggregation, any property which is by virtue of any of the foregoing provisions of this section to be treated as comprised in a gift inter vivos made by the deceased shall be deemed to be property in which the deceased had an interest, except in so far as it directly or indirectly represents or is derived from property originally comprised in the gift in which the deceased never had an interest.

(11) Where estate duty is chargeable on any property as property comprised in gifts inter vivos made by the deceased, but in the case of any donee the gifts to him or some of them would be exempted by virtue of section thirty-three of the Finance Act, 1949, but for the aggregate value or amount of the gifts to him exceeding five hundred pounds, then the duty chargeable on such of the gifts to him as would have been so exempted shall not be greater than the sum by which that aggregate value or amount exceeds five hundred pounds; but no reduction under this subsection of the duty chargeable on any property shall affect any reduction of the duty on other property under subsection (3) of section sixteen of the Finance Act, 1894, (as amended by

PART V —*cont.*

section thirty-three of the Finance Act, 1954) or under section thirteen of the Finance Act, 1914.

(12) Where any property is deemed to pass on a death by virtue of section forty-three of the Finance Act, 1940, by reason of a disposition or determination of an interest limited to cease on the death within the meaning of that section, then for the purposes of duty chargeable on the death—

(*a*) the property in which the interest subsisted shall be taken to be the property comprised at the time of the death in the settlement under which the interest subsisted, except in so far as that property neither is, nor represents, nor is derived from, property in which the interest subsisted immediately before the disposition or determination; and

(*b*) for purposes of aggregation the deceased shall be deemed to have had an interest in the property passing by reason of the disposition or determination, if he at any time had an interest under the said settlement or if the settlement was made by him or made, directly or indirectly, at his expense or out of funds provided by him:

Provided that if the settlement comes to an end at some time before the death of the deceased as respects all or any of the property which on his death immediately before that time would be treated as property in which the interest subsisted, the property in question, other than property to which the deceased then becomes absolutely and beneficially entitled in possession, and any consideration (not consisting of rights under the settlement) given by the deceased for any of the property to which he so becomes entitled shall be treated as comprised in the property in which the interest subsisted (in addition to any other property so comprised) and as being of a principal value, as property so comprised, equal to its principal value at that time.

(13) For the purposes of estate duty on any death, any question whether, in the case either—

(*a*) of any property comprised in a gift inter vivos; or

(*b*) of any property in which there subsisted an interest limited to cease on the death within the meaning of the said section forty-three;

possession and enjoyment of that property was at a particular time assumed or had by any person to the exclusion of any other person shall (so far as the question depends on the identity of the property) be determined by reference to the property

which would for the time being be treated, in relation to the death if it occurred at that time, as property comprised in the gift or property in which the interest subsisted, as the case may be.

(14) Where under any trust or power relating to settled property income arising from that property is accumulated, the accumulations shall not be treated for the purposes of subsection (8) or (12) of this section as derived from that property.

(15) For the purpose of this section the principal value of any property at a time before the death of the deceased shall be ascertained as it would be for purposes of estate duty chargeable on his death if he had died immediately before that time; and any property which for the purposes of estate duty on a death falls by virtue of any provision of this section to be valued as at a time before that death shall, for the purposes of subsection (10) of section seven of the Finance Act, 1894 (which provides that the same property shall not be twice aggregated or twice charged on the same death), be treated as distinct from the same property falling to be valued as at some other time for purposes of duty on the same death.

(16) Any reference in this section to property comprised in a gift being deemed to pass on a death shall be construed as referring to the conditions under which property so comprised is to be deemed to pass on the death being satisfied, apart from questions as to the identity or existence of the property at the death; and any reference to property being deemed to pass on a death by virtue of section forty-three of the Finance Act, 1940, shall be similarly construed.

(17) This section shall have effect only in the case of a death occurring after it comes into force; but on a death so occurring it shall apply in relation to gifts made and dispositions or determinations effected or suffered at any time, except as provided by the following subsection.

(18) This section, except subsection (11), shall not apply to a gift made, or a disposition or determination effected or suffered, before the tenth day of April, nineteen hundred and fifty-seven, where—

(*a*) if the deceased had died at the end of that month and this section had been expressed to apply to a death at that time, duty would by virtue of this section have been chargeable by reason of the gift, or of the disposition or determination, on property not chargeable in accordance with the law then in force, or on a value determined as at a date earlier than under the law then in force; and

PART V —*cont.*

(*b*) within twelve months of the death of the deceased or such longer period as the Commissioners of Inland Revenue may allow, the persons accountable for the duty chargeable by virtue of this section (or such of them as appear to the Commissioners to be materially interested) elect that it shall not apply to the gift or to the disposition or determination, and give notice in writing of their election to those Commissioners.

Widows' annuities under retirement schemes, etc.

**39.**—(1) Section thirty-five of the Finance Act, 1956 (which makes provision as to the aggregation for purposes of estate duty of annuities becoming payable on the death to a widow, widower, or other dependant under an annuity contract approved under section twenty-two of that Act), shall apply to an annuity becoming payable under a trust scheme approved under section twenty-two of the Act as it applies to an annuity under a contract so approved.

(2) Where under a contract or trust scheme so approved there becomes payable on a person's death an annuity to which the said section thirty-five applies, and under the terms of the contract or scheme a sum of money might, at that person's option, have become payable instead to his personal representatives, that sum of money shall not be treated as passing on his death as property of which he was competent to dispose.

## PART VI

## MISCELLANEOUS

Profits tax (interest payments of certain Electricity Boards).

**40.**—(1) Payments of interest made by the South of Scotland Electricity Board—

(*a*) on any sum treated as a loan to the Board under subsection (3) of section seven of the Electricity Reorganisation (Scotland) Act, 1954; or

(*b*) on any borrowings of the Board (whether by the issue of stock or not) which directly or indirectly replace that sum or any part of it;

shall not be allowed to be deducted in computing the Board's profits for the purposes of the profits tax:

Provided that there shall be excluded from paragraph (*a*) of this subsection such part of the sum there mentioned as in the opinion of the Commissioners of Inland Revenue corresponds

to British Electricity Stock, the interest on which was, immediately before the end of March, nineteen hundred and fifty-five, deductible in computing the Central Electricity Authority's profits for the purposes of the profits tax, and there shall be excluded from paragraph (*b*) of this subsection any borrowings which in the opinion of those Commissioners replace any such part of the said sum.

(2) Subsection (3) of section forty of the Finance Act, 1947 (which makes provision similar to the foregoing subsection of this section in relation, among other things, to interest on compensation stock issued by the Central Electricity Authority and on stock replacing it), shall not, as respects interest accruing due after the end of March, nineteen hundred and fifty-five, apply in relation to British Electricity Stock which for the purpose of ascertaining the sum mentioned in paragraph (*a*) of the foregoing subsection is treated as attributable to the South of Scotland District, or in relation to stock which directly or indirectly replaces any stock so treated.

(3) This section shall be construed as one with the enactments relating to the profits tax, and shall be deemed always to have had effect.

Reduction of National Land Fund.

**41.** Not later than three months after the passing of this Act the sums standing to the credit of the National Land Fund shall, by cancelling investments of that Fund in debt charged on the Consolidated Fund, be reduced to a total amount of ten million pounds (computed, in the case of any such investments, by reference to nominal amount).

Short title, construction, extent and repeal.

**42.**—(1) This Act may be cited as the Finance Act, 1957.

(2) Parts I to V of this Act shall be construed as one with the enactments mentioned in this subsection respectively, that is to say—

(*a*) Part I with the Customs and Excise Act, 1952;

(*b*) Part II with Part V of the Finance (No. 2) Act, 1940;

(*c*) Part III and, except in so far as it does not relate to income tax, Part IV with the Income Tax Acts;

(*d*) Part IV, so far as it relates to the profits tax, with Part III of the Finance Act, 1937, and the other enactments relating to the profits tax;

(*e*) Part V with Part I of the Finance Act, 1894.

PART VI —*cont.*

(3) 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.

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

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

Provided that the repeals effected by any Part of that Schedule shall be subject to the savings (if any) provided for at the end of that Part.

# SCHEDULES

Section 1.

## FIRST SCHEDULE

### EXEMPTIONS FROM ENTERTAINMENTS DUTY

### PART I

### QUALIFICATIONS FOR EXEMPTION

*Educational entertainments*

1. An entertainment shall qualify for exemption from entertainments duty if it is wholly educational.

2. An entertainment shall qualify for exemption from entertainments duty if it is provided by a non-profit-making body established and conducted for partly educational purposes.

*Charitable entertainments*

3. An entertainment shall qualify for exemption from entertainments duty if it is provided by a non-profit-making body of a permanent character established and conducted wholly for charitable purposes consisting in the provision of entertainments.

4. An entertainment shall qualify for exemption from entertainments duty if the net takings are wholly devoted to philanthropic or charitable purposes and either—

(*a*) the expenses do not amount to more than one half of the gross takings; or

(*b*) the entertainment is provided—

(i) by a body of a permanent character established and conducted wholly or partly for philanthropic or charitable purposes and not regularly engaged in providing entertainments by way of business; or

(ii) by a miners' welfare institute established and conducted for the purpose of social welfare activities within the meaning of the Miners' Welfare Act, 1952;

and the expenses added to the duty chargeable apart from the exemption are less than the gross takings by at least one-twentieth of the latter.

For the purposes of this paragraph "expenses" means the expenses incurred in connection with the entertainment by the person providing it, whether in respect of the production of the entertainment or any other matter, (but not including the duty which is in question nor any sums required under section one of the Sunday Entertainments Act, 1932, to be paid to any person for the purpose of being applied to charitable objects nor any part of the expenses so incurred which is met otherwise than out of the gross takings): "gross takings" means the sums received by that person in connection with the entertainment, whether payments for admission, for programmes, refreshments or the like, for rights of reproduction or for any other matter, (but not including any donation made towards defraying the costs of the entertainment): and "net takings" means the gross takings so far as not used to meet expenses.

1ST SCH. —*cont.*

*Indoor entertainments in rural areas*

5. Any entertainment shall qualify for exemption from entertainments duty if it is given in a borough, urban district or rural parish within the meaning of the Local Government Act, 1933 (or, in Scotland, a small burgh within the meaning of the Local Government (Scotland) Act, 1947, landward parish or landward part of a parish partly landward and partly burghal) with a population of not more than three thousand or (if it is more than three thousand) not more than six hundred and forty to the square mile, except—

(*a*) entertainments given elsewhere than in a building attached to permanent foundations; and

(*b*) entertainments at which seating accommodation is provided for more than four hundred people.

For the purposes of this paragraph, the population of any area shall be taken according to the last published census as it would be taken for the purposes of the said Act of 1933 or 1947, as the case may be, unless since the date of that census there has been a movement of population into or out of the area on such a scale as substantially to alter the character of the area as a whole.

## PART II

### SUPPLEMENTARY PROVISIONS AS TO EXEMPTIONS

*Interpretation of provisions conferring exemption*

6. For the purposes of any exemption from entertainments duty, "non-profit-making body" means a body of persons (whether incorporated or not) which is not established or conducted for profit.

7. Where the conditions on which an entertainment qualifies for exemption include any condition relating to the person providing the entertainment, then, for an entertainment to qualify which is provided by two or more persons in combination, the condition must be satisfied in relation to each of those persons.

*Procedure for obtaining and giving effect to exemption*

8. Except as otherwise provided, exemption from duty shall not be allowed in respect of any entertainment unless, before the entertainment is given, it is shown to the satisfaction of the Commissioners that the entertainment qualifies for exemption; but where exemption is allowed after the entertainment is given, effect shall be given to it by repayment of duty.

9. Exemption from duty may be allowed after the entertainment is given in any case where the Commissioners are satisfied that there is sufficient reason for the delay in making or establishing the claim for exemption.

10. A claim for exemption under paragraph 4 of this Schedule may be made either before or after the entertainment is given; and where the claim is made beforehand, the Commissioners may allow the exemption if in their opinion the entertainment will qualify for it according to the probable amounts of the gross takings and expenses, or may postpone a decision on the claim until those amounts are ascertained.

11. If on a claim for exemption under paragraph 1 of this Schedule there is any dispute whether the entertainment is wholly educational, that question shall be decided by the Minister of Education or, in the case of entertainments in Scotland, by the Secretary of State for Scotland. 1ST SCH. —*cont.*

## SECOND SCHEDULE

Section 5.

### DUTIES AND DRAWBACKS ON COMPOSITE GOODS

1.—(1) Where under subsection (1) of section two hundred and fifty-nine of the Customs and Excise Act, 1952, (which section is referred to below as "the principal section") goods of any class or description are chargeable with a duty of customs in respect of any article contained in the goods as a part or ingredient of them, and it appears to the Treasury on the recommendation of the Commissioners of Customs and Excise that to charge the duty according to the quantity of the article used in the manufacture or preparation of the goods (as provided by the principal section) is inconvenient and of no material advantage to the revenue or to importers of goods of that class or description, then the Treasury may by order direct that in the case of goods of that class or description the duty chargeable shall be calculated in such of the following ways as may be provided by the order, that is to say, either—

(*a*) at a rate specified in the order by reference to the weight, quantity or value of the goods; or

(*b*) by reference to a quantity so specified of the article, and (where material) on the basis that the article is of such value, type or quality as may be so specified:

Provided that—

(i) if it appears that, in the case of goods of any class or description, the net amounts payable in the absence of any direction under this paragraph are insignificant, the order may direct that any such goods shall be treated for the purpose of the duty as not containing that article; and

(ii) if it appears that goods of any class or description are substantially of the same nature and use as if they consisted wholly of the article, the order may direct that any such goods shall be treated for the purpose of the duty as consisting wholly of that article.

(2) In making an order under this paragraph in the case of any class or description of goods, the Treasury shall have regard to the quantity and (where material) the type or quality of the article in question appearing to them, on the advice of the Commissioners of Customs and Excise, to be ordinarily used in the manufacture or preparation of goods of that class or description which are imported into the United Kingdom; and for the purposes of this paragraph where articles of a like nature or use are chargeable with distinct duties, the Treasury may treat those articles as different types of the same article and the duties as different heads of the same duty.

2ND SCH. —*cont.*

(3) The power under paragraph (*a*) of subparagraph (1) of this paragraph to direct duty to be calculated at a specified rate shall include power to specify different rates for chargeable goods consigned from or grown, produced or manufactured in different countries or territories, according to the conditions applying to the duty where no such direction is given.

(4) Where a direction given by virtue of this paragraph is in force as regards goods of any class or description and any article contained in them, and goods of that class or description are imported into the United Kingdom containing a quantity of that article such as, in the opinion of the Commissioners of Customs and Excise, to suggest that advantage is being taken of the direction for the purpose of evading duty on the article, the Commissioners may, notwithstanding the direction, require that on those goods the duty in question shall be calculated as if they consisted wholly of that article or (if the Commissioners see fit) shall be calculated according to the quantity of the article actually contained in the goods.

(5) Nothing in this paragraph shall affect the powers of the Treasury under the proviso to subsection (1) of the principal section (under which they may direct that goods shall be chargeable with the duty with which they would be chargeable if they consisted wholly of a particular part or ingredient); and any goods as regards which a direction under that proviso is for the time being in force shall be deemed to be excepted from any order made under this paragraph.

2.—(1) For the purpose of charging duty under the principal section on any goods in respect of any article contained in them as a part or ingredient, and for the purpose of any rebate or drawback of duty so charged, the article shall be treated as grown, produced or manufactured in the country or territory where those goods would be treated as grown, produced or manufactured according to the rules applying to that duty.

(2) No order under subsection (2) of section eight of the Finance Act, 1919 (which enables orders to be made directing that a preferential rate of duty shall be charged on Empire products only to the extent that they are produced from Empire materials), shall for the purposes aforesaid apply in relation to the article in respect of which the duty is charged, except in a case where the duty is charged as if the goods consisted wholly of the article.

3. Where a direction is given by virtue of paragraph 1 of this Schedule as regards goods of any class or description, the Treasury may by order provide that for the purpose of allowing any drawback of customs duties there shall, in such cases and subject to such conditions (if any) as may be specified in the order, be treated as paid on goods of that class or description the same duties of customs as would be chargeable apart from the direction.

4.—(1) Where, in the case of goods of any class or description which contain as a part or ingredient any article chargeable with a duty of customs or excise, drawback of the duty may be allowed in respect of the article according to the quantity contained in the goods or the quantity used in their preparation

or manufacture, and it appears to the Treasury on the recommendation of the Commissioners of Customs and Excise that to allow the drawback according to that quantity is inconvenient and of no material advantage to the revenue or to the persons entitled to the drawback, then the Treasury may by order give the like directions as to the manner in which the drawback is to be calculated, or in which the goods are to be treated for purposes of the drawback, as by virtue of paragraph 1 of this Schedule they may give in relation to charging duty.

(2) For the purposes of the foregoing sub-paragraph—

(*a*) the reference in sub-paragraph (2) of the said paragraph 1 to goods imported into the United Kingdom shall be taken as a reference to goods in the case of which the drawback may be allowed; and

(*b*) the reference in sub-paragraph (3) of the said paragraph 1 to chargeable goods shall be taken as a reference to goods charged with the duty which is to be drawn back.

5. Where any order under paragraph 1 or 4 of this Schedule directs that for the purpose of any duty or of any drawback goods are to be treated as not containing or as consisting wholly of a particular article, the goods shall be so treated also for the purpose of determining whether any other duty is chargeable or any other drawback may be allowed, as the case may be; but any duty or drawback which is charged or allowed shall, notwithstanding the direction, be calculated by reference to the actual quantity and value of the goods and, except for the duty or drawback to which the direction relates, by reference to their actual composition.

6.—(1) Any power to make orders under this Schedule shall include power to vary or revoke any order made in the exercise of that power.

(2) Where a resolution passed by the Committee of Ways and Means of the House of Commons has statutory effect under the Provisional Collection of Taxes Act, 1913, in relation to any duty of customs, and any provision about that duty contained in an order under paragraph 1 of this Schedule is expressed to be made in view of the resolution, then that provision may be varied or revoked retrospectively by an order made not later than one month after the resolution ceases to have statutory effect, and that order may include provision for repayment of any duty overpaid or for other matters arising from its having retrospective effect:

Provided that no such order shall have retrospective effect for the purpose of increasing the duty chargeable on any goods.

(3) Any power to make orders conferred by this Schedule shall be exercisable by statutory instrument, and any statutory instrument by which the power is exercised shall be subject to annulment in pursuance of a resolution of the House of Commons.

Section 16.

## THIRD SCHEDULE

### CAPITAL ALLOWANCES IN RESPECT OF MACHINERY AND PLANT

1.—(1) Where a person, having incurred capital expenditure on the provision of machinery or plant under a contract providing that he shall or may become the owner of the machinery or plant on the performance of the contract,—

(*a*) without becoming the owner of it ceases to be entitled to the benefit of the contract, so far as it relates to the machinery or plant; and

(*b*) receives or is entitled to any capital sum by way of consideration, compensation, damages or insurance moneys in respect of his rights under the contract or of the machinery or plant;

then (subject to paragraph 2 of this Schedule) that expenditure shall be left out of account for the purposes of Chapter II of Part X of the Income Tax Act, 1952.

(2) Where—

(*a*) a person who has incurred capital expenditure as aforesaid dies or otherwise ceases to be entitled to the benefit of the contract, so far as it relates to the machinery or plant, without either becoming the owner of the machinery or plant or receiving or being entitled to any such capital sum as aforesaid; and

(*b*) another person, having become entitled to the benefit of that expenditure—

(i) ceases to be entitled to it without becoming the owner of the machinery or plant; and

(ii) receives or is entitled to any capital sum by way of consideration, compensation, damages or insurance moneys in respect of that benefit or of the machinery or plant;

the foregoing sub-paragraph shall apply as if the person incurring the expenditure had received such a capital sum as is mentioned in paragraph (*b*) of that sub-paragraph.

2. The foregoing paragraph shall not affect any allowance given by virtue of subsection (3) of section three hundred and thirty-two of the Income Tax Act, 1952, in respect of a person's contribution to another person's expenditure; but an initial or investment allowance shall not be given by virtue of that subsection in respect of a person's contribution or, if previously given, shall be withdrawn where, without the machinery or plant belonging to the person making the contribution or to the person for the time being carrying on the trade for the purposes of which it is provided, the relevant asset ceases to be treated under subsection (3) of section sixteen of this Act as belonging to the person making the contribution, and he receives any capital sum by way of consideration, compensation, damages or insurance moneys in respect of his contribution or of the machinery or plant.

3.—(1) Where a person has incurred capital expenditure on the provision of machinery or plant for the purposes of his trade (without the machinery or plant belonging to him), and he or the person for

3RD SCH. —*cont.*

the time being entitled to the benefit of that expenditure enters into any arrangement which, with or without any associated transactions, has the effect (or would if tax were chargeable in respect of any profits or gains of the trade have the effect) both—

(*a*) that, under paragraph 1 of this Schedule, that expenditure falls to be left out of account for the purposes of the said Chapter II; and

(*b*) that another person ("the successor") incurs capital expenditure on the provision of machinery or plant for the purposes of his trade in securing for himself the benefit of that expenditure incurred by the first-mentioned person;

then that expenditure incurred by the successor, in so far as it exceeds that expenditure incurred by the first-mentioned person, shall also be left out of account for the purposes of the said Chapter II, if in addition—

(i) of the successor and the person last previously entitled to the benefit aforesaid, either is a body of persons over whom the other has control or both are bodies of persons and some other person has control over both; or

(ii) it appears with respect to the arrangement, or with respect to transactions of which the arrangement is one, that the sole or main benefit which, apart from the provisions of this paragraph, might have been expected to accrue to the parties or any of them was the obtaining of an allowance under the said Chapter II.

(2) In this paragraph "body of persons" includes a partnership.

4.—(1) There shall be made all such additional assessments and adjustments of assessments (including assessments and adjustments of assessments to profits tax) as may be necessary for or in consequence of the withdrawal of any allowance given in respect of expenditure falling to be left out of account under this Schedule, or as may otherwise be necessary for the purpose of giving effect to this Schedule, and any such additional assessments or adjustments of assessments may be made at any time.

(2) In the case of the death of a person who, if he had not died, would, under the provisions of this Schedule, have become chargeable to tax for any year, the tax which would have been so chargeable shall be assessed and charged upon his executors or administrators and shall be a debt due from and payable out of his estate.

## FOURTH SCHEDULE

Section 25.

### OVERSEAS TRADE CORPORATIONS: MODIFICATIONS OF INCOME TAX ACTS

*Application of enactments referring to residence in the United Kingdom*

1. The provisions of section twenty-five of this Act shall not be construed as affecting section four hundred and sixty-eight of the Income Tax Act, 1952 (which restricts certain transactions leading to the migration of a company outside the United Kingdom).

4TH SCH. —*cont.*

2. The said section twenty-five shall not affect section three hundred and seventy-nine of the Income Tax Act, 1952 (under which the investment income of a superannuation fund approved under that section is exempt from income tax and which, by virtue of paragraph (*a*) of and proviso (iii) to subsection (3) of that section, only applies where the fund is established in connection with a trade or undertaking carried on wholly or partly in the United Kingdom).

3.—(1) The provisions of this paragraph shall have effect without prejudice to the generality of subsection (1) of the said section twenty-five.

(2) In subsection (9) of section twenty of the Finance Act, 1953 (which relates to payments between associated companies in respect of losses), the definition of company shall not include an Overseas Trade Corporation.

(3) For the purposes of paragraph (*a*) of sub-paragraph (2) of paragraph 1 of the Second Schedule to the Finance Act, 1954 (under which an investment allowance may be withdrawn on a sale of the asset for which the allowance was given to a person not resident in the United Kingdom), an Overseas Trade Corporation shall be regarded as a person not so resident.

(4) For the purposes of paragraph (*a*) of section twenty-three of the Finance Act, 1954 (which makes provision as to the effect of sales between associated persons for the purposes of the provisions relating to capital allowances and balancing charges), an Overseas Trade Corporation shall be treated as a person not resident in the United Kingdom.

*Capital allowances and balancing charges*

4.—(1) In the application of Parts X and XI of the Income Tax Act, 1952, in relation to assets which have been used for the purposes of a trade carried on by an Overseas Trade Corporation there shall be deducted from expenditure to which the said Part X or Part XI applies all such amounts as would have been deducted if, throughout the period when the company was an Overseas Trade Corporation, Part IV of this Act had not had effect and allowances and balancing charges had been made accordingly.

(2) Where a company ceases to be an Overseas Trade Corporation and there is an interval between the end of the last basis period (as defined in section three hundred and twenty-five or section three hundred and thirty-six of the Income Tax Act, 1952), related to a year of assessment falling before the date when the company ceases to be an Overseas Trade Corporation and the said date, the interval shall be deemed for the purposes of the said Part X or XI as applied under the foregoing sub-paragraph to be part of the said basis period.

(3) No capital allowances shall be deemed to have been made in the case of a trade carried on by an Overseas Trade Corporation so as to authorise the carrying forward of any amount and the allowance of that amount as a deduction in charging the profits or gains of a trade to income tax.

4TH SCH. —*cont.*

5. Where an investment allowance in respect of expenditure incurred not later than the ninth day of April, nineteen hundred and fifty-seven, falls to be made under Part X or XI of the Income Tax Act, 1952, in charging the profits or gains of a trade carried on by a company and the company becomes an Overseas Trade Corporation on the sixth day of April in that year or at a later date the change whereby the company becomes an Overseas Trade Corporation shall not be an event which, under paragraph (*b*) or paragraph (*c*) of sub-paragraph (2) of paragraph 1 of the Second Schedule to the Finance Act, 1954, will result in the investment allowance being withheld or withdrawn.

## FIFTH SCHEDULE

Sections 26, 29, 33.

### RELATION OF EXEMPT TRADING INCOME TO DISTRIBUTIONS

### PART I

### PROVISIONS APPLICABLE EXCEPT IN RELATION TO A WINDING-UP

*Computation of amount of income of Overseas Trade Corporation*

1. The amount of income arising to an Overseas Trade Corporation in any period shall, as respects trading income and investment income, be computed separately.

2.—(1) The trading income of the Corporation shall, subject to the following provisions of this Schedule, be computed according to the actual profits, if any, of any trade carried on by the Corporation for the period computed on ordinary principles of accountancy recognised in the United Kingdom.

(2) No deduction shall be made in computing the profits of any trade in respect of taxes imposed under the laws of a country outside the United Kingdom which are similar in character to income tax or to the profits tax.

(3) An amount which, under the provisions of Part IV of this Act, is to be treated as investment income shall not be taken into account in computing the profits of the trade.

(4) Where the Corporation is carrying on a trade and any of its land or other property in the United Kingdom assessed to income tax under Schedule A is in whole or in part directly employed for the purposes of the trade, a deduction of the appropriate amount shall be allowed in computing the profits of the trade, being a deduction calculated by reference to the amount of the assessment as reduced for the purposes of collection.

(5) Any dividends, grants or loans which under subsection (3) of section thirty-five of this Act are to be treated as trading income of the Corporation shall be included as trading receipts in computing the profits of any trade carried on by the Corporation, and the amount of any such dividend, grant or loan shall be taken to be the amount at which it would be taken in computing total income for income tax purposes.

3.—(1) The amount of any investment income arising to the Corporation shall be that amount before deduction of any direct foreign tax and without any addition for indirect foreign tax.

5TH SCH. —*cont.*

(2) The amount of any investment income which is income assessed to income tax under Schedule A shall be taken at the amount at which it would be taken into account in computing total income for income tax purposes.

4. All interest of money, whether annual or not, and all annuities and other annual payments payable by the Corporation in the period shall be set off in the first place against investment income and, as to the excess, against trading income.

5. If, on the principles of computation set out in the foregoing provisions of this Schedule, there is a deficiency of trading income, that deficiency shall not be set against the amount of investment income arising in the period.

*Computation of income of company which has ceased to be an Overseas Trade Corporation*

6. The amount of income arising to a company which is not an Overseas Trade Corporation shall be computed for the purpose of this Schedule on income tax principles in such manner as may be prescribed.

*Relation of dividends and distributions to accounting periods*

7.—(1) A dividend expressed to be paid for a specified period and declared not more than twelve months after the end of that period shall be related in the first instance to that period.

(2) Subject to the foregoing sub-paragraph, a dividend or other relevant distribution shall be related in the first instance to the last period for which the accounts of the company were made up and ending before the date of the distribution.

(3) Subsection (5) of section thirty-five of the Finance Act, 1947 (which prescribes rules for ascertaining the date on which a dividend is treated as being declared), shall apply for the purposes of this paragraph as it applies for the purposes of that section.

8.—(1) If the amount of a relevant distribution, grossed up by reference to income tax at the standard rate for the year of assessment in which the date of the distribution falls, exceeds so much of the income of the period to which it is in the first instance related as remains undistributed, or there is no such income, the excess or, as the case may be, the whole of that amount shall be related in the next instance to the last preceding period for which the accounts of the company were made up, and so on.

(2) In this paragraph the reference to the amount of income of a period remaining undistributed at any time is a reference to the income arising in that period to the company after deduction of any relevant distribution the date of which falls before that time, grossed up in the case of each such distribution by reference to income tax at the standard rate for the year of assessment in which the date of distribution falls.

(3) Where as respects two different distributions the date of distribution is the same, the two shall be taken together for the purposes of this paragraph and shall, where necessary, be related to previous periods in the same proportion.

(4) Where two periods taken into account under this paragraph overlap, such adjustments shall be made as will secure that the income of the part common to both is not related to more than one relevant distribution.

*Amount of exempt trading income applied in paying a dividend, etc.*

9.—(1) Where the income of the period to which a relevant distribution, or a part of a relevant distribution, is to be finally related consists wholly of exempt trading income—

(*a*) the relevant distribution, or the part of the relevant distribution, shall be regarded as made wholly out of exempt trading income, and

(*b*) the amount of exempt trading income which is to be regarded as applied in making the distribution, or the part of the distribution, shall be the amount or value of the relevant distribution grossed up by reference to income tax at the standard rate for the year of assessment in which the date of distribution falls.

(2) Where the income of the period to which a relevant distribution, or a part of a relevant distribution, is to be finally related is income which consists in part of exempt trading income—

(*a*) the relevant distribution, or the part of the relevant distribution, shall be regarded as made proportionately out of exempt trading income and income which is not exempt trading income; and

(*b*) the amount of exempt trading income which is to be regarded as applied in making the relevant distribution or the part of the distribution shall be a proportionate part of the amount or value of the distribution (or of the part of the distribution) grossed up as aforesaid.

(3) Where a relevant distribution is to be finally related in part to one period and in part to another, the extent to which the distribution as a whole is to be regarded as made out of exempt trading income shall be ascertained in accordance with the foregoing provisions of this paragraph, making such adjustments and taking such averages as may be required, and the amount of exempt trading income to be regarded as applied in making the distribution shall be the sum of the amounts to be regarded under these provisions as applied in making the respective parts of the distribution.

(4) Where an accounting period to which a relevant distribution is to be related in the first instance, or in the second or any subsequent instance, is a period during part of which the company was an Overseas Trade Corporation, the distribution shall be apportioned on a time basis and—

(*a*) so far as it is apportioned to the part of the period during which the company was not an Overseas Trade Corporation it shall be treated as paid wholly out of income which is not exempt trading income, and

(*b*) so far as it is apportioned to a period during which the company was an Overseas Trade Corporation, the foregoing provisions of this Schedule shall apply for the purpose of ascertaining whether and if so to what extent it is to be regarded as paid out of exempt trading income.

5TH SCH. —*cont.*

*Definitions*

10.—(1) In this Part of this Schedule "exempt trading income" means trading income arising to a company in a period during the whole of which it is an Overseas Trade Corporation.

(2) Where a period to which a relevant distribution is to be finally related is a period during part of which the company was an Overseas Trade Corporation, the income of that period shall be apportioned on a time basis to the respective parts of the period and only the trading income apportioned to the part of the period during which the company was an Overseas Trade Corporation shall be regarded as exempt trading income.

11.—(1) In this Part of this Schedule "relevant distribution" in relation to a company means—

(*a*) a dividend paid on shares of the company, or

(*b*) a grant or loan made by the company, being a grant or loan to which paragraph 1 or paragraph 2 of the Sixth Schedule to this Act applies, or

(*c*) a distribution which the company is deemed, under paragraph 3 of the Sixth Schedule to this Act, to have made to members of the company, or

(*d*) a distribution made by the liquidator of a company which is not, under the provisions of paragraph 4 of the Sixth Schedule to this Act, to be treated as a distribution of capital and which is not excluded under sub-paragraph (3) of that paragraph.

(2) In relation to a relevant distribution "the date of distribution" means—

(*a*) in the case of a dividend or of a distribution under paragraph (*d*) of the last foregoing sub-paragraph, the date on which the dividend or distribution became payable, and

(*b*) in the case of a grant or loan, the date on which the grant or loan was made, and

(*c*) in the case of a distribution under paragraph (*c*) of the last foregoing sub-paragraph, the date on which the distribution is deemed to have been made.

## PART II

## SPECIAL RULES FOR COMPUTING INCOME REMAINING UNDISTRIBUTED ON A WINDING-UP

12. For the purpose of ascertaining the amount of exempt trading income which is to be regarded as applied where the liquidator of a company makes a distribution in a winding-up to which paragraph 4 of the Sixth Schedule to this Act applies, the trading income and investment income for each relevant period for which the accounts of the company have been made up shall be computed in accordance with Part I of this Schedule but subject, in the case of trading income arising in a period when the company is an Overseas Trade Corporation, to the following modifications.

13.—(1) Expenditure and receipts shall be treated as of a capital nature if, and only if, they would be so treated for income tax purposes and no deductions shall be made for capital expenditure charged to revenue or written off, or for depreciation of any asset,

which would not be allowed in computing profits or gains of the trade for income tax purposes under Case I of Schedule D but—

(*a*) there shall be deducted an amount equal to the appropriate part of any capital allowances which would fall to be allowed as a deduction in charging the profits or gains of any trade carried on by the company for any relevant year of assessment assuming that Part IV of this Act had not had effect, and

(*b*) there shall be added an amount equal to the appropriate part of any balancing charge which would, on that assumption, have fallen to be made in charging the profits or gains of the trade for any relevant year of assessment.

(2) For the purposes of this paragraph "relevant year of assessment" means a year of assessment falling wholly or partly within the period in question and the appropriate part of an allowance or charge shall be ascertained by making such divisions and apportionments as may be required for the purposes of this paragraph.

(3) The amount of a balancing charge to be brought into account under sub-paragraph (2) of this paragraph shall not exceed the total amount of capital allowances which have been taken into account under that subparagraph in respect of the same asset.

14. In computing the profits of any trade carried on by the company for the last period in which the trade is carried on, the value of any trading stock at the end of the period shall be taken as the value which it would have fetched in a sale in the open market.

15. No deduction shall be made for sums set aside to meet a contingency except so far as those sums have been or will be employed to meet that contingency.

16. If in any period there is, on the principles of computing trading income applicable under the foregoing provisions of this Schedule, a loss, that loss shall be carried forward to the next period and allowed as a deduction in computing trading income arising in that period and so on and, so far as it cannot be allowed in any such period, shall be allowed as a deduction when computing trading income arising in any period before the loss was incurred.

17.—(1) The amount of exempt trading income which arose in any period and which remains undistributed when the company is wound up shall be the amount of exempt trading income computed in accordance with the foregoing provisions of this Part of this Schedule after deducting the amount of exempt trading income which under the provisions of Part I of this Schedule, is to be regarded as applied in making any relevant distribution.

(2) If, in consequence of the different principles for computing trading income applicable under this Part of this Schedule, the total amount of exempt trading income to be regarded as so applied exceeds the amount of the trading income, the balance shall be deducted from the trading income which remains undistributed for preceding periods, making the deduction from the income of a later period rather than from the trading income of an earlier period.

(3) The total amount of exempt trading income remaining undistributed when the company is wound up shall be ascertained by aggregating the respective amounts for all the periods for which the accounts of the company were made up.

Sections 27, 28, 35.

## SIXTH SCHEDULE

### CHARGE TO TAX IN RESPECT OF DISTRIBUTIONS MADE OUT OF EXEMPT TRADING INCOME

*Grants or loans made to associated persons*

1.—(1) Where a company which is or has been an Overseas Trade Corporation makes a grant or loan to an associated person, and the grant or loan is, under the provisions of the Fifth Schedule to this Act, to be regarded as paid in whole or in part out of exempt trading income—

(*a*) income tax shall, subject to the provisions of Part IV of this Act relating to double taxation relief, be assessed and charged on the company under Case VI of Schedule D on an amount equal to the amount of exempt trading income which is to be so regarded as applied in making the grant or loan, and shall be so charged for the year of assessment in which the grant or loan is made, and

(*b*) the person to whom the grant or loan is made shall, subject as aforesaid, be deemed for all the purposes of the Income Tax Acts to have received a payment equal to so much of the grant or loan as is to be so regarded as paid out of exempt trading income, being a payment of a net amount representing a gross amount from which tax has been deducted at the standard rate for the said year of assessment, and

(*c*) where the grant or loan is made at a time when the company is an Overseas Trade Corporation—

(i) subsection (2) of section twenty-six of this Act shall apply in relation to the net amount which that person is so deemed to have received as if it were a dividend paid by the company and as if references in that subsection to the person owning shares in the Overseas Trade Corporation were references to the person to whom the grant or loan is made, and

(ii) if the person to whom a grant or loan is made is also an Overseas Trade Corporation and the grant or loan, or any part thereof, constitutes trading income of any other Overseas Trade Corporation, that other Overseas Trade Corporation shall, subject to the provisions of Part IV of this Act relating to double taxation relief, be entitled to repayment of income tax deemed to have been deducted under the foregoing provisions of this paragraph and subsections (2) to (4) of section one hundred and ninety of the Income Tax Act, 1952, shall apply for the purposes of this paragraph as they apply for the purposes of that section, and

(*d*) where the payment which the person to whom the grant or loan is made is under paragraph (*b*) of this sub-paragraph to be deemed to have received is for the purposes of the profits tax to be included in computing the profits from a trade or business carried on by that person, subsection (3) of section twenty-nine of this Act shall apply with the necessary modifications for the allowance of credit against the profits tax attributable to that payment.

6TH SCH. —*cont.*

(2) This paragraph shall apply whether or not the person to whom the grant or loan is made is a member of the company.

(3) Where a company makes a grant or loan to a person who is not an associated person under reciprocal arrangements involving the making by another party to the arrangements of a grant or loan to a person who is, in relation to that company, an associated person, this paragraph shall apply to the grant or loan made by that company as if the person to whom it is made were such an associated person.

(4) References in this paragraph to the making of a grant include references to the giving of any benefit in money or moneys worth except, in a case where the company is engaged in carrying on a trade, to the extent that expenditure incurred by the company in giving the benefit would, if the profits or gains of the trade were brought into charge to income tax, be deductible in computing those profits or gains for the purposes of income tax.

(5) A person shall, in relation to a company, be regarded as an associated person for the purposes of this paragraph if that person has control over the company or if, in a case where that person is a body of persons, the company has control over it or some third person has control over both of them.

For the purposes of this sub-paragraph "control" has the meaning assigned to it by section three hundred and thirty-three of the Income Tax Act, 1952, and "body of persons" includes a partnership.

*Grants or loans made by director-controlled companies*

2.—(1) Where a company which is or has been an Overseas Trade Corporation and which is a company the directors whereof have a controlling interest therein makes a grant or loan to or for the benefit of a director or member of the company and the grant or loan is, under the provisions of the Fifth Schedule to this Act, to be regarded as paid in whole or in part out of exempt trading income, sub-paragraph (1) of the foregoing paragraph shall apply as in the case of a grant or loan made as mentioned in that paragraph.

(2) Where a company makes a grant or loan to or for the benefit of a person who is not a director or member of the company under reciprocal arrangements which involve the making by some other party to the arrangements of a grant or loan to or for the benefit of a director or member of that company, this paragraph shall apply to the grant or loan made by that company as if the person to whom it is made were a director or member of that company.

(3) In this paragraph the expression "director" has the meaning assigned to it by paragraph 13 of the Fourth Schedule to the Finance Act, 1937.

*Capitalisation of Profits*

3.—(1) Where, under sub-paragraph (2) or sub-paragraph (3) of this paragraph, there is deemed to be a distribution to the members of a company which is or has been an Overseas Trade Corporation and, under the provisions of the Fifth Schedule to this Act, an amount of exempt trading income is to be regarded as applied in making that distribution, income tax shall, subject to the provisions

6TH SCH. —*cont.*

of Part IV of this Act relating to double taxation relief, be assessed and charged on the company under Case VI of Schedule D on an amount equal to the amount of exempt trading income which is to be regarded as so applied, and shall be so charged for the year of assessment in which the distribution becomes due.

(2) Where—

(*a*) at any time after the ninth day of April, nineteen hundred and fifty-seven, a company capitalises any of its profits, and

(*b*) then or thereafter any sum is applied in reducing its capital,

there shall be deemed for the purposes of this paragraph to be a distribution to the members of the company of an amount equal to the sum so applied or to the total amount of the sums previously capitalised by the company as aforesaid, whichever is the less, taking place when the sum is so applied.

(3) Where—

(*a*) at any time after the ninth day of April, nineteen hundred and fifty-seven, a company applies any sum in reducing its capital, and

(*b*) then or thereafter the company capitalises any of its profits,

there shall be deemed for the purposes of this paragraph to be a distribution to the members of the company of an amount equal to the profits capitalised or to the total amount of the sums previously applied by the company as aforesaid in reducing capital, whichever is the less, taking place at the time of the capitalisation.

(4) Where by virtue of subparagraph (2) of this paragraph there is deemed to be a distribution by reason of the application of any sum in reducing the capital of the company—

(*a*) that sum shall be taken into account for the purposes of sub-paragraph (3) of this paragraph only to the extent, if any, to which it exceeds the amount of the distribution, and

(*b*) the total amount of the profits capitalised by the company after the ninth day of April, nineteen hundred and fifty-seven, but before the distribution shall, in relation to any further reductions of capital, be treated for the purposes of sub-paragraph (2) of this paragraph as diminished by the amount of the distribution.

(5) Where by virtue of sub-paragraph (3) of this paragraph there is deemed to be a distribution by reason of the capitalisation of profits of a company—

(*a*) that sum shall be taken into account for the purposes of sub-paragraph (2) of this paragraph only to the extent, if any, to which it exceeds the amount of the distribution, and

(*b*) the total amount of the sums applied in reducing the capital of the company after the ninth day of April, nineteen hundred and fifty-seven, before the distribution shall, in relation to any further capitalisations, be treated for the purposes of sub-paragraph (3) of this paragraph as diminished by the amount of the distribution.

(6) In this paragraph—

(*a*) " capitalised " means capitalised by means of an issue of paid-up or partly paid-up share capital, or by the paying-up in whole or in part, of share capital already issued, or by the creation of loan capital, and
" capitalisation " shall be construed accordingly ;

(*b*) references to the reduction of capital shall be deemed to include references to the repayment or return of share capital and the repayment or redemption of loan capital, other than loan capital issued for full consideration and other than redeemable preference shares so issued.

(7) The date on which tax becomes payable under this paragraph shall be one month after the assessment is signed and allowed instead of the date prescribed by section seventy-two of the Income Tax Act, 1952.

*Distributions in Winding-up*

4.—(1) Where a company which is or has been an Overseas Trade Corporation is wound up and in the course of the winding up the liquidator makes a distribution of the assets of the company to members of the company which is not a distribution of capital, and under the provisions of the Fifth Schedule to this Act an amount of exempt trading income is to be regarded as applied in making the distribution, income tax for the year of assessment in which the distribution is made shall, subject to the provisions of Part IV of this Act relating to double taxation relief, be charged under Case VI of Schedule D on an amount equal to that amount of exempt trading income.

(2) The liquidator of the company shall be assessed and charged in respect of tax due under this paragraph and he shall not distribute any of the assets of the company to the members thereof unless he has made provision for the payment of income tax becoming due in pursuance of this paragraph ; and if a liquidator without reasonable excuse contravenes this sub-paragraph, he shall be liable on summary conviction to a fine not exceeding five hundred pounds.

(3) Where the company is being wound up under a scheme of amalgamation or reconstruction and—

(*a*) as part of the scheme a trade carried on by the company is transferred to another company,

(*b*) the consideration for the transfer consists wholly or mainly of shares in a second company which are to be distributed to members of the first company, and

(*c*) the two companies jointly so elect by notice in writing given to the Commissioners of Inland Revenue within six months after the transfer or such longer time as the Commissioners may in any case allow,

the provisions of this paragraph shall not apply in relation to the distribution of shares in the said second company and, where the total amount of the assets to be distributed by the liquidator to the members of the first company exceeds the amount of the distributions which would otherwise be regarded as distributions of capital for the purposes of this paragraph, it shall be assumed that the distribution of the shares of the said second company, so far as possible,

6TH SCH. —*cont.*

represents the distribution of the amount which would otherwise be regarded as distributions of capital.

(4) If, in consequence of the provisions of the last foregoing sub-paragraph, an amount of exempt trading income is, under the provisions of the Fifth Schedule to this Act, to be regarded as remaining undistributed after the winding up, that amount of exempt trading income shall thereafter be regarded as exempt trading income of the company to which the trade was transferred and the provisions of Part IV of this Act shall apply as if that company had been an Overseas Trade Corporation at the time when the exempt trading income arose.

(5) For the purposes of this paragraph the distributions which are to be treated as distributions of capital shall not exceed an amount equal to the total nominal amount of the paid-up share capital of the company together with any amount standing to the credit of the share premium account of the company.

(6) Where, since the ninth day of April, nineteen hundred and fifty-seven, the company has capitalised any of its profits by means of an issue of share capital, then, except so far as under the last foregoing paragraph that capitalisation has been taken into account in determining the amount of a distribution deemed to have been made to the members of the company, the share capital created by that capitalisation shall be left out of account for the purposes of the last foregoing sub-paragraph.

*Charge to tax on cessation of trading activities, etc.*

5.—(1) Where—

(*a*) a company carrying on a trade ceases to carry it on at a time when it is not an Overseas Trade Corporation, but without being wound up, or

(*b*) a company which is an Overseas Trade Corporation which is not carrying on a trade ceases to be an Overseas Trade Corporation,

income tax for the year of assessment in which the company ceases to carry on the trade or, as the case may be, ceases to be an Overseas Trade Corporation shall, subject to the provisions of Part IV of this Act relating to double taxation relief, be charged under Case VI of Schedule D on an amount equal to the amount of exempt trading income of the company which is to be regarded under the provisions of paragraph 8 of the Fifth Schedule to this Act as being exempt trading income of any period which remains undistributed at that time.

(2) The amount of income tax chargeable under the foregoing sub-paragraph shall not exceed the amount which would be payable if the company were wound up at the time in question and the assets of the company were distributed accordingly (after making provision for tax becoming due in consequence of any distributions).

(3) Where this paragraph applies, income tax shall not on any subsequent occasion be charged in respect of any exempt trading income which arose before the company ceased to carry on the trade or, as the case may be, to be an Overseas Trade Corporation.

*General*

6. Notwithstanding that income tax is payable under this Schedule by a company, no part of the exempt trading income of the company shall, on that account, constitute income of the company for income tax purposes and, in particular, no part thereof shall constitute profits or gains brought into charge to tax for the purposes of section one hundred and sixty-nine of the Income Tax Act, 1952.

## SEVENTH SCHEDULE

Section 29.

### OVERSEAS TRADE CORPORATIONS: MODIFICATIONS OF PROFITS TAX ENACTMENTS

*Computation of profits*

1.—(1) In computing the profits from any trade or business carried on by an Overseas Trade Corporation for any of the purposes of the enactments relating to the profits tax no deduction of any description shall be allowed except that a deduction shall, if otherwise allowable under those enactments, be allowed in respect of a payment for any interest of money, whether annual or not, or any annuity or other annual payment paid by the Overseas Trade Corporation:

Provided that the total amount of the deductions which are authorised to be made under this paragraph in computing the profits of any period shall not exceed the amount of the investment income (as defined by Part IV of this Act) arising to the Corporation in that period.

(2) This paragraph shall not affect the provisions of paragraph 2 of the Fourth Schedule to the Finance Act, 1937 (which authorises the deduction from the profits arising in a chargeable accounting period of a loss sustained in a previous period).

(3) In this paragraph the reference to the computation of profits includes a reference to the computation of any such loss as under the said paragraph 2 falls to be made in the same manner as profits which are to be computed for the purposes of the profits tax.

2. Any investment income which consists of income assessed to income tax under Schedule A shall be taken at the amount at which it would be brought into account in computing total income for income tax purposes.

*Abatement*

3.—(1) Section thirty-three of the Finance Act, 1947 (which provides for an abatement of profits chargeable to the profits tax for small trades and businesses), shall apply in relation to the profits of an Overseas Trade Corporation subject to the provisions of this paragraph and the reduction, if any, to be effected under the said section thirty-three shall be such reduction, if any, as falls to be made under that section as applied under sub-paragraph (2) or sub-paragraph (3) of this paragraph and if a reduction would fall to be made under that section as applied under each of those sub-paragraphs, the reduction to be so effected shall be the greater of them.

(2) The said section shall be applied, in the first instance, as if for any reference to two thousand pounds there were substituted a reference to five hundred pounds and for any reference to twelve thousand pounds there were substituted a reference to three thousand pounds.

7TH SCH. —*cont.*

(3) The said section shall be applied, in the second instance, as if any reference to franked investment income included (notwithstanding the provisions of section twenty-nine of this Act directing that trading income shall be disregarded for all purposes) a reference to trading income.

*Gross relevant distributions*

4. For the purposes of the enactments relating to the profits tax the gross relevant distributions to proprietors of a company which is or has been an Overseas Trade Corporation shall not include so much of any dividend or relevant grant or loan made by the company as is, under the provisions of the Fifth Schedule to this Act, to be regarded as made out of exempt trading income.

In this sub-paragraph "relevant grant or loan" means any grant or loan to which paragraph 1 or paragraph 2 of the Sixth Schedule to this Act applies.

5. Where under paragraph 3 of the Sixth Schedule to this Act there is deemed to be a distribution to the members of a company which is or has been an Overseas Trade Corporation, and, under the provisions of the Fifth Schedule to this Act, the distribution so deemed to be made is regarded as having been made in whole or in part out of exempt trading income, an amount equal to the amount of exempt trading income which is to be so regarded as applied in making the distribution shall be deducted from—

(*a*) any distribution then or thereafter falling to be treated as a gross relevant distribution made by the company by virtue of section thirty-one of the Finance Act, 1956 (which directs that a sum applied in reducing capital, so far as that sum exceeds the reduction in the nominal amount of capital, shall be treated as a distribution for the purposes of subsection (1) of section thirty-six of the Finance Act, 1947), or

(*b*) any distribution then or thereafter deemed to be made under section thirty-one of the Finance Act, 1951 (under which a capitalisation of distributable sums and a reduction of capital are in certain cases to be treated as together amounting to a distribution),

and, where the said amount of exempt trading income exceeds the amount of the distribution from which it falls to be deducted in the first instance, the excess shall be deducted from the second such distribution, and so on until the amount to be deducted is exhausted.

6. Where a distribution (being a relevant distribution within the meaning of the Fifth Schedule to this Act) is made by the liquidator of a company which is or has been an Overseas Trade Corporation and, under the provisions of the Fifth Schedule to this Act, the distribution is to be regarded as paid in whole or in part out of exempt trading income that distribution, or that part of the distribution, shall not be treated as a gross relevant distribution.

7. For the purposes of the enactments relating to the profits tax the gross relevant distributions to proprietors of an Overseas Trade Corporation shall not include any distribution which would be allowable as a deduction in computing the profits or gains of the trade

or business of the Corporation but for the provisions of paragraph 11 of the Fourth Schedule to the Finance Act, 1937 (which limits, in the case of a director-controlled company, the directors remuneration which may be deducted in computing profits for the purposes of the profits tax).

8. In relation to an Overseas Trade Corporation paragraph (*a*) of subsection (1) of section thirty-five of the Finance Act, 1947 (which provides that dividends declared not later than six months after the end of a period and expressed to be paid in respect of that period are to be treated as included in the gross relevant distributions for that period), shall have effect with the substitution of twelve months for six months and subsection (2) of that section shall not apply.

*Groups of companies*

9.—(1) Where under section twenty-two of the Finance Act, 1937 (which authorises a principal company to give a grouping notice in respect of a company which is its subsidiary for profits tax purposes), such a notice is in force and the principal company which gave the notice or the subsidiary company to which the notice applies is an Overseas Trade Corporation, the provisions of subsection (1) of section twenty-nine of this Act and of paragraphs 1 and 2 of this Schedule shall be applied for determining the profits or losses of the subsidiary company before, and not after, the profits or losses of the subsidiary company are, under the provisions of subsection (2) of the said section twenty-two, treated as profits or losses of the company which gave the notice.

(2) Where such a notice is in force and both the principal company and the subsidiary company are Overseas Trade Corporations, trading income arising to the subsidiary company in a chargeable accounting period to which the notice relates shall for the purposes of sub-paragraph (3) of paragraph 3 of this Schedule be included in the trading income of the principal company for the corresponding chargeable accounting period (as defined in the said section twenty-two).

(3) Where on a date when such a notice is in force the principal company or the subsidiary company becomes an Overseas Trade Corporation, the principal company may, at any time within six months after the end of the chargeable accounting period commencing with that date or such longer time as the Commissioners of Inland Revenue may allow, by notice in writing to the Commissioners revoke any notice in force under the said section twenty-two immediately before the said date which has been given by the principal company with respect to that subsidiary and where a notice is so revoked it shall be deemed to have ceased to have effect as from the said date without, however, reviving any previous notice which had ceased to be in force by reason of the giving thereof.

(4) For the purposes of this paragraph a notice given under the said section twenty-two by a principal company as respects more than one subsidiary shall be treated as a separate notice as respects each subsidiary.

7TH SCH. —*cont.*

10. Subsection (5) of section forty-two of the Finance Act, 1938 (under which certain payments made by a body corporate resident or operating in the United Kingdom to another body corporate in the same group is not allowable as a deduction in computing profits for the purposes of the profits tax), shall not apply where the body corporate making the payment is an Overseas Trade Corporation and the body corporate to which the payment is made is resident in the United Kingdom.

*Public utility undertakings*

11. Paragraph (*a*) of subsection (2) of section twenty-nine of the Finance Act, 1951 (which relates to income from public utility undertakers and provides that the profits tax chargeable on such income shall be at a reduced rate), shall not apply to so much of a dividend or other payment as under the provisions of the Fifth Schedule to this Act is to be regarded as paid out of exempt trading income.

*Change of status*

12.—(1) Where an accounting period of a company which becomes or ceases to be an Overseas Trade Corporation, being a period which apart from the provisions of this paragraph would be a chargeable accounting period for the purposes of the profits tax, falls partly before and partly after the time when the company becomes or ceases to be an Overseas Trade Corporation, as the case may be, the period shall be divided so that the parts falling before and after that time shall be separate chargeable accounting periods.

(2) Where an accounting period of a company falls partly before and partly after the time when the company becomes an Overseas Trade Corporation for the first time, section thirty-seven of the Finance Act, 1947 (which provides for the apportionment of gross relevant distributions in a case where an accounting period is not a chargeable accounting period), shall be applied before any distribution or any part of a distribution is excluded or deducted under the provisions of paragraph 4, 5, 6 or 7 of this Schedule and any amount falling to be deducted under the said provisions from the gross relevant distributions of the said accounting period shall be deducted from the gross relevant distributions apportioned to the chargeable accounting period beginning at the time when the company becomes an Overseas Trade Corporation.

13. A loss sustained by a company in any period before it becomes an Overseas Trade Corporation shall not under sub-paragraph (2) of paragraph 2 of the Fourth Schedule to the Finance Act, 1937 (which authorises losses to be carried forward and used to reduce taxable profits in subsequent periods), be carried forward and deducted from or set off against the profits of any chargeable accounting period beginning after the time when the company becomes an Overseas Trade Corporation, whether or not the company subsequently ceases to be an Overseas Trade Corporation.

## EIGHTH SCHEDULE

Section 30.

### OVERSEAS TRADE CORPORATIONS: CHANGES OF STATUS

### PART I

### COMPANY BECOMING AN OVERSEAS TRADE CORPORATION

1. In this Part of this Schedule a "date of change" means a date on which a company, from having been a company which was not an Overseas Trade Corporation, becomes an Overseas Trade Corporation, and references to years of assessment beginning after a date of change include references to a year of assessment beginning with a date of change.

*Losses and capital allowances*

2.—(1) No relief in respect of a loss sustained in any period before a date of change in the trade which is being carried on by the company shall be allowed so as to reduce income tax for any year of assessment after the date of change whether under subsection (3) of section fifteen of the Finance Act, 1953 (which permits a loss sustained in a trade to be set off against general income for the next following year), or under section three hundred and forty-two of the Income Tax Act, 1952 (which permits losses sustained in a trade to be carried forward).

(2) No part of a capital allowance falling to be made in charging for a year of assessment before a date of change the profits or gains of the trade which is being carried on by the company shall be carried forward under section three hundred and twenty-three of the Income Tax Act, 1952, so as to be allowed under that section or under section twenty of the Finance Act, 1954 (which permits a capital allowance carried forward to be set off against general income), so as to reduce income tax for any year of assessment after the date of change.

(3) Where in the course of the year 1957-58 a company becomes an Overseas Trade Corporation, the provisions of sub-paragraphs (1) and (2) of this paragraph shall apply in relation to losses sustained in a year of assessment before the beginning of that year, or apportioned to the part of the year 1957-58 which falls before the time when the company becomes an Overseas Trade Corporation, and capital allowances falling to be made for such a year of assessment, or apportioned to the said part of the year 1957-58, as if the reference to income tax for a year of assessment after the date of change included a reference to income tax for the part of the year 1957-58 which falls after the date of change.

3. No relief shall be given under section eighteen of the Finance Act, 1954 (which permits a terminal loss in a trade to be carried backwards), in respect of income tax for a year of assessment before a date of change in respect of a terminal loss arising in a period after the date of change nor, in the case of a terminal loss which arises in a period which is partly before and partly after the date of change, by reference to the terminal loss so far as it is attributable to the part of the period after the date of change.

For the purposes of this paragraph all such apportionments and adjustments shall be made as may be just.

8TH SCH. —*cont.*

PART II

COMPANY CEASING TO BE AN OVERSEAS TRADE CORPORATION

4. In this Part of this Schedule a "date of change" means a date on which a company, from having been a company which was an Overseas Trade Corporation, ceases to be an Overseas Trade Corporation.

*Charge to tax under Case I of Schedule D in commencing period*

5. Where at the time of date of change the company is carrying on a trade chargeable to income tax under Case I of Schedule D, the amount of the profits or gains thereof on which tax is so chargeable for any year of assessment shall be determined as if the trade had been permanently discontinued at the date of change and a new trade had then been set up and commenced.

*Losses*

6. Without prejudice to sub-paragraph (1) of paragraph 2 of this Schedule, no relief in respect of a loss sustained in any period before a date of change in a trade which is being carried on by the company shall be allowed so as to reduce income tax for any year of assessment after the date of change, whether under section three hundred and forty-two of the Income Tax Act, 1952, or otherwise.

## NINTH SCHEDULE

Section 42.

### REPEALS

### PART I

*Entertainments duty*

| Session and Chapter | Short Title | Extent of Repeal |
|---|---|---|
| 6 & 7 Geo. 5. c. 11. | The Finance (New Duties) Act, 1916. | In subsection (4) of section one, the words from " or covers " to " operation " and the words " in respect of which entertainments duty is payable "; subsection (5) of section one; in subsection (6) of section one the definition of " entertainment ". |
| 6 & 7 Geo. 5. c. 24. | The Finance Act, 1916... | Section twelve. |
| 11 & 12 Geo. 5. c. 32. | The Finance Act, 1921... | Section eight. |
| 13 & 14 Geo. 5. c. 14. | The Finance Act, 1923... | Sections eleven and twelve; subsection (3) of section thirty-nine. |
| 14 & 15 Geo. 5. c. 21. | The Finance Act, 1924... | Subsection (4) of section six; section seven. |
| 9 & 10 Geo. 6. c. 64. | The Finance Act, 1946... | Section eight. |
| 11 & 12 Geo. 6. c. 49. | The Finance Act, 1948... | Section seventeen. |
| 12, 13 & 14 Geo. 6. c. 47. | The Finance Act, 1949... | Sections ten and eleven. |
| 14 Geo. 6. c. 15 | The Finance Act, 1950... | Section fifteen; subsection (2) of section sixteen. |
| 15 & 16 Geo. 6. and 1 Eliz. 2. c. 33. | The Finance Act, 1952... | Sections two and three. |
| 1 & 2 Eliz. 2. c. 34. | The Finance Act, 1953... | Sections seven and eight. |
| 2 & 3 Eliz. 2. c. 44. | The Finance Act, 1954... | Sections one and two; the First Schedule. |

These repeals shall not have effect in relation to entertainments given before the fourth day of August, nineteen hundred and fifty-seven, so as to make duty chargeable in respect of any entertainment.

9TH SCH. —*cont.*

PART II

*Duties on hops, etc.*

| Session and Chapter | Short Title | Extent of Repeal |
|---|---|---|
| 15 & 16 Geo. 5. c. 36. | The Finance Act, 1925... | Subsection (1) of section seven; in Part III of the Third Schedule, the entry as to hops. |
| 19 & 20 Geo. 5. c. 21. | The Finance Act, 1929... | Subsection (1) of section four. |
| 23 & 24 Geo. 5. c. 19. | The Finance Act, 1933... | In subsection (2) of section two, the words "until the end of the said fifteenth day of August"; subsection (4) of section two. |
| 1 & 2 Eliz. 2. c. 34. | The Finance Act, 1953... | Section one. |

PART III

*Income tax (personal reliefs)*

| Session and Chapter | Short Title | Extent of Repeal |
|---|---|---|
| 15 & 16 Geo. 6. & 1 Eliz. 2. c. 33. | The Finance Act, 1952. | Subsection (5) of section fourteen, so far as it amends subsection (1) of section two hundred and eleven of the Income Tax Act, 1952. |
| 1 & 2 Eliz. 2. c. 34. | The Finance Act, 1953. | Subsection (1) of section fourteen. |
| 3 & 4 Eliz. 2. c. 15. | The Finance Act, 1955. | Sub section (5) of section two. |

PART IV

*Income tax (small maintenance payments)*

| Session and Chapter | Short Title | Extent of Repeal |
|---|---|---|
| 15 & 16 Geo. 6 & 1 Eliz. 2. c. 10. | The Income Tax Act, 1952 | In subsection (2) of section two hundred and five, paragraph (*a*) except the words "twenty-one years of age", and paragraph (*b*); in subsection (3) of section two hundred and five, paragraph (*a*) from "if" onwards, and paragraph (*b*) from "if" onwards; subsection (4) of section two hundred and five. |
| 15 & 16 Geo. 6 & 1 Eliz. 2. c. 41. | The Affiliation Orders Act, 1952. | Section four. |

These repeals shall not affect payments in relation to which section twenty-one of this Act is excluded by subsection (2) of that section.

*Table of Statutes referred to in this Act*

| Short Title | Session and Chapter |
|---|---|
| Finance Act, 1894 ... ... ... ... | 57 & 58 Vict. c. 30. |
| Assurance Companies Act, 1909 ... ... | 9 Edw. 7. c. 49. |
| Provisional Collection of Taxes Act, 1913 ... | 3 & 4 Geo. 5. c. 3. |
| Finance Act, 1914 ... ... ... ... | 4 & 5 Geo. 5. c. 10. |
| Finance (New Duties) Act, 1916 ... ... | 6 & 7 Geo. 5. c. 11. |
| Finance Act, 1919 ... ... ... ... | 9 & 10 Geo. 5. c. 32. |
| Finance Act, 1925 ... ... ... ... | 15 & 16 Geo. 5. c. 36. |
| Rating (Scotland) Act, 1926 ... ... ... | 16 & 17 Geo. 5. c. 47. |
| Local Government (Scotland) Act, 1929 ... | 19 & 20 Geo. 5. c. 25. |
| Sunday Entertainments Act, 1932 ... ... | 22 & 23 Geo. 5. c. 51. |
| Ottawa Agreements Act, 1932 ... ... | 22 & 23 Geo. 5. c. 53. |
| Finance Act, 1933 ... ... ... ... | 23 & 24 Geo. 5. c. 19. |
| Local Government Act, 1933 ... ... | 23 & 24 Geo. 5. c. 51. |
| Finance Act, 1937 ... ... ... ... | 1 Edw. 8. & 1 Geo. 6. c. 54. |
| Finance Act, 1938 ... ... ... ... | 1 & 2 Geo. 6. c. 46. |
| Hire Purchase Act, 1938 ... ... ... | 1 & 2 Geo. 6. c. 53. |
| Finance Act, 1940 ... ... ... ... | 3 & 4 Geo. 6. c. 29. |
| Finance (No. 2) Act, 1940 ... ... ... | 3 & 4 Geo. 6. c. 48. |
| Finance Act, 1947 ... ... ... ... | 10 & 11 Geo. 6. c. 35. |
| Local Government (Scotland) Act, 1947 ... | 10 & 11 Geo. 6. c. 43. |
| Finance Act, 1948 ... ... ... ... | 11 & 12 Geo. 6. c. 49. |
| Finance Act, 1949 ... ... ... ... | 12, 13 & 14 Geo. 6. c. 47. |
| Wireless Telegraphy Act, 1949 ... ... | 12, 13 & 14 Geo. 6. c. 54. |
| Vehicles (Excise) Act, 1949 ... ... | 12, 13 & 14 Geo. 6. c. 89. |
| Finance Act, 1951 ... ... ... ... | 14 & 15 Geo. 6. c. 43. |
| Income Tax Act, 1952 ... ... ... | 15 & 16 Geo. 6. & 1 Eliz. 2. c. 10. |
| Miners Welfare Act, 1952 ... ... | 15 & 16 Geo. 6. & 1 Eliz. 2. c. 23. |
| Customs and Excise Act, 1952 ... ... | 15 & 16 Geo. 6. & 1 Eliz. 2. c. 44. |
| Finance Act, 1953 ... ... ... ... | 1 & 2 Eliz. 2. c. 34. |
| Finance Act, 1954 ... ... ... ... | 2 & 3 Eliz. 2. c. 44. |
| Electricity Reorganisation (Scotland) Act, 1954. | 2 & 3 Eliz. 2. c. 60. |
| Finance Act, 1956 ... ... ... ... | 4 & 5 Eliz. 2. c. 54. |
| Valuation and Rating (Scotland) Act, 1956... | 4 & 5 Eliz. 2. c. 60. |

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