CHAPTER 109.

An Act to increase certain duties of customs and excise; to increase the standard rate of income tax for the year 1939–40 and the higher rates of income tax for the year 1938–39 and to make certain other amendments in the Income Tax Acts; to increase the rates of estate duty; to impose an excess profits tax; and for purposes connected with the matters aforesaid.

[12th October 1939.]

Most Gracious Sovereign,

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

PART I.

CUSTOMS AND EXCISE.

Beer. **23 & 24 Geo. 5. c. 19.**

1.—(1) In lieu of the duty of excise charged under section one of the Finance Act, 1933, and the excise drawback allowed under that section—

(*a*) there shall be charged in respect of beer brewed in the United Kingdom a duty of excise at the

PART I. —*cont.*

rates set out in Part I of the First Schedule to this Act; and

(*b*) on the exportation from the United Kingdom as merchandise, or for use as ships' stores, of beer in respect of which it is shown to the satisfaction of the Commissioners that the duty of excise charged under this subsection has been paid, there shall be allowed an excise drawback at the rates set out in Part II of that Schedule, subject to the provisions of that Part of that Schedule.

(2) In lieu of the duties of customs charged under section one of the Finance Act, 1933, and section two of the Finance Act, 1936, and the customs drawbacks allowed under those sections—

26 Geo. 5. & 1 Edw. 8. c. 34.

(*a*) there shall be charged in respect of beer imported into the United Kingdom—

(i) in the case of beer being an Empire product, a duty of customs at the rates set out in Part III of the First Schedule to this Act; and

(ii) in the case of beer not being an Empire product, a duty of customs at the rates set out in Part IV of that Schedule; and

(*b*) on the exportation from the United Kingdom as merchandise, or for use as ships' stores, of beer on which it is shown to the satisfaction of the Commissioners that the duty of customs charged under this subsection has been paid, there shall be allowed—

(i) in the case of beer being an Empire product, a customs drawback at the rates set out in Part V of that Schedule, subject to the provisions of that Part of that Schedule; and

(ii) in the case of beer not being an Empire product, a customs drawback at the rates set out in Part VI of that Schedule, subject to the provisions of that Part of that Schedule.

(3) Where beer has been prepared by a process of mixing by a brewer for sale and the aggregate amount of the duty of excise charged under this section on the

several constituents of the beer exceeds the amount of the duty which would have been so charged on the mixture, the Commissioners may, subject to such conditions as they may prescribe, remit or repay the excess. PART I. —*cont.*

The conditions prescribed under this subsection may, notwithstanding anything in any enactment, include conditions as to the method of computing the last mentioned amount and the method of ascertaining any matter by reference to which that amount is to be computed.

(4) In the foregoing provisions of this section and in the First Schedule to this Act—

(*a*) the expression "beer" does not include beer of any of the descriptions specified in subsection (1) of section two of the Finance Act, 1930; 20 & 21 Geo. 5. c. 28.

(*b*) the expression "Empire product" has the same meaning as in subsection (1) of section eight of the Finance Act, 1919. 9 & 10 Geo. 5. c. 32.

(5) Sections two and three of the Finance Act, 1923 (which relate respectively to rebates from the excise duty and customs duty on beer) shall cease to have effect except in so far as they relate to beer of any of the descriptions specified in subsection (1) of section two of the Finance Act, 1930. 13 & 14 Geo. 5. c. 14.

(6) The duty of customs charged, and the customs and excise drawbacks allowed, under this section shall be charged and allowed in addition to the duty and drawbacks charged and allowed in respect of beer under section two of the Finance Act, 1933.

(7) This section shall be deemed to have had effect as from the twenty-eighth day of September, nineteen hundred and thirty-nine.

Spirits.

2.—(1) The duties of customs charged on spirits by subsection (1) of section three of the Finance Act, 1920, in addition to the duties specified in Part II of the First Schedule to that Act shall be charged at the increased rates specified in the Second Schedule to this Act; and accordingly the said subsection (1) shall have effect as if the said Schedule to this Act were substituted for Part I of the First Schedule to that Act. 10 & 11 Geo. 5. c. 18.

PART I. —*cont.*

(2) The rate of the duty of excise charged on spirits by subsection (2) of section three of the Finance Act, 1920, in addition to the duties specified in Part III of the First Schedule to that Act shall be increased to four pounds, two shillings and sixpence per gallon; and accordingly the said subsection (2) shall have effect as if for the words "three pounds, twelve shillings and sixpence" there were substituted the words "four pounds, two shillings and sixpence."

(3) This section shall be deemed to have had effect as from the twenty-eighth day of September, nineteen hundred and thirty-nine.

Wines. 17 & 18 Geo. 5. c. 10. 22 & 23 Geo. 5. c. 53.

3.—(1) In lieu of the duties of customs charged on wines by section five of the Finance Act, 1927, and paragraphs (*a*) and (*b*) of section three of the Ottawa Agreements Act, 1932, there shall be charged on wines imported into the United Kingdom the following duties of customs, that is to say—

(*a*) in the case of wines of the descriptions specified in the first column of Part I of the Third Schedule to this Act and not being Empire products, duties at the rates respectively specified in the second column of that Part of that Schedule;

(*b*) in the case of wine not exceeding twenty-seven degrees of proof spirit and being an Empire product, a duty at a rate representing the full rate of duty for the time being chargeable on wine not exceeding twenty-five degrees of proof spirit and not being an Empire product, reduced by two shillings per gallon; and

(*c*) in the case of wines of the descriptions specified in the first column of Part II of the said Schedule and being Empire products, duties at the rates respectively specified in the second column of that Part of that Schedule:

Provided that the provisos to section three of the Ottawa Agreements Act, 1932 (which provide for an increase in the rate of duty chargeable on wine of the description mentioned in paragraph (*b*) of this subsection), shall have effect as if for any reference to paragraph (*b*) of that section there were substituted a reference to paragraph (*b*) of this subsection.

(2) Subsection (2) of section eight of the Customs and Inland Revenue Act, 1890 (which provides that wine rendered sparkling in warehouse is to be deemed to be sparkling wine for the purpose of certain duties charged on sparkling wine) shall apply for the purpose of the duty charged on sparkling wine by this section as it applied for the purpose of the duty mentioned in that subsection. PART I. —*cont.* 53 & 54 Vict. c. 8.

(3) In this section the expression "wine" includes the lees of wine, and the expression "Empire product" has the same meaning as in subsection (1) of section eight of the Finance Act, 1919.

(4) This section shall be deemed to have had effect as from the twenty-eighth day of September, nineteen hundred and thirty-nine.

4.—(1) The duty of excise on sweets charged under section six of the Finance Act, 1927, shall— Sweets.

(*a*) in the case of sparkling sweets, be at the rate of nine shillings and sixpence instead of seven shillings and sixpence per gallon; and

(*b*) in the case of other sweets, be at the rate of three shillings and sixpence instead of one shilling and sixpence per gallon.

(2) Subsection (2) of section eight of the Finance Act, 1933 (which provides for a reduction of duty in the case of sparkling sweets where a duty of one shilling and sixpence per gallon has been paid), shall have effect as if for the words "one shilling and sixpence" there were substituted the words "three shillings and sixpence."

(3) This section shall be deemed to have had effect as from the twenty-eighth day of September, nineteen hundred and thirty-nine.

5.—(1) In lieu of the duties of customs charged on tobacco by section one of the Finance Act, 1939, there shall, subject to the provisions of section eight of the Finance Act, 1919, be charged on tobacco imported into the United Kingdom of the descriptions set out in the first column of Part I of the Fourth Schedule to this Tobacco. 2 & 3 Geo. 6. c. 41.

PART I. —*cont.*

Act duties of customs at the rates respectively specified in the second column of that Part of that Schedule.

(2) In lieu of the duties of excise charged on tobacco by section one of the Finance Act, 1939, there shall be charged on tobacco grown in the United Kingdom of the descriptions set out in the first column of Part II of the Fourth Schedule to this Act duties of excise at the rates respectively specified in the second column of that Part of that Schedule.

(3) The drawback allowed under section one of the Manufactured Tobacco Act, 1863, on tobacco exported from the United Kingdom or deposited in a bonded or King's warehouse shall, in cases where it is shown that the duties charged by this section have been paid, be allowed at the rates set out in Part III of the Fourth Schedule to this Act instead of at the rates set out in Part III of the First Schedule to the Finance Act, 1939, but subject to the provisions affecting allowance of drawback contained in the Schedule to the Finance Act, 1904.

26 & 27 Vict. c. 7.

4 Edw. 7. c. 7.

(4) This section shall be deemed to have had effect as from the twenty-eighth day of September, nineteen hundred and thirty-nine.

Sugar, &c.

6.—(1) The duties of customs and excise on sugar, molasses, glucose and saccharin shall be charged at increased rates in accordance with the following provisions—

18 & 19 Geo. 5. c. 17.

(*a*) subsection (1) of section four of the Finance Act, 1928 (which provides that the full rates of customs duty and the amounts of the general preferential reductions shall be as specified in Part I of the Second Schedule to that Act) shall have effect as if for references to Part I of that Schedule there were substituted references to Part I of the Fifth Schedule to this Act;

24 & 25 Geo. 5. c. 25.

(*b*) proviso (*a*) to subsection (1) of section one of the Finance Act, 1934 (which provides that the rates of customs duty on certificated colonial sugar shall be as specified in Part I of the First Schedule to that Act) shall have effect as if for references to Part I of that Schedule there were

substituted references to Part II of the Fifth Schedule to this Act, and any certificates issued under that section (whether before or after the commencement of this section) shall have effect accordingly; PART I. —*cont.*

(*c*) section three of the Finance Act, 1932 (which provides that the rates of excise duty shall be as specified in the Second Schedule to that Act) shall have effect as if for the reference to the said Second Schedule there were substituted references to Part III of the Fifth Schedule to this Act. 22 & 23 Geo. 5. c. 25.

(2) In the case of sugar and molasses produced in the United Kingdom from material on which a duty of customs or excise is shown to the satisfaction of the Commissioners to have been paid at the increased rates for which provision is made by this section—

(*a*) Part II of the Second Schedule to the Finance Act, 1928 (which provides for the payment of drawback in accordance with the scales set out in Table 1 and Table 2 in that Part of that Schedule), shall have effect as if for references to the said Tables there were respectively substituted references to Table 1 and Table 2 set out in Part IV of the Fifth Schedule to this Act; and

(*b*) the scales of drawback set out in Part II of the First Schedule to the Finance Act, 1934, shall not apply.

(3) This section shall be deemed to have had effect as from five o'clock in the evening on the twenty-seventh day of September, nineteen hundred and thirty-nine.

PART II.

INCOME TAX.

7.—(1) The standard rate of income tax for the year 1939–40 shall, as respects the last three quarters of the year, be increased by two shillings to seven shillings and sixpence in the pound. Increase in standard rate.

PART II. —*cont.*

(2) The said increase shall be averaged over the whole of the said year, and accordingly for the purposes of any enactment referring to the standard rate for the year (including any enactment contained in this Act), and for the purposes of any assessment and any other proceeding or document relating to income tax, the standard rate for the year shall, in relation to the year and every part thereof, be taken to be the rate of five shillings and sixpence in the pound increased by three quarters of two shillings in the pound, that is to say, a rate of seven shillings in the pound :

Provided that for the purpose of the operation of section two of the Provisional Collection of Taxes Act, 1913, as respects payments or deductions made within one month after the fifth day of April, nineteen hundred and forty, the standard rate for the year 1939–40 shall be taken to be the rate of seven shillings and sixpence in the pound.

3 & 4 Geo. 5. c. 3.

(3) It is hereby declared that any deductions of tax made before the passing of this Act by reference to a rate of seven shillings in the pound are to be treated for all purposes (including all the purposes of any legal proceedings instituted before the passing of this Act) as having been made by reference to the proper rate; but this section shall not invalidate anything done before the passing of this Act or render improper any deduction in respect of income tax made before the first day of November, nineteen hundred and thirty-nine, which would have been a proper deduction if this Act had not passed.

(4) The provisions of the Sixth Schedule to this Act shall have effect for the purposes of and in connection with the change in the standard rate of income tax made by this section.

Surtax (increased rates).

8.—(1) Income tax for the year 1938–39 in respect of the excess of the total income of an individual over two thousand pounds shall, instead of being charged at the rates mentioned in section twelve of the Finance Act, 1939, be charged at rates in the pound which

PART II. —*cont.*

respectively exceed the standard rate by the amounts specified in the second column of the following table;—

TABLE.

For every pound of the first five hundred pounds of the excess	One shilling and threepence.
For every pound of the next five hundred pounds of the excess	One shilling and sixpence.
For every pound of the next one thousand pounds of the excess	Two shillings and sixpence.
For every pound of the next one thousand pounds of the excess	Three shillings and sixpence.
For every pound of the next one thousand pounds of the excess	Four shillings and threepence.
For every pound of the next two thousand pounds of the excess	Five shillings.
For every pound of the next two thousand pounds of the excess	Six shillings and threepence.
For every pound of the next five thousand pounds of the excess	Seven shillings and sixpence.
For every pound of the next five thousand pounds of the excess	Eight shillings and sixpence.
For every pound of the next ten thousand pounds of the excess	Nine shillings.
For every pound of the remainder of the excess	Nine shillings and sixpence.

(2) The amount payable by virtue of any assessment in respect of surtax for the year 1938–39 made before the passing of this Act shall, by virtue of this Act and without more, be treated as varied so as to accord with the provisions of subsection (1) of this section.

Alteration of certain allowances. 25 & 26 Geo. 5. c. 24. 1 & 2 Geo. 6. c. 46.

9.—(1) Subsection (2) of section forty of the Finance Act, 1927 (which, as amended by section twenty-two of the Finance Act, 1935, and section eighteen of the Finance Act, 1938, provides for the reduction of the tax remaining chargeable after the allowance of other reliefs by a sum equal to twenty-three thirty-thirds of the amount so remaining chargeable or twenty-three thirty-thirds of the tax on one hundred and thirty-five pounds, whichever is the less), shall have effect—

(*a*) as respects the year 1939–40, as if the words "two-thirds" and, as respects the year 1940–41 and subsequent years, as if the words "one-half" were substituted for the words "twenty-three thirty-thirds" in both places where they occur; and

PART II. —*cont.*

(*b*) as respects the year 1940–41 and subsequent years, as if the words " one hundred and sixty-five pounds " were substituted for the words " one hundred and thirty-five pounds ";

and accordingly subsection (3) of section thirty-two of the Income Tax Act, 1918 (which, as amended by section twenty-three of the Finance Act, 1935, and section nineteen of the Finance Act, 1938, provides in paragraph (*f*) thereof that in certain cases no allowance shall be given in respect of life insurance premiums and other payments at a rate of tax greater than ten thirty-thirds of the standard rate) shall have effect— 8 & 9 Geo. 5. c. 40.

(i) as respects the year 1939–40, as if the words " one-third " were substituted in the said paragraph (*f*) for the words " ten thirty-thirds "; and

(ii) as respects the year 1940–41 and subsequent years, as if the said paragraph (*f*) were omitted.

(2) Section eighteen of the Finance Act, 1920 (which, as amended by section forty of the Finance Act, 1927, section eight of the Finance (No. 2) Act, 1931, section twenty of the Finance Act, 1935, and section sixteen of the Finance Act, 1936, provides for a deduction of tax on one hundred and eighty pounds in the case of married persons, increased, in a case where the total income of the claimant includes earned income of his wife, by an amount equal to four-fifths of that earned income), shall have effect, as respects the year 1940–41 and subsequent years— 21 & 22 Geo. 5. c. 49.

(*a*) as if the words " one hundred and seventy pounds " were substituted for the words " one hundred and eighty pounds "; and

(*b*) as if the words " five-sixths " were substituted for the words " four-fifths."

(3) Section twenty-one of the Finance Act, 1920 (which, as amended by section forty of the Finance Act, 1927, section twenty-one of the Finance Act, 1935, and section seventeen of the Finance Act, 1936, provides for a deduction of sixty pounds in respect of each child), shall have effect, as respects the year 1940–41 and subsequent years, as if the words " fifty pounds " were substituted for the words " sixty pounds " in subsections (1) and (3) thereof.

PART II. —*cont.*
15 & 16 Geo. 5. c. 36.

(4) Subsection (1) of section fifteen of the Finance Act, 1925 (which, as amended by section forty of the Finance Act, 1927, and section eight of the Finance (No. 2) Act, 1931, provides for a deduction of tax on an amount equal to one-fifth of the amount of earned income, but not exceeding three hundred pounds), shall have effect, as respects the year 1940–41 and subsequent years—

(*a*) as if the words " one-sixth " were substituted for the words " one-fifth "; and

(*b*) as if the words " two hundred and fifty pounds " were substituted for the words " three hundred pounds ";

and subsection (2) of the said section fifteen (which as so amended provides, in a case where a married man or his wife has attained the age of sixty-five and his total income does not exceed five hundred pounds, for a deduction of tax on an amount equal to one-fifth of the income), shall have effect as respects the said years as if the words " one-sixth " were substituted for the words " one-fifth."

(5) Section nineteen of the Finance Act, 1935 (which exempts from tax incomes not exceeding one hundred and twenty-five pounds and limits the tax on incomes exceeding one hundred and twenty-five pounds but less than one hundred and forty pounds to one-fifth of the excess), shall have effect, as respects the year 1940–41 and subsequent years, as if—

(*a*) the words " one hundred and twenty pounds " were substituted for the words " one hundred and twenty-five pounds," in both places where they occur; and

(*b*) the words " three-eighths " were substituted for the words " one-fifth ".

(6) Subsection (1) of section one hundred and five of the Income Tax Act, 1918 (which, as amended by section eight of the Finance (No. 2) Act, 1931, provides for returns by employers as respects payments made to persons in their employment, except persons who are not employed in any other employment and whose remuneration does not exceed one hundred and twenty-five pounds), shall have effect, as respects the year 1940–41 and subsequent years, as if the words " one hundred and twenty pounds " were substituted for the words " one hundred and twenty-five pounds."

PART II. —*cont.*

(7) Where relief from income tax for the year 1939–40 has been given to any individual and the amount thereof is incorrect by reason of any amendment made by subsection (1) of this section, then—

(*a*) if the relief was given by reduction of the amount of tax payable under an assessment made on that individual before the passing of this Act, the amount of tax payable shall, by virtue of this Act and without more, be treated as varied so as to give effect to that amendment; and

(*b*) if the relief was given otherwise than as aforesaid, any amount of relief so given in excess may, if not otherwise made good, be assessed under Case VI of Schedule D and recovered from that individual accordingly.

Notice of variation of assessment.

10. Where the amount of tax payable under an assessment is to be treated as varied by virtue of the Sixth Schedule to, or the last foregoing section of, this Act, or exceeds the amount which would have been payable if that Schedule or section had not passed—

(*a*) the Commissioners of Inland Revenue shall cause such notification as may be necessary to be given to the person affected thereby; and

(*b*) any notification so given shall, as regards any particulars of the assessment contained in the notification which have not been contained in a notice of assessment, have effect as if the notification were a notice of assessment.

Relief in respect of diminution of earned income.

11.—(1) Subject to the provisions of this subsection, any individual who, on a claim made for the purposes of this section within twelve months from the end of the year 1939–40, proves that, owing to circumstances directly or indirectly connected with the present war, his actual earned income for the year 1939–40 is not more than four-fifths of his earned income as assessed for that year, shall be entitled—

(*a*) to such relief from standard rate tax for that year as will reduce the amount of standard rate tax payable to the amount which would have been payable if his actual earned income had been chargeable instead of his earned income as assessed; and

(*b*) to such relief from surtax for that year as will reduce the amount of surtax payable to the amount which would have been payable if his actual earned income had been taken into account in computing his total income instead of his earned income as assessed: PART II. —*cont.*

Provided that where the actual earned income of the individual for the year 1938–39 exceeded his earned income as assessed for that year, the aggregate amount of the said reliefs shall be reduced by the difference between the total amount of income tax (including surtax) payable for the year 1938–39 in respect of his income and the total amount of income tax (including surtax) which would have been payable for that year in respect thereof if—

(i) standard rate tax had been charged on his actual earned income instead of on his earned income as assessed; and

(ii) in the computation of his total income his actual earned income had been taken into account instead of his earned income as assessed.

(2) The relief from standard rate tax for which provision is made by paragraph (*a*) of subsection (1) of this section shall be given, so far as possible, from second instalments of standard rate tax for the year 1939–40, and, so far as it cannot be so given, shall be given by repayment; and the reduction of relief for which provision is made by the proviso to the said subsection (1) shall be effected, so far as possible, by reducing or extinguishing the said relief from standard rate tax, and only as respects any balance by reducing the relief from surtax for which provision is made by paragraph (*b*) of that subsection.

(3) If, on a claim made for the purposes of this section within the time limited by subsection (1) thereof, the individual proves that, owing to such circumstances as are mentioned in the said subsection (1), his actual earned income for the year 1939–40 was less than his earned income as assessed for that year but it appears that it was more than four-fifths thereof, this section shall nevertheless apply to him, but with the following

PART II. —*cont.*

modifications of paragraphs (*a*) and (*b*) of the said subsection (1), that is to say—

(*a*) the relief from standard rate tax provided for by the said paragraph (*a*) shall be the relief to which he would have been entitled if his actual earned income had been four-fifths of his income as assessed, reduced by the difference between his actual earned income and four-fifths of his earned income as assessed; and

(*b*) the relief from surtax provided for by the said paragraph (*b*) shall be such reduction, if any, in the amount of the surtax payable by him as would result from including, in computing his total income, four-fifths of his earned income as assessed instead of his earned income as assessed.

(4) The actual earned income and the earned income as assessed, for the year 1939–40, and, in cases where the proviso to subsection (1) of this section applies, also for the year 1938–39, shall be computed irrespective of losses carried forward from previous years or deductions for wear and tear so carried forward, and effect shall be given to the provisions of the Income Tax Acts providing for relief in respect of such losses and such wear and tear as if, in that year or, as the case may be, those years, the relevant assessments had in fact been made by reference to the actual earned income.

(5) Notwithstanding anything in this section, relief shall not be given thereunder to any individual so as to reduce the amount of tax payable by him below the amount which he is entitled to deduct, retain or charge against any other person.

(6) Section nineteen of the Finance Act, 1925 (which relates to the procedure to be followed where claims are made for certain exemptions and reliefs) shall apply to claims made for the purposes of this section as it applies to the claims therein mentioned.

(7) In this section, unless the context otherwise requires—

(*a*) the expression "earned income" means any income which is charged under Schedule B or Schedule D, and is immediately derived by an individual from the carrying on or exercise by

PART II. —*cont.*

him of his trade, profession or vocation, either as an individual or, in the case of a partnership, as a partner personally acting therein, and any income which is charged under Schedule E;

(*b*) the expression "earned income as assessed" means, in relation to any year, the amount of earned income assessed and charged to standard rate tax for that year;

(*c*) the expression "actual earned income" means, in relation to any year, the amount of earned income which would be assessed and charged to standard rate tax for that year if the amount thereof were in all cases computed by reference to the actual income for that year and not by reference to the income for any other year or period;

(*d*) the expression "standard rate tax" means tax computed by reference to the standard rate;

(*e*) references to an individual include, in cases where the profits of a wife are deemed to be profits of the husband, references to his wife or her husband, as the case may be.

PART III.

EXCESS PROFITS TAX.

Charge of excess profits tax.

12.—(1) Where the profits arising in any chargeable accounting period from any trade or business to which this section applies exceed the standard profits, there shall, subject to the provisions of this Part of this Act, be charged on the excess a tax (to be called the excess profits tax) equal to three-fifths of the excess.

(2) Subject as hereafter provided, the trades and businesses to which this section applies are all trades or businesses of any description carried on in the United Kingdom, or carried on, whether personally or through an agent, by persons ordinarily resident in the United Kingdom.

(3) The carrying on of a profession by an individual or by individuals in partnership shall not be deemed to be the carrying on of a trade or business to which

PART III, —*cont.*

this section applies if the profits of the profession are dependent wholly or mainly on his or their personal qualifications:

Provided that for the purpose of this subsection the expression "profession" does not include any trade or business consisting wholly or mainly in the making of contracts on behalf of other persons or the giving to other persons of advice of a commercial nature in connection with the making of contracts.

(4) Where the functions of a company or society incorporated by or under any enactment consist wholly or mainly in the holding of investments or other property, the holding of the investments or property shall be deemed for the purpose of this section to be a business carried on by the company or society.

(5) All trades or businesses to which this section applies carried on by the same person shall be treated as one trade or business for the purposes of this Part of this Act.

Computation of standard profits.

13.—(1) For the purposes of this Part of this Act, the standard profits of a trade or business shall, in relation to any chargeable accounting period, be taken, if the person carrying on the trade or business so elects, to be the minimum amount specified in subsection (2) of this section, and, in the absence of such an election, to be the amount of the standard profits for a full year computed in accordance with the provisions of subsections (3) to (9) of this section:

Provided that in relation to a chargeable accounting period which is less than twelve months, the standard profits shall be taken to be the amount in question proportionately reduced so as to correspond with the length of the period.

(2) The minimum amount referred to in subsection (1) of this section is one thousand pounds, or, in the case of a trade or business carried on by a partnership or by a company the directors whereof have a controlling interest therein, such greater sum, not exceeding three thousand pounds, as is arrived at by allowing seven hundred and fifty pounds for each working proprietor in the trade or business.

PART III. —*cont.*

In this subsection—

(*a*) the expression "working proprietor" means a proprietor who has, during more than one-half of the chargeable accounting period in question, worked full time in the actual management or conduct of the trade or business;

(*b*) the expression "proprietor" means, in the case of a trade or business carried on by a partnership, a partner therein, and, in the case of a company, any director thereof owning not less than one-fifth of the share capital of the company.

(3) If the trade or business was commenced on or before the first day of July, nineteen hundred and thirty-six, the standard profits for a full year shall be ascertained by reference to the profits of the standard period as hereinafter defined and, subject as hereinafter provided, shall be, where the standard period is one year, the amount of those profits and, where the standard period is two years, half the amount of those profits:

Provided that if the average amount of the capital employed in the trade or business in any chargeable accounting period is greater or less than the average amount of the capital employed therein in the standard period, the standard profits for a full year shall, in relation to that chargeable accounting period, be increased, or, as the case may be, decreased, by the statutory percentage of the increase or decrease in the average amount of the capital employed in the trade or business.

(4) If the trade or business was commenced on or before the first day of January, nineteen hundred and thirty-five, the standard period shall be, at the option of the person carrying on the trade or business, either the year nineteen hundred and thirty-five, the year nineteen hundred and thirty-six, the years nineteen hundred and thirty-five and nineteen hundred and thirty-seven or the years nineteen hundred and thirty-six and nineteen hundred and thirty-seven.

(5) If the trade or business was commenced after the first day of January, nineteen hundred and thirty-five, and on or before the first day of January, nineteen hundred and thirty-six, the standard period shall, at the option of the person carrying on the trade or

PART III. —*cont.*

business, be the year nineteen hundred and thirty-six or that and the following year.

(6) If the trade or business was commenced after the first day of January, nineteen hundred and thirty-six, and on or before the first day of July in that year, the standard period shall be such consecutive period of twelve months ending not later than the end of June, nineteen hundred and thirty-seven, as the person carrying on the trade or business may select.

(7) If, on the application of the person carrying on the trade or business, the Board of Referees are satisfied that, in the standard period, the rate of profit or the volume of business was less than might then have been reasonably expected, they may direct that the standard profits for a full year shall be ascertained as if the profits for the standard period were such greater amount as they think just:

Provided that where the person carrying on the trade or business is a company, the said amount shall not exceed the amount necessary to provide dividends for the standard period—

(*a*) as respects the paid-up ordinary share capital of the company, of six per cent. per annum;

(*b*) as respects any other paid-up share capital of the company, at the fixed rate per annum payable in respect thereof,

unless the Board are satisfied that owing to some specific cause peculiar to the trade or business it is just that a greater amount should be allowed.

(8) In the case of a trade or business commenced after the first day of July, nineteen hundred and thirty-six, the standard profits for a full year shall, in relation to any chargeable accounting period, be the statutory percentage of the average amount of the capital employed in the trade or business in that chargeable accounting period.

(9) In this section the expression "statutory percentage" means—

(*a*) in relation to a trade or business carried on by a body corporate (other than a company the directors whereof have a controlling interest therein), eight per cent.;

(*b*) in relation to a trade or business not so carried on, ten per cent.:

Provided that in relation to any decrease of capital the statutory percentage shall be in all cases six per cent. PART III. —*cont.*

Provisions as to computation of profits and capital.

14.—(1) For the purposes of this Part of this Act, the profits arising from a trade or business in the standard period or in any chargeable accounting period shall be separately computed, and shall be so computed on income tax principles as adapted in accordance with the provisions of Part I of the Seventh Schedule to this Act:

Provided that where a standard period or chargeable accounting period is not an accounting period, the profits or losses of the trade or business for any accounting periods wholly or partly included within the standard period or chargeable accounting period shall be so computed as aforesaid, and such division and apportionment of those profits or losses and such aggregation of those profits or losses, or any apportioned part thereof, shall be made as appears necessary to arrive at the profits arising in the standard period or chargeable accounting period; and any such apportionment shall be made in proportion to the number of months or fractions of months in the respective periods, unless the Commissioners, having regard to any special circumstances, otherwise direct.

For the purposes of this subsection, the expression "income tax principles" in relation to a trade or business means the principles on which the profits arising from the trade or business are computed for the purposes of income tax under Case I of Schedule D, or would be so computed if income tax were chargeable under that Case in respect of the profits so arising.

(2) The average amount of the capital employed in a trade or business in the standard period or any chargeable accounting period shall be computed in accordance with Part II of the Seventh Schedule to this Act.

(3) Losses shall be computed for the purposes of this Part of this Act in the same manner as, under this section, profits are to be computed for those purposes.

Relief in respect of deficiency of profits.

15.—(1) For the purposes of this Part of this Act a deficiency of profits shall be deemed to have occurred in a trade or business in any chargeable accounting

PART III. —*cont.*

period if the profits arising from the trade or business in that period are less than the standard profits, or if a loss is sustained in the trade or business in that period; and the amount of the deficiency occurring in any such period shall be taken to be—

(*a*) where profits have been made in the period, the amount by which those profits fall short of the standard profits;

(*b*) where a loss has been sustained in the period, the amount of the loss added to the amount of the standard profits.

(2) Where a deficiency of profits occurs in any chargeable accounting period in any trade or business, the profits chargeable with excess profits tax arising from the trade or business shall be deemed to be reduced, and relief shall be granted in accordance with the following provisions :—

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

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

Succession and amalgamation.

16.—(1) As from the date of any change in the persons carrying on a trade or business, the trade or business shall, subject to the provisions of this section, be deemed for the purposes of this Part of this Act to have been discontinued, and a new trade or business to have been commenced.

(2) Where the change took place before the first day of April, nineteen hundred and thirty-nine, and consisted in the death or retirement of a partner, or the taking in of a partner, the persons carrying on the trade or business after the change may, by notice in writing to the Commissioners, elect that, for the purposes of the provisions of this Part of this Act relating to the computation of standard profits, the trade or business shall not be deemed to have been discontinued.

(3) A trade or business shall not, for the purposes of the provisions of this Part of this Act relating to the computation of standard profits, be deemed to be discontinued by reason of any change occurring on or after the first day of April, nineteen hundred and thirty-nine, in the persons carrying it on, and the standard profits of the trade or business in relation to any chargeable accounting period shall be computed accordingly, and, in particular, in computing the capital employed in the trade or business after the change, no regard shall be had to any consideration given in respect of the transfer of the trade or business or any of the assets thereof on the occasion of the change.

(4) Where, on or after the first day of April, nineteen hundred and thirty-nine, two or more trades or businesses are amalgamated, the resulting trade or business shall be treated for the purposes of the provisions of this Part of this Act relating to the computation of standard profits as if—

(*a*) it had been in existence throughout the period during which there were in existence any of the former trades or businesses;

(*b*) any profits made or losses incurred or capital employed in any of those former trades or businesses had been made, incurred or employed in the resulting trade or business; and

(*c*) any assets of any of those former trades or businesses had become assets of the resulting trade or business when they became assets of the former trade or business;

and, in particular, in computing the capital employed in the resulting trade or business, no regard shall be had to any consideration given in respect of the transfer of any of those former trades or businesses or any of the assets thereof on the occasion of the amalgamation.

PART III. —*cont.*

(5) Where, on or after the first day of April, nineteen hundred and thirty-nine, part of a trade or business is transferred as a going concern by the person theretofore carrying it on to another person, the part transferred and the part not transferred shall each be deemed for the purposes of the provisions of this Act relating to the computation of standard profits to be a continuation of the original trade or business, and the said provisions, including the provisions of this section relating to amalgamations, shall apply accordingly, subject to any necessary modifications:

Provided that, for the purposes aforesaid, such apportionments shall be made of the profits made, and losses incurred, and the capital employed, in the original trade or business, and of any assets of the original trade or business, as may appear to the Commissioners, or, on appeal to the Board of Referees, to that Board, to be just.

(6) Notwithstanding anything in the foregoing provisions of this section, where a trade or business was carried on immediately before the first day of July, nineteen hundred and thirty-six, and that trade or business, or the main part of that trade or business, was transferred after the said day and before the first day of April, nineteen hundred and thirty-nine, by the person carrying it on to another person, the Commissioners, if they are satisfied that the trade or business carried on after the transference was not substantially different from the trade or business or part transferred, may, on the application of the person carrying on the trade or business after the transference, treat that person, for the purposes of the provisions of this Act relating to the computation of standard profits, as if he had carried on the transferred trade or business or part of a trade or business as from the date of the commencement of that trade or business, subject, however, to such modifications (including modifications as respects the computation of capital) as may be just:

Provided that if the Commissioners refuse an application under this subsection or if the applicant is dissatisfied with any modifications made by the Commissioners, the applicant may appeal to the Board of Referees.

PART III. —*cont.* Provisions as to interconnected companies.

17.—(1) Where any interest, annuity or other annual payment, or any royalty or rent, is paid by one body corporate to another body corporate, and one of those bodies corporate is a subsidiary of the other, or both are subsidiaries of a third body corporate, the capital, profits and losses of both bodies corporate shall be computed for the purposes of this Part of this Act as if—

(*a*) the interest, annuity, annual payment, royalty or rent were not payable;

(*b*) any debt in respect of which any such interest is payable did not exist; and

(*c*) any asset in respect of which any such royalty or rent is payable were the property of the body corporate paying the royalty or the rent.

(2) Where—

(*a*) a body corporate (hereinafter referred to as "the principal company") is resident in the United Kingdom and is not a subsidiary of any other body corporate resident in the United Kingdom; and

(*b*) during the whole or any part of any chargeable accounting period of the principal company, another body corporate, whether or not resident or carrying on business within the United Kingdom (hereinafter referred to as "the subsidiary company") is a subsidiary of the principal company,

the following provisions of this section shall have effect in relation to that chargeable accounting period.

(3) If the subsidiary company is a subsidiary of the principal company throughout the chargeable accounting period, such capital employed in, and profits or losses arising from, the trade or business of the subsidiary company as is employed or arise in—

(i) the chargeable accounting period; or

(ii) any year constituting or comprised in the standard period of the principal company,

shall be treated for the purposes of this Part of this Act as if it or they were capital employed in, or as the case may be, profits or losses arising from, the trade or business of the principal company.

PART III. —*cont.*

(4) If the subsidiary company is a subsidiary of the principal company during part only of the chargeable accounting period, the excess or deficiency of profits of the subsidiary company for that part of that period shall be treated as increasing or, as the case may be, decreasing the excess or deficiency of profits of the principal company for the whole period and shall not be deemed to be an excess or deficiency of profits of the subsidiary company.

In this subsection, the expressions "excess" and "deficiency" mean, in relation to profits, an excess or deficiency in relation to the standard profits of the subsidiary company or, as the case may be, the principal company.

(5) In any case in which subsection (3) or subsection (4) of this section applies, such alteration, if any, of the periods which would otherwise be the chargeable accounting periods of the subsidiary company shall be made as the Commissioners may direct.

(6) For the purposes of this section, a body corporate shall be deemed to be a subsidiary of another body corporate if and so long as not less than nine-tenths of its ordinary share capital is owned by that other body corporate, whether directly or through another body corporate or other bodies corporate, or partly directly and partly through another body corporate or other bodies corporate; and the provisions of subsections (2) and (3) of section forty-two of, and Part I of the Fourth Schedule to, the Finance Act, 1938, shall have effect for the purposes of this subsection as they have effect for the purposes of the said section forty-two.

Relation of excess profits tax to income tax.

18.—(1) The amount of the excess profits tax payable in respect of a trade or business for any chargeable accounting period shall, in computing for the purposes of income tax the profits and gains arising from that trade or business, be allowed to be deducted as an expense incurred in that period:

Provided that where, under the provisions of this Act relating to deficiencies of profits, relief is given by way of repayment from excess profits tax chargeable for any chargeable accounting period previous to that in which the deficiency occurs, the amount of the deduction allowed under this section shall not be altered but the amount repayable shall be taken into account in computing the profits and gains of the trade or business for

the purposes of income tax as if it were a profit of the trade or business accruing in the chargeable accounting period in which the deficiency occurs.

(2) The provisions of this section do not apply to the computation of the profits of a trade or business for the purposes of the national defence contribution.

Relation of excess profits tax to national defence contribution.

19.—(1) In the case of each chargeable accounting period to which this section applies, there shall be computed the total excess profits tax chargeable for that period and all previous chargeable accounting periods to which this section applies, and the total national defence contribution chargeable for all those periods.

The said total excess profits tax shall be computed as if there were no national defence contribution and the said total national defence contribution shall be computed as if there were no excess profits tax.

(2) If, in the case of any chargeable accounting period to which this section applies, the total national defence contribution computed under subsection (1) of this section is the higher, the national defence contribution and not excess profits tax shall be charged in respect of that period, but in any other event excess profits tax, and not the national defence contribution, shall be charged in respect of that period:

Provided that the amount charged shall not in any event exceed the difference between the higher of the said totals and the total of the amounts, whether of national defence contribution or excess profits tax, charged (and not repaid) in respect of the previous chargeable accounting periods, if any, to which this section applies.

(3) Where the profits chargeable with excess profits tax arising in any chargeable accounting period to which this section applies are deemed to be reduced by reason of a deficiency occurring in any subsequent chargeable accounting period, the amount of excess profits tax repaid or otherwise allowed shall, notwithstanding the reduction, not exceed such an amount as will reduce the total excess profits tax chargeable for all the chargeable accounting periods (up to and including that in which the deficiency occurs) to the total national defence contribution which would have been chargeable in respect of all those periods if this Part of this Act had not been passed.

PART III. —*cont.*

(4) The chargeable accounting periods to which this section applies are the chargeable accounting periods (as defined by this Part of this Act in relation to excess profits tax) which fall before the first day of April, nineteen hundred and forty-two :

Provided that where a chargeable accounting period as so defined falls partly before and partly after the said date, this section shall have effect as if so much of that chargeable accounting period as falls before the said date were a separate chargeable accounting period as so defined, and as if the profits or losses of that separate chargeable accounting period were an apportioned part of the profits or losses arising in the whole period.

(5) Where a chargeable accounting period to which this section applies is not also a chargeable accounting period for the purposes of national defence contribution—

(*a*) references to the national defence contribution for that chargeable accounting period shall be taken to be references to a sum arrived at by apportioning and aggregating the amounts of national defence contribution payable in respect of any chargeable accounting period (as defined for the purposes of the national defence contribution) which falls wholly or partly within the first mentioned chargeable accounting period;

(*b*) effect shall be given to any provision of this section requiring relief to be given from the national defence contribution payable in respect of a chargeable accounting period to which this section applies by apportioning the amount of that relief among the chargeable accounting periods (as defined for the purposes of the national defence contribution) which fall wholly or partly within the first mentioned chargeable accounting period, and making reductions accordingly in the amounts payable by way of national defence contribution in respect of those periods.

(6) Any apportionment required to be made by this section shall be made by reference to the number of months or fractions of months in the period to which the apportionment relates.

Repeal of armament profits duty.

20. Armament profits duty shall not be charged and accordingly Part III of the Finance Act, 1939, and the Ninth Schedule to that Act are hereby repealed.

PART III. —*cont.* Assessment, collection, appeals, &c.

21.—(1) Excess profits tax shall be assessed and collected by the Commissioners, and shall be due and payable at the expiration of one month from the date of assessment, and shall be recoverable as a debt due to His Majesty from the person on whom it is assessed.

(2) The provisions of the Fifth Schedule to the Finance Act, 1937 (which relate to the assessment and the collection of the national defence contribution, appeals and supplementary provisions), including the provisions therein enabling the Commissioners to make regulations, shall have effect with respect to excess profits tax as they have effect with respect to the national defence contribution: 1 Edw. 8. & 1 Geo. 6. c. 54.

Provided that—

(*a*) no appeal shall lie to the General or Special Commissioners in respect of any matter with respect to which an appeal lies to the Board of Referees, or which is by this Part of this Act to be decided by that Board, or is left to the discretion of the Commissioners;

(*b*) the Commissioners shall have the like power of making regulations with respect to the hearing of appeals and the deciding of any matters by the Board of Referees under this Part of this Act as they have of making regulations with respect to the hearing of appeals under Part II of the said Schedule.

Interpretation of Part III.

22. For the purposes of this Part of this Act—

(*a*) the expression "the Commissioners" means the Commissioners of Inland Revenue;

(*b*) the expression "the Board of Referees" means the Board of Referees for the purpose of Rule 6 of the Rules applicable to Cases I and II of Schedule D of the Income Tax Act, 1918;

(*c*) the expressions "company" and "director", and, except in the provisions of this Part of this Act relating to subsidiary companies, the expression "ordinary share capital", have the same meanings as they have for the purposes of the Fourth Schedule to the Finance Act, 1937;

PART III. —*cont.*

(*d*) the expression "the fixed rate", in relation to share capital other than ordinary share capital, includes a rate fluctuating in accordance with the standard rate of income tax;

(*e*) the expression "chargeable accounting period" means, in relation to excess profits tax—

(*a*) any accounting period beginning on or after the first day of April, nineteen hundred and thirty-nine; and

(*b*) so much of any accounting period beginning before that date as falls on or after that date;

(*f*) the accounting periods of a trade or business shall be determined in the same manner as the accounting periods of a trade or business are directed by subsection (2) of section twenty of the Finance Act, 1937, to be determined for the purposes of the national defence contribution.

PART IV.

ESTATE DUTY.

Increased rates of Estate duty.

23. In the case of persons dying after the twenty-seventh day of September, nineteen hundred and thirty-nine, section twenty-nine of the Finance Act, 1939 (which relates to the rates of Estate duty) shall not apply, and the rates of Estate duty set out in the Second Schedule to the Finance Act, 1930, shall—

(*a*) so far as they relate to estates the principal value of which exceeds ten thousand pounds but does not exceed fifty thousand pounds, be increased, in the case of each rate, by one-tenth of the amount thereof; and

(*b*) so far as they relate to estates the principal value of which exceeds fifty thousand pounds, be increased, in the case of each rate, by one-fifth of the amount thereof:

Provided that, where an interest in expectancy within the meaning of Part I of the Finance Act, 1894, in any property (other than property deemed to pass on a death by virtue of section thirty-five of the Finance Act, 1930) has, before the twenty-eighth day of September,

57 & 58 Vict. c. 30.

nineteen hundred and thirty-nine, been bona fide sold or mortgaged for full consideration in money or money's worth— PART IV. —*cont.*

(i) no other duty on that property shall be payable by the purchaser or mortgagee when the interest falls into possession than would have been payable if this section had not passed; and

(ii) in the case of a mortgage, any higher duty payable by the mortgagor shall rank as a charge subsequent to that of the mortgagee.

PART V.

GENERAL.

24.—(1) This Act may be cited as the Finance (No. 2) Act, 1939. Short title, construction and extent.

(2) Part I of this Act—

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

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

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

(3) Part II of this Act shall be construed as one with the Income Tax Acts.

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

(5) Any reference in this Act to any other enactment shall, unless the contrary is expressly provided or the context otherwise requires, be construed as a reference to that enactment as amended by any subsequent enactment, including this Act.

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

SCHEDULES

Section 1.

FIRST SCHEDULE.

BEER (RATES OF DUTY AND DRAWBACK).

PART I.

RATE OF EXCISE DUTY.

	£	s.	d.
For every 36 gallons of worts of a specific gravity of 1,027 degrees or less - - - - - - - -	2	8	0
For every 36 gallons of worts of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees - - - - - -	2	8	0
For every additional degree in excess of 1,027 degrees - - - - - - - - - -	0	2	0

And so in proportion for any less number of gallons.

PART II.

RATE OF EXCISE DRAWBACK.

	£	s.	d.
For every 36 gallons of beer of an original gravity of 1,027 degrees or less - - - - - - - -	2	8	2
For every 36 gallons of beer of an original gravity exceeding 1,027 degrees—			
For the first 1,027 degrees - - - - - -	2	8	2
For every additional degree in excess of 1,027 degrees - - - - - - - - - -	0	2	0

And so in proportion for any less number of gallons.

As respects beer of an original gravity of less than 1,027 degrees, the amount of drawback allowable shall not exceed by more than twopence for every 36 gallons the amount of duty which is shown to the satisfaction of the Commissioners to have been paid.

1ST SCH. —*cont.*

PART III.

RATE OF CUSTOMS DUTY IN CASE OF BEER BEING AN EMPIRE PRODUCT.

	£	s.	d.
For every 36 gallons, where the worts thereof were, before fermentation, of a specific gravity of 1,027 degrees or less	2	8	5
For every 36 gallons, where the worts thereof were, before fermentation, of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees	2	8	5
For every additional degree in excess of 1,027 degrees	0	2	0

And so in proportion for any less number of gallons.

PART IV.

RATE OF CUSTOMS DUTY IN CASE OF BEER NOT BEING AN EMPIRE PRODUCT.

	£	s.	d.
For every 36 gallons, where the worts thereof were, before fermentation, of a specific gravity of 1,027 degrees or less	3	8	5
For every 36 gallons, where the worts thereof were, before fermentation, of a specific gravity exceeding 1,027 degrees—			
For the first 1,027 degrees	3	8	5
For every additional degree in excess of 1,027 degrees	0	2	0

And so in proportion for any less number of gallons.

PART V.

RATE OF CUSTOMS DRAWBACK IN CASE OF BEER BEING AN EMPIRE PRODUCT.

	£	s.	d.
For every 36 gallons of an original gravity of 1,027 degrees or less	2	8	2
For every 36 gallons of an original gravity exceeding 1,027 degrees—			
For the first 1,027 degrees	2	8	2
For every additional degree in excess of 1,027 degrees	0	2	0

And so in proportion for any less number of gallons.

1ST SCH. —*cont.*

As respects beer of an original gravity of less than 1,027 degrees, the amount of drawback allowable shall not exceed the amount of duty which is shown to the satisfaction of the Commissioners to have been paid, less threepence for every 36 gallons.

PART VI.

RATE OF CUSTOMS DRAWBACK IN CASE OF BEER NOT BEING AN EMPIRE PRODUCT.

	£	s.	d.
For every 36 gallons of an original gravity of 1,027 degrees or less - - - - - - - - -	3	8	2
For every 36 gallons of an original gravity exceeding 1,027 degrees—			
For the first 1,027 degrees - - - - -	3	8	2
For every additional degree in excess of 1,027 degrees - - - - - - - - -	0	2	0

And so in proportion for any less number of gallons.

As respects beer of an original gravity of less than 1,027 degrees, the amount of drawback allowable shall not exceed the amount of duty which is shown to the satisfaction of the Commissioners to have been paid, less threepence for every 36 gallons.

SECOND SCHEDULE.

Section 2.

SPIRITS (RATES OF ORDINARY CUSTOMS DUTY).

1. Description of Spirits.	2. Preferential Rates.		3. Full Rates.	
	In cask.	In bottle.	In cask.	In bottle.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
For every gallon computed at proof of—				
Brandy or rum - -	4 2 10	4 3 10	4 5 4	4 6 4
Imitation rum or geneva	4 2 11	4 3 11	4 5 5	4 6 5
Unsweetened spirits other than those already enumerated - -	4 2 11	4 2 11	4 5 5	4 5 5
For every gallon of perfumed spirits - - -	6 12 0	6 13 0	6 16 0	6 17 0
For every gallon of liqueurs, cordials, mixtures and other preparations in bottle entered in such manner as to indicate that the strength is not to be tested - - - -	—	5 12 7	—	5 15 11
For every gallon computed at proof of spirits of any description not heretofore mentioned, including naphtha and methylic alcohol purified so as to be potable, and mixtures and preparations containing spirit - - -	4 2 11	4 3 11	4 5 5	4 6 5

Section 3.

THIRD SCHEDULE.

WINE (RATES OF CUSTOMS DUTY).

PART I.

NON-EMPIRE PRODUCTS.

Description of Wine.	Rate of duty per gallon. s.	d.
Not exceeding 25 degrees proof spirit	6	0
Exceeding 25 degrees proof spirit and not exceeding 42 degrees proof spirit	12	0
For every degree or fraction of a degree above 42 degrees proof spirit, an additional duty	1	0
Sparkling, an additional duty	12	6
Still, in bottle, an additional duty	2	0

PART II.

EMPIRE PRODUCTS.

Description of Wine.	Rate of duty per gallon. s.	d.
Exceeding 27 degrees proof spirit and not exceeding 42 degrees proof spirit	8	0
For every degree or fraction of a degree above 42 degrees proof spirit, an additional duty	0	8
Sparkling, an additional duty	6	3
Still, in bottle, an additional duty	1	0

FOURTH SCHEDULE.

Section 5.

TOBACCO (RATES OF DUTY AND DRAWBACK).

PART I.

CUSTOMS DUTIES.

Description of Tobacco.	Rate of duty per pound. s.	d.
Tobacco unmanufactured—		
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof—		
unstripped	13	6
stripped	13	6½
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof—		
unstripped	14	6
stripped	14	6½
Tobacco manufactured, viz.—		
Cigars	22	1
Cigarettes	18	7
Cavendish or Negrohead	17	9
Cavendish or Negrohead manufactured in bond	16	0
Other manufactured tobacco	16	0
Snuff—		
containing more than 13 lbs. of moisture in every 100 lbs. weight thereof	15	4
containing not more than 13 lbs. of moisture in every 100 lbs. weight thereof	17	9

and so in proportion for any less quantity.

PART II.

EXCISE DUTIES.

Description of Tobacco.	Rate of duty per pound. s.	d.
Tobacco unmanufactured—		
containing 10 lbs. or more of moisture in every 100 lbs. weight thereof	11	3½
containing less than 10 lbs. of moisture in every 100 lbs. weight thereof	12	0⅞
Tobacco manufactured, viz.—		
Cavendish or Negrohead manufactured in bond	13	4⅞

and so in proportion for any less quantity.

4TH SCH. —*cont.*

PART III.

DRAWBACK.

Description of Tobacco.	Rate per pound.	
	In respect of tobacco on which full customs duty has been paid.	In respect of tobacco on which customs duty at a preferential rate or excise duty has been paid.
	s. d.	*s. d.*
Cigars	14 9	12 6
Cigarettes	14 6	12 4
Cut, roll, cake or other manufactured tobacco	14 3	12 1
Snuff (not being offal snuff)	14 0	11 11
Stalks, shorts, or other refuse of tobacco, including offal snuff	13 9	11 8

FIFTH SCHEDULE.

Section 6.

SUGAR &c. (RATES OF DUTY AND DRAWBACK).

PART I.

FULL RATES OF CUSTOMS DUTY AND AMOUNTS OF GENERAL PREFERENTIAL REDUCTIONS.

Article.	Full rate of Customs duty.	Amount of General Preferential Reduction.
	s. *d.*	*s.* *d.*
Sugar of a polarisation exceeding 99° —the cwt.	23 4	5 10
Sugar of a polarisation exceeding—		
98° but not exceeding 99° - the cwt.	23 4	7 6·8
97° " " 98° - "	19 3·8	3 11·3
96° " " 97° - "	18 9·7	3 10·0
95° " " 96° - "	18 3·7	3 8·8
94° " " 95° - "	17 9·6	3 7·6
93° " " 94° - "	17 3·6	3 6·3
92° " " 93° - "	16 9·6	3 5·1
91° " " 92° - "	16 3·5	3 3·9
90° " " 91° - "	15 9·5	3 2·6
89° " " 90° - "	15 3·4	3 1·4
88° " " 89° - "	14 9·4	3 0·2
87° " " 88° - "	14 4·3	2 11·1
86° " " 87° - "	13 11·3	2 10·1
85° " " 86° - "	13 6·7	2 9·2
84° " " 85° - "	13 2·2	2 8·3
83° " " 84° - "	12 9·7	2 7·3
82° " " 83° - "	12 5·1	2 6·4
81° " " 82° - "	12 1·1	2 5·6
80° " " 81° - "	11 9·1	2 4·8
79° " " 80° - "	11 5·0	2 4·0
78° " " 79° - "	11 1·0	2 3·1
77° " " 78° - "	10 9·0	2 2·3
76° " " 77° - "	10 4·9	2 1·5
Sugar of a polarisation not exceeding 76° —the cwt.	10 0·9	2 0·6

5TH SCH. —*cont.*

Article.	Full rate of Customs duty.	Amount of General Preferential Reduction.
	s. *d.*	*s.* *d.*
Molasses (except when delivered to a licensed distiller for use in the manufacture of spirits or yeast, or to a person for use in the manufacture of yeast in premises used solely for that purpose) :—		
if containing—		
70 per cent. or more of sweetening matter - - - - the cwt.	14 $9\frac{1}{2}$	3 $8\frac{1}{2}$
less than 70 per cent. and more than 50 per cent. of sweetening matter —the cwt.	10 $7\frac{1}{2}$	2 8
not more than 50 per cent. of sweetening matter - the cwt.	5 $2\frac{1}{2}$	1 $3\frac{1}{2}$
Glucose—		
Solid - - - - - - „	14 $9\frac{1}{2}$	3 $8\frac{1}{2}$
Liquid - - - - - - „	10 $7\frac{1}{2}$	2 8
Saccharin (including substances of a like nature or use) - - - the oz.	7 6	1 $10\frac{1}{2}$

PART II.

RATES OF CUSTOMS DUTY ON CERTIFICATED COLONIAL SUGAR.

Article.	Rate of Duty.	
	s.	*d.*
Sugar of a polarisation exceeding 99° - the cwt.	14	0·7
Sugar of a polarisation exceeding—		
98° but not exceeding 99° - - the cwt.	12	6·3
97° „ „ 98° - - „	12	2·6
96° „ „ 97° - - „	11	10·7
95° „ „ 96° - - „	11	6·9
94° „ „ 95° - - „	11	3·1
93° „ „ 94° - - „	10	11·3
92° „ „ 93° - - „	10	7·5
91° „ „ 92° - - „	10	3·6
90° „ „ 91° - - „	9	11·9
89° „ „ 90° - - „	9	8·0
88° „ „ 89° - - „	9	4·2
87° „ „ 88° - - „	9	1·0

5TH SCH. —*cont.*

Article.		Rate of duty.	
		s.	*d.*
Sugar of a polarisation exceeding—			
86° but not exceeding 87° - -	the cwt.	8	9·8
85° " " 86° - -	"	8	6·9
84° " " 85° - -	"	8	4·1
83° " " 84° - -	"	8	1·2
82° " " 83° - -	"	7	10·3
81° " " 82° - -	"	7	7·8
80° " " 81° - -	"	7	5·3
79° " " 80° - -	"	7	2·6
78° " " 79° - -	"	7	0·1
77° " " 78° - -	"	6	9·6
76° " " 77° - -	"	6	7·0
Sugar of a polarisation not exceeding 76° -	"	6	4·5

PART III.

RATES OF EXCISE DUTY.

1. *Sugar.*

Article.		Rate of Duty.	
		s.	*d.*
Sugar of a polarisation exceeding 99° -	the cwt.	16	3
Sugar of a polarisation exceeding—			
98° but not exceeding 99° - -	the cwt.	14	7·1
97° " " 98° - -	"	14	2·8
96° " " 97° - -	"	13	10·3
95° " " 96° - -	"	13	5·9
94° " " 95° - -	"	13	1·4
93° " " 94° - -	"	12	9·0
92° " " 93° - -	"	12	4·5
91° " " 92° - -	"	12	0·1
90° " " 91° - -	"	11	7·6
89° " " 90° - -	"	11	3·1
88° " " 89° - -	"	10	10·7
87° " " 88° - -	"	10	7·0

5TH SCH. —*cont.*

Article.			Rate of Duty.	
			s.	*d.*
Sugar of a polarisation exceeding—				
86° but not exceeding 87° - -		the cwt.	10	3·3
85°	,, ,, 86° - -	,,	9	11·9
84°	,, ,, 85° - -	,,	9	8·6
83°	,, ,, 84° - -	,,	9	5·2
82°	,, ,, 83° - -	,,	9	1·9
81°	,, ,, 82° - -	,,	8	10·9
80°	,, ,, 81° - -	,,	8	7·9
79°	,, ,, 80° - -	,,	8	5·0
78°	,, ,, 79° - -	,,	8	2·0
77°	,, ,, 78° - -	,,	7	11·0
76°	,, ,, 77° - -	,,	7	8·1
Sugar of a polarisation not exceeding 76° -		,,	7	5·1

2. Molasses, &c.

Article.		Rate of Duty.	
		s.	*d.*
Molasses (including all sugar and extracts from sugar which cannot be completely tested by the polariscope), if containing—			
70 per cent. or more of sweetening matter - - - - - -	the cwt.	10	3½
less than 70 per cent. and more than 50 per cent. of sweetening matter	,,	7	5
not more than 50 per cent. of sweetening matter - - -	,,	3	7½
Glucose—			
Solid - - - - - - - -	,,	10	3½
Liquid - - - - - - - -	,,	7	5
Saccharin (including substances of a like nature or use) - - - - - -	the oz.	5	2½

PART IV.

RATES OF DRAWBACK.

TABLE 1.

SCALE APPLICABLE IN THE CASE OF SUGAR PRODUCED IN THE UNITED KINGDOM FROM MATERIAL ON WHICH DUTY HAS BEEN PAID.

Nature of Sugar.	Rate of Duty Paid.	Rate or Amount of Drawback.
Sugar of a polarisation exceeding 98° produced from material on which the full duties of customs have been paid.	*s. d.* 23 4 per cwt. less than 23 4 „	*s. d.* 23 4 per cwt. 21 0 „
Sugar of a polarisation exceeding 99° produced from material on which customs duty at the general preferential rates has been paid.	17 6 „ „ „ 17 6 „	17 6 „ 16 8·7 „
Sugar of a polarisation exceeding 99° produced from material on which customs duty at the certificated colonial rates has been paid.	14 0·7 „ „ „ 14 0·7 „	14 0·7 „ 13 3·4 „
Sugar of a polarisation exceeding 99° produced from material on which excise duty has been paid.	16 3 „ „ „ 16 3 „	16 3 „ 15 5·7 „
Sugar of a polarisation not exceeding 98° produced from material on which the full duties of customs have been paid and sugar of a polarisation not exceeding 99° produced from material on which customs duty at the general preferential rates or the certificated colonial rates, or excise duty, has been paid.	Any rate of duty.	A drawback equal to the duty chargeable on sugar of the like polarisation.

5TH SCH. —*cont.*

TABLE 2.

SCALE APPLICABLE IN THE CASE OF MOLASSES PRODUCED IN THE UNITED KINGDOM FROM MATERIAL ON WHICH DUTY HAS BEEN PAID.

Nature of Molasses.	Amount of Drawback per cwt.			
	Produced from material on which full customs duty has been paid.	Produced from material on which customs duty at the general preferential rates has been paid.	Produced from material on which customs duty at the certificated colonial rates has been paid.	Produced from material on which excise duty has been paid.
	s. d.	*s. d.*	*s. d.*	*s. d.*
Containing more than 80 per cent. of sweetening matter	15 9	12 6½	9 11½	11 7
Containing more than 70 per cent. but not more than 80 per cent. of sweetening matter - - -	13 10½	11 0½	8 9	10 2½
Containing more than 60 per cent. but not more than 70 per cent. of sweetening matter - - -	10 1½	8 0½	6 4½	7 5½
Containing more than 50 per cent. but not more than 60 per cent. of sweetening matter - - -	7 7	6 0	4 9½	5 7
Containing not more than 50 per cent. of sweetening matter and weighing not less than fourteen pounds to the gallon	5 0½	4 0	3 2	3 8½

In this Part of this Schedule—

(*a*) the expression "the general preferential rates" means the full rates of duty reduced by the amounts of the general preferential reductions specified in Part I of this Schedule;

(*b*) the expression "the certificated colonial rates" means the rates of duty specified in Part II of this Schedule.

SIXTH SCHEDULE.

Sections 7 and 10.

PROVISIONS FOR GIVING EFFECT TO THE CHANGE IN THE STANDARD RATE OF INCOME TAX FOR THE YEAR 1939–40.

1. The amount of tax payable by virtue of any assessment made before the passing of this Act shall, by virtue of this Act and without more, be treated as varied to such extent as is necessary to give effect to the change in the standard rate:

Provided that this paragraph shall not apply in the case of income chargeable under Schedule C, under Rule 6 or 7 of the Miscellaneous Rules applicable to Schedule D, or under Rule 21 of the General Rules.

2. In the case of such income as is mentioned in the proviso to paragraph 1 of this Schedule, any deficiency in the amount of tax deducted from any payment made before the first day of November, nineteen hundred and thirty-nine (being a deficiency arising by reason of the change in the standard rate) shall, so far as possible, be made good by increasing the deduction required or authorised by law to be made from the next payment and, if necessary, the deduction required or authorised by law to be made from subsequent payments (being a payment or payments made after the passing of this Act and before the first day of November, nineteen hundred and forty) by an amount equal to the amount of the deficiency, and the deficiency so made good shall be accounted for and assessed in the same manner as the tax deducted from the original payment.

3. Subject, in any case where paragraph 2 of this Schedule applies, to the provisions of that paragraph, section two hundred and eleven of the Income Tax Act, 1918 (which relates to the charge and deduction of tax in any year not charged or deducted before the passing of the annual Act) shall apply as if—

(*a*) this Act were the Act imposing the tax for the year; and

(*b*) a reference to the first day of November, nineteen hundred and thirty-nine, were, so far as relates to any deficiency in the amount of tax deducted from any payment made after the passing of this Act but before the date aforesaid, substituted for any reference to the passing of the Act imposing the tax for the year; and

6TH SCH. —*cont.*

(*c*) in subsection (1) of the said section the words "half-yearly or quarterly" were omitted, and the words "or the person by or through whom the payments were made, as the case may be," were inserted after the words " the agents entrusted with the payment " of the interest, dividends, or other annual profits or " gains".

Section 14.

SEVENTH SCHEDULE.

COMPUTATION OF PROFITS AND CAPITAL FOR PURPOSES OF EXCESS PROFITS TAX.

PART I.

ADAPTATIONS OF INCOME TAX PRINCIPLES AS TO COMPUTATION OF PROFITS.

1. The profits shall be taken to be the actual profits arising in the accounting period, and the principles of computing profits by reference to any other period and of allowing losses sustained in any other period to be carried forward shall not be followed.

2. There may be deducted in respect of any accounting period a sum (ascertained on the like basis as the amount of a deduction for wear and tear is ascertained under Rule 6 of the Rules applicable to Cases I and II of Schedule D) which represents the diminution in value by reason of wear and tear during that period of any plant or machinery in respect of which a deduction can be made under the said Rule 6, plus, in the case of an accounting period which constitutes or includes the whole or any part of the standard period, ten per cent., and, in the case of any other accounting period, twenty per cent., of that sum.

3.—(1) Where any buildings, plant or machinery have, after the beginning of the year nineteen hundred and thirty-seven, been provided for the purpose of the trade or business by the person carrying on the trade or business, then, if either—

(*a*) on such date as Parliament may hereafter determine, the buildings, plant or machinery have, wholly or partially, become obsolete or ceased to be required and the value thereof is less than the net cost thereof; or

(*b*) the buildings, plant or machinery are sold before the said date at a price which is less than the net cost thereof,

and, in either case, the deficiency is wholly or mainly ascribable to conditions prevailing as a consequence of the present war,

7TH SCH. —*cont.*

there shall be allowed in respect of each accounting period which constitutes or includes a chargeable accounting period such proportion of the deficiency as is properly attributable to that accounting period, less the amount of any allowances for wear and tear or depreciation already made for that period in respect of the buildings, plant or machinery otherwise than under this paragraph, and if any plant or machinery provided as aforesaid is replaced, no allowance other than that made under this paragraph shall be made in respect of the amount expended in the replacement thereof.

The reference in this sub-paragraph to allowances for wear and tear already made for an accounting period shall be construed as including a reference to the additional percentage for which provision is made by paragraph 2 of this Part of this Schedule.

(2) Pending an ascertainment whether any allowance falls to be made under sub-paragraph (1) of this paragraph in respect of buildings, plant or machinery, the Commissioners, if they are satisfied that any buildings, plant or machinery provided as aforesaid are of such a character that it is likely that the conditions specified in the said sub-paragraph will be fulfilled in the case thereof, may allow in any accounting period which constitutes or includes a chargeable accounting period such sums as they think fit, not exceeding ten per cent. (or, if the accounting period is less than a year, a proportionately reduced amount) of the net cost of the buildings, plant or machinery, but any such allowance shall be provisional only, and on the coming of the said date, or, as the case may be, on the previous sale of the buildings, plant or machinery, the amount thereof shall be adjusted so as to accord with the provisions of the said sub-paragraph.

(3) In this paragraph, the expression "net cost" means, in relation to any buildings, plant or machinery, the cost of the provision thereof less any sum provided, or to be provided, directly or indirectly, out of the Consolidated Fund of the United Kingdom or of Northern Ireland, or out of moneys provided by the Parliament of the United Kingdom or the Parliament of Northern Ireland, towards the cost of the provision of the buildings, plant or machinery, or towards any depreciation thereof.

4. The principles of the Income Tax Acts under which deductions are not allowed for interest, annuities or other annual payments payable out of the profits, or for royalties, or (in certain cases) for rent, and under which the annual value of lands, tenements, hereditaments or heritages occupied for the purposes of a business is excluded, and under which a deduction may be allowed in respect of such annual value, shall not be followed:

7TH SCH. —*cont.*

Provided that—

(*a*) nothing in this paragraph shall authorise any deduction in respect of any payment of dividend or distribution of profits;

(*b*) for the purposes of this paragraph, any additional deduction allowable for income tax purposes by virtue of the proviso to paragraph (2) of Rule 5 of the Rules applicable to Cases I and II of Schedule D, and any deduction allowable for those purposes under section eighteen of the Finance Act, 1919, shall not be treated as a deduction in respect of annual value.

5. The provisions of subsection (4) of section twenty-seven of the Finance Act, 1920 (which disallows deductions on account of the payment of Dominion income tax) shall not apply.

6.—(1) Income received from investments shall be included in the profits in the cases and to the extent provided in subparagraph (2) of this paragraph and not otherwise.

(2) In the case of the business of a building society, or of a banking business, assurance business or business consisting wholly or mainly in the dealing in or holding of investments, the profits shall include all income received from investments, being income to which the persons carrying on the business are beneficially entitled.

(3) Where the person carrying on a trade or business is the beneficial owner of any investments, the income from which is by virtue of the provisions of this paragraph not to be taken into account in computing the profits of the trade or business, and a deduction would apart from the provisions of this paragraph fall to be made in respect of interest on borrowed money, the deduction (if any) to be made in respect of that interest shall be computed as if the principal of the borrowed money were reduced by the value of those investments:

Provided that where the person carrying on the trade or business is not a body corporate no such reduction shall be treated as made in the principal of any borrowed money in respect of any investments unless the investments are mortgaged, charged or pledged as security for the repayment of that money and interest thereon.

7. Subject to the provisions of the last foregoing paragraph, the profits shall include all such income arising from the trade or business as is chargeable to income tax under Case I of Schedule D, or would be so chargeable if the profits of the trade or business were chargeable under that Case, except income which is, or would be, exempted from income tax by virtue of section thirty-nine of the Income Tax Act, 1918, or section thirty of the Finance Act, 1921.

11 & 12 Geo. 5. c. 32.

7TH SCH. —*cont.*

8. No deduction shall be made on account of liability to pay, or payment of, United Kingdom income tax, the national defence contribution, or excess profits tax.

9. No deduction shall be made in respect of any transaction or operation of any nature if and so far as it appears that the transaction or operation has artificially reduced or would artificially reduce the profits.

10.—(1) In the case of a trade or business carried on in any accounting period which constitutes or includes a chargeable accounting period by a company the directors whereof have a controlling interest therein,—

(*a*) if the standard profits of the company are computed by reference to the profits of a standard period, no deduction shall be allowed in respect of directors' remuneration in excess of the amount paid for directors' remuneration in respect of the standard period or, if the standard period is longer than the accounting period, in excess of so much of the sum paid for directors' remuneration in respect of the standard period as bears to the total amount thereof the like proportion as the length of the accounting period bears to that of the standard period;

(*b*) if the standard profits are not computed by reference to the profits of a standard period, no deduction shall be allowed in respect of directors' remuneration.

(2) In this paragraph the expression "directors' remuneration" does not include the remuneration of any director who is required to devote substantially the whole of his time to the service of the company in a managerial or technical capacity and is not the beneficial owner of, or able, either directly or through the medium of other companies or by any other indirect means, to control, more than five per cent. of the ordinary share capital of the company.

11. Where the performance of a contract extends beyond the accounting period, there shall (unless the Commissioners, owing to any special circumstances, otherwise direct) be attributed to the accounting period such proportion of the entire profit or loss which has resulted, or which it is estimated will result, from the complete performance of the contract as is properly attributable to the accounting period, having regard to the extent to which the contract was performed therein.

12. Where, in respect of any profits arising from a trade or business, relief from income tax chargeable in the United Kingdom is granted by virtue of arrangements with the Government of any other country, being arrangements which for the time being have effect either—

(*a*) under section eighteen of the Finance Act, 1923 (which as amended by section thirty-one of the Finance Act, 13 & 14 Geo. 5. c. 14. 14 & 15 Geo. 5. c. 21

7TH SCH. —*cont.* 21 & 22 Geo. 5. c. 28.

1924, and section nine of the Finance Act, 1931, provides for the relief of shipping and air transport from double taxation); or

(*b*) under section seventeen of the Finance Act, 1930 (which provides for the relief of certain agencies from double taxation),

those profits shall not be included in the profits arising from that trade or business, if and so long as the profits of trades or businesses which, by virtue of those arrangements, are relieved from income tax chargeable in that other country, are relieved from all taxes chargeable in that other country on the profits of trades or businesses.

13. In computing the profits of a local authority from any trade or business carried on by that authority, a deduction shall be made equal to the total amount which is required to be raised by them for sinking fund purposes in connection with that trade or business in respect of the accounting period.

PART II.

PROVISIONS FOR COMPUTING CAPITAL.

1.—(1) Subject to the provisions of this Part of this Schedule, the amount of the capital employed in a trade or business (so far as it does not consist of money) shall be taken to be—

(*a*) so far as it consists of assets acquired by purchase on or after the commencement of the trade or business, the price at which those assets were acquired, subject to the deductions hereafter specified;

(*b*) so far as it consists of assets being debts due to the person carrying on the trade or business, the nominal amount of those debts, subject to the said deductions;

(*c*) so far as it consists of any other assets which have been acquired otherwise than by purchase as aforesaid, the value of the assets when they became assets of the trade or business, subject to the said deductions.

(2) The price or value of any assets other than a debt shall be subject to the following deductions—

(*a*) a deduction of any sum contributed, directly or indirectly, out of the Consolidated Fund of the United Kingdom or of Northern Ireland, or out of moneys provided by the Parliament of the United Kingdom or the Parliament of Northern Ireland, towards the acquisition of the asset;

(*b*) any such deductions for wear and tear or for depreciation as are authorised by the Income Tax Acts or Part I of this Schedule,

7TH SCH. —*cont.*

and, in the case of a debt, the nominal amount of the debt shall be subject to any deduction which has been allowed in respect thereof for income tax purposes.

(3) Where the price of any asset has been satisfied otherwise than in cash, the then value of the consideration actually given for the asset shall be treated as the price at which the asset was acquired.

(4) For the purposes of the provisions of sub-paragraph (2) of this paragraph relating to deductions for wear and tear or depreciation—

(*a*) any additional percentage allowed under section eighteen of the Finance Act, 1932, or under that section as amended by section twenty-two of the Finance Act, 1938, or under paragraph 2 of Part I of this Schedule shall be treated as part of a deduction for wear and tear;

(*b*) any additional deduction allowable for income tax purposes by virtue of the proviso to paragraph (2) of Rule 5 of the Rules applicable to Cases I and II of Schedule D, and any deduction allowable for those purposes under section eighteen of the Finance Act, 1919, and any allowance made under paragraph 3 of Part I of this Schedule shall be treated as a deduction for depreciation.

2.—(1) Any borrowed money and debts shall be deducted, and in particular any debt for income tax computed by reference to the standard rate or for the national defence contribution or excess profits tax in respect of the trade or business shall be deducted:

Provided that any such debt for income tax or the national defence contribution or excess profits tax shall, for the purposes of this Part of this Schedule, be deemed to have become due—

(*a*) in the case of income tax, on the first day of January in the year of assessment for which the tax is assessable;

(*b*) in the case of the national defence contribution or excess profits tax, on the first day after the end of the chargeable accounting period in respect of which the contribution or tax is assessable;

notwithstanding that the income tax, national defence contribution or excess profits tax may not have been assessed until after those dates respectively.

(2) Where any debt for the excess profits tax assessable in respect of any period is to be deducted under this paragraph, the amount thereof shall not be reduced as the result of any relief to be given in respect of a deficiency of profits occurring in any subsequent period, and the amount of any such relief

7TH SCH. —*cont.*

shall be treated as having become an asset of the trade or business on the first day after the end of the chargeable accounting period in which the deficiency occurred.

3. Any investments the income from which is by virtue of the provisions of Part I of this Schedule not to be taken into account in computing the profits of the trade or business, and any moneys not required for the purposes of the trade or business, shall be left out of account, but where any investments in the beneficial ownership of the person carrying on the trade or business are so left out of account, the sum (if any) to be deducted under the last preceding paragraph in respect of borrowed money shall be computed as if the principal of the borrowed money were reduced by the value of those investments:

Provided that where the person carrying on the trade or business is not a body corporate, no reduction shall be treated as made in the principal of any borrowed money in respect of any investments unless the investments are mortgaged, charged or pledged as security for the repayment of that money and the interest thereon.

4. For the purpose of ascertaining the average amount of capital employed in a trade or business during any period, the profits or losses made in that period shall, except so far as the contrary is shown, be deemed—

(*a*) to have accrued at an even rate throughout the period; and

(*b*) to have resulted, as they accrued, in a corresponding increase or decrease, as the case may be, in the capital employed in the trade or business.

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